

Notes to Consolidated Financial Statements (Continued)

The following tables present the financial data for KKR's reportable segments:

	As of and for the Year Ended December 31, 2017				
	Private Markets	Public Markets	Capital Markets	Principal Activities	Total Reportable Segments
<b>Segment Revenues</b>					
<b>Management, Monitoring and Transaction Fees, Net</b>					
Management Fees	\$ 575,451	\$ 329,737	\$ —	\$ —	\$ 905,188
Monitoring Fees	81,021	—	—	—	81,021
Transaction Fees	288,879	48,370	439,998	—	777,247
Fee Credits	(220,710)	(40,719)	—	—	(261,429)
<b>Total Management, Monitoring and Transaction Fees, Net</b>	<b>724,641</b>	<b>337,388</b>	<b>439,998</b>	<b>—</b>	<b>1,502,027</b>
<b>Performance Income (Loss)</b>					
Realized Incentive Fees	—	73,395	—	—	73,395
Realized Carried Interest	1,198,981	—	—	—	1,198,981
Unrealized Carried Interest	520,807	79,435	—	—	600,242
<b>Total Performance Income (Loss)</b>	<b>1,719,788</b>	<b>152,830</b>	<b>—</b>	<b>—</b>	<b>1,872,618</b>
<b>Investment Income (Loss)</b>					
Net Realized Gains (Losses)	—	—	—	194,020	194,020
Net Unrealized Gains (Losses)	—	—	—	395,358	395,358
Total Realized and Unrealized	—	—	—	589,378	589,378
Interest Income and Dividends	—	—	—	285,696	285,696
Interest Expense	—	—	—	(181,612)	(181,612)
Net Interest and Dividends	—	—	—	104,084	104,084
<b>Total Investment Income (Loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>693,462</b>	<b>693,462</b>
<b>Total Segment Revenues</b>	<b>2,444,429</b>	<b>490,218</b>	<b>439,998</b>	<b>693,462</b>	<b>4,068,107</b>
<b>Segment Expenses</b>					
<b>Compensation and Benefits</b>					
Cash Compensation and Benefits	261,123	63,637	80,093	140,134	544,987
Realized Performance Income Compensation	504,092	29,358	—	—	533,450
Unrealized Performance Income Compensation	213,785	33,816	—	—	247,601
Total Compensation and Benefits	979,000	126,811	80,093	140,134	1,326,038
Occupancy and Related Charges	32,458	6,478	2,747	14,727	56,410
Other Operating Expenses	137,055	31,317	20,513	54,887	243,772
<b>Total Segment Expenses</b>	<b>1,148,513</b>	<b>164,606</b>	<b>103,353</b>	<b>209,748</b>	<b>1,626,220</b>
Income (Loss) attributable to noncontrolling interests	—	—	6,551	—	6,551
<b>Economic Net Income (Loss)</b>	<b>\$ 1,295,916</b>	<b>\$ 325,612</b>	<b>\$ 330,094</b>	<b>\$ 483,714</b>	<b>\$ 2,435,336</b>
<b>Total Assets</b>	<b>\$ 2,313,801</b>	<b>\$ 1,534,027</b>	<b>\$ 484,792</b>	<b>\$ 11,428,692</b>	<b>\$ 15,761,312</b>

Notes to Consolidated Financial Statements (Continued)

As of and for the Year Ended December 31, 2016

	Private Markets	Public Markets	Capital Markets	Principal Activities	Total Reportable Segments
<b>Segment Revenues</b>					
<b>Management, Monitoring and Transaction Fees, Net</b>					
Management Fees	\$ 466,422	\$ 331,440	\$ —	\$ —	\$ 797,862
Monitoring Fees	64,354	—	—	—	64,354
Transaction Fees	132,602	30,155	181,517	—	344,274
Fee Credits	(103,579)	(28,049)	—	—	(131,628)
<b>Total Management, Monitoring and Transaction Fees, Net</b>	<b>559,799</b>	<b>333,546</b>	<b>181,517</b>	<b>—</b>	<b>1,074,862</b>
<b>Performance Income (Loss)</b>					
Realized Incentive Fees	—	33,346	—	—	33,346
Realized Carried Interest	1,252,370	3,838	—	—	1,256,208
Unrealized Carried Interest	(416,060)	(4,312)	—	—	(420,372)
<b>Total Performance Income (Loss)</b>	<b>836,310</b>	<b>32,872</b>	<b>—</b>	<b>—</b>	<b>869,182</b>
<b>Investment Income (Loss)</b>					
Net Realized Gains (Losses)	—	—	—	371,563	371,563
Net Unrealized Gains (Losses)	—	—	—	(584,423)	(584,423)
Total Realized and Unrealized	—	—	—	(212,860)	(212,860)
Interest Income and Dividends	—	—	—	322,857	322,857
Interest Expense	—	—	—	(188,761)	(188,761)
Net Interest and Dividends	—	—	—	134,096	134,096
<b>Total Investment Income (Loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(78,764)</b>	<b>(78,764)</b>
<b>Total Segment Revenues</b>	<b>1,396,109</b>	<b>366,418</b>	<b>181,517</b>	<b>(78,764)</b>	<b>1,865,280</b>
<b>Segment Expenses</b>					
<b>Compensation and Benefits</b>					
Cash Compensation and Benefits	194,240	77,017	29,552	94,207	395,016
Realized Performance Income Compensation	523,448	14,873	—	—	538,321
Unrealized Performance Income Compensation	(159,786)	(1,724)	—	—	(161,510)
Total Compensation and Benefits	557,902	90,166	29,552	94,207	771,827
Occupancy and Related Charges	35,785	9,517	2,474	14,624	62,400
Other Operating Expenses	135,425	38,439	14,994	45,490	234,348
<b>Total Segment Expenses</b>	<b>729,112</b>	<b>138,122</b>	<b>47,020</b>	<b>154,321</b>	<b>1,068,575</b>
Income (Loss) attributable to noncontrolling interests	—	—	2,336	—	2,336
<b>Economic Net Income (Loss)</b>	<b>\$ 666,997</b>	<b>\$ 228,296</b>	<b>\$ 132,161</b>	<b>\$ (233,085)</b>	<b>\$ 794,369</b>
<b>Total Assets</b>	<b>\$ 1,645,364</b>	<b>\$ 1,123,103</b>	<b>\$ 354,187</b>	<b>\$ 10,210,487</b>	<b>\$ 13,333,141</b>

Notes to Consolidated Financial Statements (Continued)

As of and for the Year Ended December 31, 2015

	Private Markets	Public Markets	Capital Markets	Principal Activities	Total Reportable Segments
<b>Segment Revenues</b>					
<b>Management, Monitoring and Transaction Fees, Net</b>					
Management Fees	\$ 465,575	\$ 266,458	\$ —	\$ —	\$ 732,033
Monitoring Fees	264,643	—	—	—	264,643
Transaction Fees	144,652	28,872	191,470	—	364,994
Fee Credits	(195,025)	(24,595)	—	—	(219,620)
<b>Total Management, Monitoring and Transaction Fees, Net</b>	<b>679,845</b>	<b>270,735</b>	<b>191,470</b>	<b>—</b>	<b>1,142,050</b>
<b>Performance Income (Loss)</b>					
Realized Incentive Fees	—	19,647	—	—	19,647
Realized Carried Interest	1,018,201	8,953	—	—	1,027,154
Unrealized Carried Interest	182,628	(19,083)	—	—	163,545
<b>Total Performance Income (Loss)</b>	<b>1,200,829</b>	<b>9,517</b>	<b>—</b>	<b>—</b>	<b>1,210,346</b>
<b>Investment Income (Loss)</b>					
Net Realized Gains (Losses)	—	—	—	337,023	337,023
Net Unrealized Gains (Losses)	—	—	—	(391,962)	(391,962)
Total Realized and Unrealized	—	—	—	(54,939)	(54,939)
Interest Income and Dividends	—	—	—	411,536	411,536
Interest Expense	—	—	—	(203,085)	(203,085)
Net Interest and Dividends	—	—	—	208,451	208,451
<b>Total Investment Income (Loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>153,512</b>	<b>153,512</b>
<b>Total Segment Revenues</b>	<b>1,880,674</b>	<b>280,252</b>	<b>191,470</b>	<b>153,512</b>	<b>2,505,908</b>
<b>Segment Expenses</b>					
<b>Compensation and Benefits</b>					
Cash Compensation and Benefits	193,995	73,863	34,562	107,572	409,992
Realized Performance Income Compensation	407,280	11,438	—	—	418,718
Unrealized Performance Income Compensation	74,560	(7,633)	—	—	66,927
Total Compensation and Benefits	675,835	77,668	34,562	107,572	895,637
Occupancy and Related Charges	33,640	9,808	2,641	16,568	62,657
Other Operating Expenses	127,836	40,591	14,618	50,573	233,618
<b>Total Segment Expenses</b>	<b>837,311</b>	<b>128,067</b>	<b>51,821</b>	<b>174,713</b>	<b>1,191,912</b>
Income (Loss) attributable to noncontrolling interests	1,645	1,259	13,103	—	16,007
<b>Economic Net Income (Loss)</b>	<b>\$ 1,041,718</b>	<b>\$ 150,926</b>	<b>\$ 126,546</b>	<b>\$ (21,201)</b>	<b>\$ 1,297,989</b>
<b>Total Assets</b>	<b>\$ 1,831,716</b>	<b>\$ 1,232,404</b>	<b>\$ 521,927</b>	<b>\$ 9,843,251</b>	<b>\$ 13,429,298</b>

## Notes to Consolidated Financial Statements (Continued)

The following tables reconcile the most directly comparable financial measures calculated and presented in accordance with GAAP to KKR's total reportable segments:

### *Fees and Other*

	For the Years Ended December 31,		
	2017	2016	2015
<b>Fees and Other</b>	\$ 3,282,265	\$ 1,908,093	\$ 1,043,768
Plus: Management fees relating to consolidated funds and placement fees	204,943	178,619	531,027
Less: Fee credits relating to consolidated funds	4,028	2,921	202,269
Plus: Net realized and unrealized carried interest - consolidated funds	58,562	32,651	1,190,699
Plus: Total investment income (loss)	693,462	(78,764)	153,512
Less: Revenue earned by oil & gas producing entities	63,460	65,754	112,328
Less: Reimbursable expenses	123,144	81,549	66,144
Less: Other	(19,507)	25,095	32,357
<b>Total Segment Revenues</b>	<b>\$ 4,068,107</b>	<b>\$ 1,865,280</b>	<b>\$ 2,505,908</b>

### *Expenses*

	For the Years Ended December 31,		
	2017	2016	2015
<b>Total Expenses</b>	\$ 2,336,692	\$ 1,695,474	\$ 1,871,225
Less: Equity based compensation	334,821	264,890	261,579
Less: Reimbursable expenses and placement fees	181,839	148,483	103,307
Less: Operating expenses relating to consolidated funds, CFEs and other entities	82,888	104,339	65,012
Less: Expenses incurred by oil & gas producing entities	46,411	70,312	153,611
Less: Intangible amortization	17,821	6,647	49,766
Less: Other	46,692	32,228	46,038
<b>Total Segment Expenses</b>	<b>\$ 1,626,220</b>	<b>\$ 1,068,575</b>	<b>\$ 1,191,912</b>

### *Net Income (Loss) Attributable to KKR & Co. L.P. Common Unitholders*

	For the Years Ended December 31,		
	2017	2016	2015
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P. Common Unitholders</b>	\$ 984,941	\$ 287,072	\$ 488,482
Plus: Preferred Distributions	33,364	22,235	—
Plus: Net income (loss) attributable to noncontrolling interests held by KKR Holdings L.P.	791,021	212,878	433,693
Plus: Non-cash equity-based charges	346,035	264,890	261,579
Plus: Amortization of intangibles, placement fees and other, net <sup>(1)</sup>	122,870	(17,267)	47,599
Less: Gain from remeasurement of tax receivable agreement liability <sup>(2)</sup>	(67,221)	—	—
Plus: Income tax (benefit)	224,326	24,561	66,636
<b>Economic Net Income (Loss)</b>	<b>\$ 2,435,336</b>	<b>\$ 794,369</b>	<b>\$ 1,297,989</b>

(1) Other primarily represents the statement of operations impact of the accounting convention differences for (i) direct interests in oil & natural gas properties outside of investment funds and (ii) certain interests in consolidated CLOs and other entities. On a segment basis, direct interests in oil & natural gas properties outside of investment funds are carried at fair value with changes in fair value recorded in Economic Net Income (Loss) and certain interests in consolidated CLOs and other entities are carried at cost. See Note 2 "Summary of Significant Accounting Policies" for the GAAP accounting for these direct interests in oil and natural gas producing properties outside investment funds and interests in consolidated CLOs and other entities.

(2) Represents the impacts of the remeasurement of the tax receivable agreement which arises from changes in the associated deferred tax balance, including the impacts related to the 2017 Tax Act.

## Notes to Consolidated Financial Statements (Continued)

The items that reconcile KKR's total reportable segments to the corresponding consolidated amounts calculated and presented in accordance with GAAP for net income (loss) attributable to redeemable noncontrolling interests and income (loss) attributable to noncontrolling interests are primarily attributable to the impact of KKR Holdings L.P., KKR's consolidated funds and certain other entities.

### Assets

	December 31, 2017	December 31, 2016
<b>Total Assets</b>	\$ 45,834,719	\$ 39,002,897
Less: Impact of consolidation of funds and other entities <sup>(1)</sup>	28,659,078	24,367,570
Less: Carry pool reclassification from liabilities	1,220,559	987,994
Less: Impact of KKR Management Holdings Corp.	193,770	314,192
<b>Total Segment Assets</b>	<b>\$ 15,761,312</b>	<b>\$ 13,333,141</b>

(1) Includes accounting basis difference for oil & natural gas properties of \$25,042 and \$15,242 as of December 31, 2017 and 2016, respectively.

## 15. EQUITY

### *Transfer of Interests Under Common Control and Other*

On March 30, 2017, KKR reorganized KKR's Indian capital markets and credit asset management businesses, to create KKR India Financial Investments Pte. Ltd. ("KIFL"). This reorganization transaction was accounted for as a transfer of interests under common control, and the difference between KKR's carrying value before and after the transaction was treated as a reallocation of equity interests. No gain or loss was recognized in the consolidated financial statements.

On November 24, 2017, KIFL issued equity to an unaffiliated third-party. This transaction was accounted for as a subsidiary's direct issuance of its equity to third-parties, and the difference between KKR's carrying value before and after the transaction was treated as a reallocation of equity interests. No gain or loss was recognized in the consolidated financial statements.

Both transactions above resulted in an increase to KKR's equity and to noncontrolling interests held by KKR Holdings.

### *Unit Repurchase Program*

KKR has a total of \$750.0 million authorized to repurchase its common units, of which \$459.0 million has been spent to repurchase 31.7 million common units as of February 21, 2018. Under this common unit repurchase program, common units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing, manner, price and amount of any unit repurchases will be determined by KKR in its discretion and will depend on a variety of factors, including legal requirements, price and economic and market conditions. KKR expects that the program, which has no expiration date, will be in effect until the maximum approved dollar amount has been used to repurchase common units. The program does not require KKR to repurchase any specific number of common units, and the program may be suspended, extended, modified or discontinued at any time. See consolidated statements of changes in equity for the amount of common units repurchased during the years ended December 31, 2016 and 2015. There were no common units repurchased pursuant to this program during the year ended December 31, 2017.

### *Distribution Policy*

Under KKR's distribution policy for its common units, KKR intends to make equal quarterly distributions to holders of its common units in an amount of \$0.17 per common unit per quarter. The declaration and payment of any distributions are subject to the discretion of the board of directors of the general partner of KKR and the terms of its limited partnership agreement. There can be no assurance that distributions will be made as intended or at all, that unitholders will receive sufficient distributions to satisfy payment of their tax liabilities as limited partners of KKR or that any particular distribution policy will be maintained.

## Notes to Consolidated Financial Statements (Continued)

### *Preferred Units*

On March 17, 2016, KKR & Co. L.P. issued 13,800,000 units of 6.75% Series A Preferred Units, and on June 20, 2016, KKR issued 6,200,000 units of 6.50% Series B Preferred Units, in each case, in an underwritten public offering. The Series A Preferred Units and Series B Preferred Units trade on the NYSE under the symbols "KKR PR A" and "KKR PRA B", respectively. The terms of the preferred units are set forth in the limited partnership agreement of KKR & Co. L.P.

If declared, distributions on the preferred units are payable quarterly on March 15, June 15, September 15 and December 15 of each year, at a rate per annum equal to 6.75% , in the case of the Series A Preferred Units and 6.50% in the case of the Series B Preferred Units. Distributions on the preferred units are discretionary and non-cumulative. Holders of preferred units will only receive distributions on such units when, as and if declared by the board of directors of the general partner of KKR & Co. L.P. We have no obligation to declare or pay any distribution for any distribution period, whether or not distributions on any series of preferred units are declared or paid for any other distribution period.

Unless distributions have been declared and paid (or declared and set apart for payment) on the preferred units for a quarterly distribution period, we may not declare or pay distributions on, or repurchase, any units of KKR & Co. L.P. that are junior to the preferred units, including our common units, during such distribution period. A distribution period begins on a distribution payment date and extends to, but excludes, the next distribution payment date.

If KKR & Co. L.P. dissolves, then the holders of the Series A Preferred Units and Series B Preferred Units are entitled to receive payment of a \$25.00 liquidation preference per preferred unit, plus declared and unpaid distributions, if any, to the extent that we have sufficient gross income (excluding any gross income attributable to the sale or exchange of capital assets) such that holders of such preferred units have capital account balances equal to such liquidation preference, plus declared and unpaid distributions, if any.

The Series A and Series B Preferred Units do not have a maturity date. However, the Series A Preferred Units may be redeemed at our option, in whole or in part, at any time on or after June 15, 2021, at a price of \$25.00 per Series A Preferred Unit, plus declared and unpaid distributions, if any. The Series B Preferred Units may be redeemed at our option, in whole or in part, at any time on or after September 15, 2021, at a price of \$25.00 per Series B Preferred Unit, plus declared and unpaid distributions, if any. Holders of preferred units have no right to require the redemption of such units.

If a certain change of control event with a ratings downgrade occurs prior to June 15, 2021, the Series A Preferred Units may be redeemed at our option, in whole but not in part, upon at least 30 days' notice, within 60 days of the occurrence of such change of control event, at a price of \$25.25 per Series A Preferred Unit, plus declared and unpaid distributions, if any. If a certain change of control event with a ratings downgrade occurs prior to September 15, 2021, the Series B Preferred Units may be redeemed at our option, in whole but not in part, upon at least 30 days' notice, within 60 days of the occurrence of such change of control event, at a price of \$25.25 per Series B Preferred Unit, plus declared and unpaid distributions, if any. If such a change of control event occurs (whether before, on or after June 15, 2021, in the case of the Series A Preferred Units and September 15, 2021, in the case of the Series B Preferred Units) and we do not give such notice, the distribution rate per annum on the applicable series of preferred units will increase by 5.00% , beginning on the 31st day following such change of control event.

The Series A and Series B Preferred Units are not convertible into common units of KKR & Co. L.P. and have no voting rights, except that holders of preferred units have certain voting rights in limited circumstances relating to the election of directors following the failure to declare and pay distributions, certain amendments to the terms of the preferred units, and the creation of preferred units that are senior to the Series A Preferred Units and Series B Preferred Units.

In connection with the issuance of the preferred units, the KKR Group Partnerships issued for the benefit of KKR & Co. L.P. two series of preferred units with economic terms that mirror those of each series of preferred units.

**Notes to Consolidated Financial Statements (Continued)**

**16. GOODWILL AND INTANGIBLE ASSETS**

***Goodwill***

As of December 31, 2016, the carrying value of goodwill was \$89.0 million, which was allocated to Public Markets and Principal Activities in the amounts of \$59.0 million and \$30.0 million, respectively. As part of the PAAMCO Prisma transaction that occurred on June 1, 2017, goodwill of \$5.5 million was included in determining the gain on the contribution of Prisma Capital Partners LP and its affiliates to PAAMCO Prisma Holdings LLC. In accordance with ASC 350, the amount of goodwill included in the gain calculation was based on the relative fair values of Prisma Capital Partners LP and its affiliates, which was integrated in Public Markets, and the remaining portion of Public Markets. Subsequent to this transaction the remaining carrying value of goodwill in Public Markets and Principal Activities is \$53.5 million and \$30.0 million, respectively, as of December 31, 2017.

Goodwill is recorded in Other Assets in the consolidated statements of financial condition. All of the goodwill is currently expected to be deductible for tax purposes. See Note 8 "Other Assets and Accounts Payable, Accrued Expenses and Other Liabilities."

***Intangible Assets***

Intangible Assets, Net consists of the following:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Finite-Lived Intangible Assets	\$ 190,526	\$ 251,768
Accumulated Amortization	(61,348)	(116,744)
<b>Intangible Assets, Net</b>	<b>\$ 129,178</b>	<b>\$ 135,024</b>

Changes in Intangible Assets, Net consists of the following:

	<b>For the Years Ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
Balance, Beginning of Period	\$ 135,024	\$ 176,987
Amortization Expense	(17,811)	(26,387)
Foreign Exchange	2,173	(160)
Additions <sup>(1)</sup>	115,425	—
Write-Offs <sup>(2)</sup>	—	(15,416)
Other <sup>(3)</sup>	(105,633)	—
<b>Balance, End of Period</b>	<b>\$ 129,178</b>	<b>\$ 135,024</b>

(1) Represents acquired investment management contractual rights.

(2) Represents the write-off of certain investment management contractual rights.

(3) Represents the removal of intangible assets in connection with the PAAMCO Prisma transaction.

Amortization expense including foreign exchange relating to intangible assets held at December 31, 2017 is expected to be as follows:

2018	\$ 16,401
2019	13,328
2020	13,160
2021	12,590
2022	12,475
2023 and thereafter	61,224
	<b>\$ 129,178</b>

The intangible assets as of December 31, 2017 are expected to amortize over a weighted-average period of 9.6 years.

## 17. COMMITMENTS AND CONTINGENCIES

*Debt Covenants*

Borrowings of KKR contain various debt covenants. These covenants do not, in management's opinion, materially restrict KKR's operating business or investment strategies as of December 31, 2017. KKR is in compliance with its debt covenants in all material respects as of December 31, 2017.

*Funding Commitments*

As of December 31, 2017, KKR had unfunded commitments consisting of \$5,697.0 million to its active private equity and other investment vehicles. In addition to the uncalled commitments to KKR's investment funds, KKR has entered into contractual commitments with respect to (i) the purchase of investments and other assets in its Principal Activities segment, and (ii) underwriting transactions, debt financing, and syndications in KKR's Capital Markets segment. As of December 31, 2017, these commitments amounted to \$750.7 million and \$731.8 million, respectively. Whether these amounts are actually funded, in whole or in part, depends on the contractual terms of such commitments, including the satisfaction or waiver of any conditions to closing or funding. The unfunded commitments shown for KKR's Capital Markets segment are shown without reflecting arrangements that may reduce the actual amount of contractual commitments shown; KKR's capital market business has an arrangement with a third party, which reduces its risk when underwriting certain debt transactions. In the case of purchases of investments or assets in its Principal Activities segment, the amount to be funded includes amounts that are intended to be syndicated to third parties, and the actual amounts to be funded may be less than shown.

*Strategic Business Development Company ("BDC") Partnership with FS Investments Corporation*

On December 11, 2017, KKR announced a definitive agreement to form a new strategic BDC partnership with FS Investment Corporation. This transaction would be completed through a combination of cash and other assets and is anticipated to close during 2018, subject to stockholder approvals and the satisfaction of certain other closing conditions.

*Non-cancelable Operating Leases*

KKR's non-cancelable operating leases consist primarily of leases of office space around the world. There are no material rent holidays, contingent rent, rent concessions or leasehold improvement incentives associated with any of these property leases. In addition to base rentals, certain lease agreements are subject to escalation provisions and rent expense is recognized on a straight-line basis over the term of the lease agreement.

As of December 31, 2017, the approximate aggregate minimum future lease payments, net of sublease income, required on the operating leases are as follows:

2018	\$	51,203
2019		49,233
2020		45,544
2021		13,618
2022 and thereafter		23,817
<b>Total minimum payments required</b>	<b>\$</b>	<b>183,415</b>

*Contingent Repayment Guarantees*

The partnership documents governing KKR's carry-paying funds, including funds relating to private equity, infrastructure, energy, real estate, mezzanine, direct lending and special situations investments, generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. Under a clawback obligation, upon the liquidation of a fund, the general partner is required to return, typically on an after-tax basis, previously distributed carry to the extent that, due to the diminished performance of later investments, the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, including the effects of any performance thresholds. Excluding carried interest received by the general partners of funds that were not contributed to KKR in the acquisition of the assets and liabilities of KKR & Co. (Guernsey) L.P. (formerly known as KKR Private Equity Investors, L.P.) on October 1, 2009 (the "KPE Transaction"), as of December 31, 2017, \$19.2 million of carried interest was subject to this clawback obligation, assuming that all applicable carry-paying funds were liquidated at their December 31, 2017 fair values.



## Notes to Consolidated Financial Statements (Continued)

Had the investments in such funds been liquidated at zero value, the clawback obligation would have been \$1,920.9 million. Carried interest is recognized in the statement of operations based on the contractual conditions set forth in the agreements governing the fund as if the fund were terminated and liquidated at the reporting date and the fund's investments were realized at the then estimated fair values. Amounts earned pursuant to carried interest are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment amounts earned decrease or turn negative in subsequent periods, recognized carried interest will be reversed and to the extent that the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, a clawback obligation would be recorded. For funds that are consolidated, this clawback obligation, if any, is reflected as an increase in noncontrolling interests in the consolidated statements of financial condition. For funds that are not consolidated, this clawback obligation, if any, is reflected as a reduction of KKR's investment balance as this is where carried interest is initially recorded.

Prior to the KPE Transaction in 2009, certain principals who received carried interest distributions with respect to certain private equity funds contributed to KKR had personally guaranteed, on a several basis and subject to a cap, the contingent obligations of the general partners of such private equity funds to repay amounts to fund investors pursuant to the general partners' clawback obligations. The terms of the KPE Transaction require that principals remain responsible for any clawback obligations relating to carry distributions received prior to the KPE Transaction, up to a maximum of \$223.6 million. Through investment realizations made to date, however, it is no longer possible for the principals to be required to pay any such clawback obligation. Carry distributions arising subsequent to the KPE Transaction may give rise to clawback obligations that may be allocated generally to KKR and persons who participate in the carry pool. In addition, guarantees of or similar arrangements relating to clawback obligations in favor of third party investors in an individual investment partnership by entities KKR owns may limit distributions of carried interest more generally.

### *Indemnifications and Other Guarantees*

KKR may incur contingent liabilities for claims that may be made against it in the future. KKR enters into contracts that contain a variety of representations, warranties and covenants, including indemnifications. For example, certain of KKR's investment funds and KFN have provided certain indemnities relating to environmental and other matters and have provided nonrecourse carve-out guarantees for fraud, willful misconduct and other customary wrongful acts, each in connection with the financing of certain real estate investments that KKR has made. In addition, KKR has also provided credit support to certain of its subsidiaries' obligations in connection with a limited number of investment vehicles that KKR manages. For example, KKR has guaranteed the obligations of a general partner to post collateral on behalf of its investment vehicle in connection with such vehicle's derivative transactions, and KKR has also agreed to be liable for certain investment losses and/or for providing liquidity in the events specified in the governing documents of other investment vehicles. KKR has also provided credit support regarding repayment obligations to third-party lenders to certain of its employees, excluding its executive officers, in connection with their personal investments in KKR investment funds and to a strategic partner regarding the ownership of its business. KKR also may become liable for certain fees payable to sellers of businesses or assets if a transaction does not close, subject to certain conditions, if any, specified in the acquisition agreements for such businesses or assets. KKR's maximum exposure under these arrangements is currently unknown and KKR's liabilities for these matters would require a claim to be made against KKR in the future.

### *Litigation*

From time to time, KKR is involved in various legal proceedings, lawsuits and claims incidental to the conduct of KKR's business. KKR's business is also subject to extensive regulation, which may result in regulatory proceedings against it.

In December 2017, KKR & Co. L.P. and its Co-Chief Executive Officers were named as defendants in a lawsuit pending in Kentucky state court alleging, among other things, the violation of fiduciary and other duties in connection with certain separately managed accounts that Prisma Capital Partners LP, a former subsidiary of KKR, manages for the Kentucky Retirement Systems. Also named as defendants in the lawsuit are certain current and former trustees and officers of the Kentucky Retirement Systems, Prisma Capital Partners LP, and various other service providers to the Kentucky Retirement Systems and their related persons.

KKR currently is and expects to continue to become, from time to time, subject to examinations, inquiries and investigations by various U.S. and non U.S. governmental and regulatory agencies, including but not limited to the SEC, Department of Justice, state attorney generals, Financial Industry Regulatory Authority, or FINRA, and the U.K. Financial Conduct Authority. Such examinations, inquiries and investigations may result in the commencement of civil, criminal or administrative proceedings against KKR or its personnel.

## Notes to Consolidated Financial Statements (Continued)

Moreover, in the ordinary course of business, KKR is and can be both the defendant and the plaintiff in numerous lawsuits with respect to acquisitions, bankruptcy, insolvency and other types of proceedings. Such lawsuits may involve claims that adversely affect the value of certain investments owned by KKR's funds.

KKR establishes an accrued liability for legal proceedings only when those matters present loss contingencies that are both probable and reasonably estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. No loss contingency is recorded for matters where such losses are either not probable or reasonably estimable (or both) at the time of determination. Such matters may be subject to many uncertainties, including among others (i) the proceedings may be in early stages; (ii) damages sought may be unspecified, unsupported, unexplained or uncertain; (iii) discovery may not have been started or is incomplete; (iv) there may be uncertainty as to the outcome of pending appeals or motions; (v) there may be significant factual issues to be resolved; or (vi) there may be novel legal issues or unsettled legal theories to be presented or a large number of parties. Consequently, management is unable to estimate a range of potential loss, if any, related to these matters. In addition, loss contingencies may be, in part or in whole, subject to insurance or other payments such as contributions and/or indemnity, which may reduce any ultimate loss.

It is not possible to predict the ultimate outcome of all pending legal proceedings, and some of the matters discussed above seek or may seek potentially large and/or indeterminate amounts. As of such date, based on information known by management, management has not concluded that the final resolutions of the matters above will have a material effect upon the financial statements. However, given the potentially large and/or indeterminate amounts sought or may be sought in certain of these matters and the inherent unpredictability of investigations and litigations, it is possible that an adverse outcome in certain matters could, from time to time, have a material effect on KKR's financial results in any particular period.

### 18. REGULATORY CAPITAL REQUIREMENTS

KKR has registered broker-dealer subsidiaries which are subject to the minimum net capital requirements of the SEC and the FINRA. Additionally, KKR entities based in London and Dublin are subject to the regulatory capital requirements of the U.K. Financial Conduct Authority and the Central Bank of Ireland, respectively. In addition, KKR has an entity based in Hong Kong which is subject to the capital requirements of the Hong Kong Securities and Futures Ordinance, an entity based in Tokyo subject to the capital requirements of Financial Services Authority of Japan, and two entities based in Mumbai which are subject to capital requirements of the Reserve Bank of India and the Securities and Exchange Board of India. All of these entities have continuously operated in excess of their respective minimum regulatory capital requirements.

The regulatory capital requirements referred to above may restrict KKR's ability to withdraw capital from its registered broker-dealer entities. At December 31, 2017, approximately \$185.8 million of cash at KKR's registered broker-dealer entities may be restricted as to the payment of cash dividends and advances to KKR.

**Notes to Consolidated Financial Statements (Continued)**

**19. QUARTERLY FINANCIAL DATA (UNAUDITED)**

	<b>For the Three Months Ended,</b>			
	<b>March 31, 2017</b>	<b>June 30, 2017</b>	<b>September 30, 2017</b>	<b>December 31, 2017</b>
<b>Statement of Operations Data:</b>				
Fees and Other	\$ 715,952	\$ 931,788	\$ 692,877	\$ 941,648
Less: Total Expenses	540,014	629,728	530,247	636,703
Total Investment Income (Loss)	662,498	585,002	234,728	356,567
Income (Loss) Before Taxes	838,436	887,062	397,358	661,512
Income Tax / (Benefit)	40,542	18,538	18,420	146,826
Net Income (Loss)	797,894	868,524	378,938	514,686
Less: Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	20,933	22,387	20,876	9,776
Less: Net Income (Loss) Attributable to Noncontrolling Interests	509,277	432,150	196,158	330,180
Net Income (Loss) Attributable to KKR & Co. L.P.	267,684	413,987	161,904	174,730
Less: Net Income Attributable to Series A Preferred Unitholders	5,822	5,822	5,822	5,822
Less: Net Income Attributable to Series B Preferred Unitholders	2,519	2,519	2,519	2,519
Net Income (Loss) Attributable to KKR & Co. L.P. Common Unitholders	\$ 259,343	\$ 405,646	\$ 153,563	\$ 166,389
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P. Per Common Unit</b>				
Basic	\$ 0.57	\$ 0.87	\$ 0.33	\$ 0.35
Diluted	\$ 0.52	\$ 0.81	\$ 0.30	\$ 0.32
<b>Weighted Average Common Units Outstanding</b>				
Basic	453,695,846	466,170,025	471,758,886	481,165,742
Diluted	496,684,340	501,177,423	506,873,177	520,156,583

	<b>For the Three Months Ended,</b>			
	<b>March 31, 2016</b>	<b>June 30, 2016</b>	<b>September 30, 2016</b>	<b>December 31, 2016</b>
<b>Statement of Operations Data:</b>				
Fees and Other	\$ 162,805	\$ 576,757	\$ 687,056	\$ 481,475
Less: Total Expenses	308,323	423,218	511,117	452,816
Total Investment Income (Loss)	(612,928)	125,737	809,649	440,148
Income (Loss) Before Taxes	(758,446)	279,276	985,588	468,807
Income Tax / (Benefit)	1,890	6,045	10,826	5,800
Net Income (Loss)	(760,336)	273,231	974,762	463,007
Less: Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	(38)	1,533	3,121	(13,092)
Less: Net Income (Loss) Attributable to Noncontrolling Interests	(430,359)	172,115	611,288	296,789
Net Income (Loss) Attributable to KKR & Co. L.P.	(329,939)	99,583	360,353	179,310
Less: Net Income Attributable to Series A Preferred Unitholders	—	5,693	5,822	5,822
Less: Net Income Attributable to Series B Preferred Unitholders	—	—	2,379	2,519
Net Income (Loss) Attributable to KKR & Co. L.P. Common Unitholders	\$ (329,939)	\$ 93,890	\$ 352,152	\$ 170,969
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P. Per Common Unit</b>				
Basic	\$ (0.73)	\$ 0.21	\$ 0.79	\$ 0.38
Diluted	\$ (0.73)	\$ 0.19	\$ 0.73	\$ 0.35
<b>Weighted Average Common Units Outstanding</b>				
Basic	450,262,143	448,221,538	445,989,300	451,154,845
Diluted	450,262,143	481,809,612	479,975,675	484,312,804



**20. SUBSEQUENT EVENTS**

***Common Unit Distribution***

A distribution of \$0.17 per KKR & Co. L.P. common unit was announced on February 8, 2018, and will be paid on March 6, 2018 to common unitholders of record as of the close of business on February 20, 2018. KKR Holdings will receive its pro rata share of the distribution from the KKR Group Partnerships.

***Preferred Unit Distributions***

A distribution of \$0.421875 per Series A Preferred Unit has been declared as announced on February 8, 2018 and set aside for payment on March 15, 2018 to holders of record of Series A Preferred Units as of the close of business on March 1, 2018.

A distribution of \$0.406250 per Series B Preferred Unit has been declared as announced on February 8, 2018 and set aside for payment on March 15, 2018 to holders of record of Series B Preferred Units as of the close of business on March 1, 2018.

***KFN Preferred Share Redemption***

On January 16, 2018, KFN completed the redemption of all of its outstanding 7.375% Series A LLC Preferred Shares. Following the delisting of the Series A LLC Preferred Shares from the NYSE, KFN is no longer subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, and ceased filing reports with the SEC.

***KFN Issued 5.200% Notes Due 2033***

On February 12, 2018, KFN issued \$120.0 million aggregate principal amount of 5.200% Senior Notes due 2033 (the "KFN 2033 Senior Notes"). The KFN 2033 Senior Notes are unsecured and unsubordinated obligations of KFN and will mature on February 12, 2033, unless earlier redeemed or repurchased. The KFN 2033 Senior Notes bear interest at a rate of 5.200% per annum, accruing from February 12, 2018. Interest is payable semi-annually in arrears on February 12 and August 12 of each year.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

### ITEM 9A. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that the information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and such information is accumulated and communicated to management, including the Co-Chief Executive Officers and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurances of achieving the desired control objectives.

As of the period ended December 31, 2017, we carried out an evaluation, under the supervision and with the participation of our management, including the Co-Chief Executive Officers and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based upon that evaluation, our Co-Chief Executive Officers and Chief Financial Officer have concluded that, as of the period ended December 31, 2017, our disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

#### Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) is a process designed by, or under the supervision of, a company's principal executive and principal financial officers and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2017. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework* that was issued in 2013. Based on its assessment, our management has concluded that, as of December 31, 2017, our internal control over financial reporting is effective.

#### Changes in Internal Control Over Financial Reporting

No changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) of the Exchange Act) occurred during the fourth quarter of 2017 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### Attestation Report of the Independent Registered Public Accounting Firm

Deloitte & Touche LLP, our independent registered public accounting firm that audited our consolidated financial statements included in this Annual Report, has issued its attestation report on our internal control over financial reporting, which is included in Item 8. Financial Statements and Supplementary Data.

**ITEM 9B. OTHER INFORMATION.**

None.

## PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

**Our Managing Partner**

As is commonly the case with limited partnerships, our limited partnership agreement provides for the management of our business and affairs by a general partner rather than a board of directors. Our Managing Partner serves as our sole general partner. Our Managing Partner has a board of directors that is co-chaired by our founders Henry Kravis and George Roberts, who also serve as our Co-Chief Executive Officers and are authorized to appoint our other officers. Our Managing Partner does not have any economic interest in our partnership.

**Directors and Executive Officers**

The following table presents certain information concerning the board of directors and executive officers of our Managing Partner.

<b>Name</b>	<b>Age</b>	<b>Position with Managing Partner</b>
Henry R. Kravis	74	Co-Chief Executive Officer, Co-Chairman and Director
George R. Roberts	74	Co-Chief Executive Officer, Co-Chairman and Director
Joseph Y. Bae	46	Co-President, Co-Chief Operating Officer and Director
Scott C. Nuttall	45	Co-President, Co-Chief Operating Officer and Director
David C. Drummond	54	Director
Joseph A. Grundfest	66	Director
John B. Hess	63	Director
Patricia F. Russo	65	Director
Thomas M. Schoewe	65	Director
Robert W. Scully	68	Director
William J. Janetschek	55	Chief Financial Officer
David J. Sorkin	58	General Counsel and Secretary

**Henry R. Kravis** co-founded KKR in 1976 and is Co-Chairman and Co-Chief Executive Officer of our Managing Partner. He is actively involved in managing the firm and serves on regional Private Equity Investment Committees. Mr. Kravis currently serves on the boards of First Data Corporation and ICONIQ Capital, LLC. He also serves as a director, chairman emeritus or trustee of several cultural, professional, and educational institutions, including the Business Council, Claremont McKenna College, Columbia Business School, Mount Sinai Hospital, the Partnership for New York City, the Partnership Fund for New York City, Rockefeller University, Sponsors for Educational Opportunity and Tsinghua University School of Economics and Management. Mr. Kravis founded the Kravis Leadership Institute at Claremont McKenna College, where he established the Kravis Prize in Leadership, which honors leadership in the non-profit sector. He earned a B.A. from Claremont McKenna College in 1967 and an M.B.A. from the Columbia Business School in 1969. Mr. Kravis has more than four decades of experience financing, analyzing, and investing in public and private companies, as well as serving on the boards of a number of KKR portfolio companies. As our co-founder and Co-Chief Executive Officer, Mr. Kravis has an intimate knowledge of KKR's business, which allows him to provide insight into various aspects of our business and is of significant value to the board of directors. Mr. Kravis is a first cousin of Mr. Roberts.

**George R. Roberts** co-founded KKR in 1976 and is Co-Chairman and Co-Chief Executive Officer of our Managing Partner. He is actively involved in managing the firm and serves on regional Private Equity Investment Committees. Mr. Roberts serves as a director or trustee of several cultural and educational institutions, including Claremont McKenna College. He is also founder and chairman of the board of directors of REDF, a San Francisco nonprofit organization. He earned a B.A. from Claremont McKenna College in 1966 and a J.D. from the University of California (Hastings) Law School in 1969. Mr. Roberts has more than four decades of experience financing, analyzing, and investing in public and private companies, as well as serving on the boards of a number of KKR portfolio companies. As our co-founder and Co-Chief Executive Officer, Mr. Roberts has an intimate knowledge of KKR's business, which allows him to provide insight into various aspects of our business and is of significant value to the board of directors. Mr. Roberts is a first cousin of Mr. Kravis.



**Joseph Y. Bae** joined KKR in 1996 and is Co-President and Co-Chief Operating Officer of our Managing Partner. Mr. Bae has been a member of the board of directors of our Managing Partner since July 16, 2017. Prior to July 2017, when he was promoted to his current position, he was the managing partner of KKR Asia and the global head of KKR's infrastructure and energy real asset businesses. He is the chairman of KKR's Asia and Americas Private Equity Investment Committees and serves on KKR's European Private Equity, Growth Equity, Energy, Infrastructure, Real Estate and Special Situations Investment Committees. He is also a member of KKR's Inclusion and Diversity Council. Prior to KKR, Mr. Bae worked for Goldman Sachs & Co. in its principal investment area, where he was involved in a broad range of merchant banking transactions. He has a B.A., magna cum laude, from Harvard College. Mr. Bae serves on the boards of a number of non-profit educational and cultural institutions including, as a trustee for Phillips Andover Academy, the Global Advisory Council at Harvard University, a board member of the Lincoln Center, The Asia Society and the Asia Art Archives. Mr. Bae's intimate knowledge of KKR's business and operations and his experience in a variety of senior leadership roles within KKR provide significant value to the board of directors.

**Scott C. Nuttall** joined KKR in 1996 and is Co-President and Co-Chief Operating Officer of our Managing Partner. Mr. Nuttall has been a member of the board of directors of our Managing Partner since July 16, 2017. Prior to July 2017, when he was promoted to his current position, he was the head of KKR's global capital and asset management group, where he was responsible for overseeing KKR's Public Markets and distribution businesses, which include credit, capital markets, hedge funds and its Client and Partner Group. Mr. Nuttall also serves on KKR's balance sheet committee and the firm's Inclusion and Diversity Council. He is currently a member of the board of directors of First Data Corporation. Prior to joining KKR, he was with the Blackstone Group where he was involved in numerous merchant banking and merger and acquisition transactions. He received a B.S., summa cum laude, from the University of Pennsylvania. He has served on the board of various non-profit institutions with a particular focus on education, most recently as co-chairman of Teach for America - New York. Mr. Nuttall's intimate knowledge of KKR's business and operations and his experience in a variety of senior leadership roles within KKR provide significant value to the board of directors.

**David C. Drummond** has been a member of the board of directors of our Managing Partner since March 14, 2014. Mr. Drummond has served as the senior vice president, corporate development of Alphabet Inc. (and its predecessor Google Inc.) since January 2006, as its chief legal officer since December 2006 and as its secretary since 2002. Previously, he served as Google Inc.'s vice president, corporate development and general counsel since February 2002 to December 2005. Prior to joining Google Inc., from July 1999 to February 2002, Mr. Drummond served as chief financial officer of SmartForce, an educational software applications company. Prior to that, Mr. Drummond was a partner at the law firm of Wilson Sonsini Goodrich & Rosati. Mr. Drummond holds a Juris Doctor degree from Stanford Law School and a Bachelor of Arts degree in history from Santa Clara University. Mr. Drummond provides significant value to the oversight and development of our business through his management and leadership roles at a publicly-traded global technology business and his insight into legal developments affecting global enterprises.

**Joseph A. Grundfest** has been a member of the board of directors of our Managing Partner since July 15, 2010. Mr. Grundfest has been a member of the faculty of Stanford Law School since 1990, where he is the William A. Franke Professor of Law and Business. He is also senior faculty of the Arthur and Toni Rembe Rock Center for Corporate Governance at Stanford University; co-director of Directors' College, a venue for the continuing professional education of directors of publicly traded corporations; and co-founder of Financial Engines, Inc., a provider of services and advice to participants in employer-sponsored retirement plans, where he has served as a director since its inception in 1996. Prior to joining the Stanford Law School faculty, Mr. Grundfest was a Commissioner of the SEC from 1985 to 1990. He holds a B.A. in Economics from Yale University and a J.D. from Stanford Law School. Mr. Grundfest's knowledge and expertise in capital markets, corporate governance, and securities laws provides significant value to the oversight and development of our business.

**John B. Hess** has been a member of the board of directors of our Managing Partner since July 28, 2011. Mr. Hess has been the chief executive officer of Hess Corporation since 1995 and a director since 1978. He was also director of Dow Chemical Co. from 2006 to 2013. He serves as a member of the Business Council, the Trilateral Commission and the Council on Foreign Relations and on the executive committee of the American Petroleum Institute and previously served on the Secretary of Energy Advisory Board Quadrennial Review Task Force. Mr. Hess is a member of the board of trustees at the Center for Strategic and International Studies, Mount Sinai Hospital, the Lincoln Center for the Performing Arts and the Dean's Advisors at Harvard Business School, and chairs The Harvard Business School Campaign. Mr. Hess earned a B.A. from Harvard College and an M.B.A. from Harvard Business School. Mr. Hess provides significant value to the oversight and development of our business through his management and leadership roles at a global energy business, and his involvement with major businesses and public policy organizations also provides valuable perspectives for our business.

**Patricia F. Russo** has been a member of the board of directors of our Managing Partner since April 15, 2011. Ms. Russo served as chief executive officer of Alcatel-Lucent from 2006 to 2008. Prior to the merger of Alcatel and Lucent in 2006, she served as chairman of Lucent Technologies, Inc. from 2003 to 2006, and as president and chief executive officer from 2002 to 2006. Before rejoining Lucent in 2002, Ms. Russo was president and chief operating officer of Eastman Kodak Company from March 2001 to December 2001. Since November 2016, Ms. Russo has served on the board of Arconic Inc., which separated from Alcoa Inc., where Ms. Russo served as a director from 2008 to November 2016. She also has served as the chairman of Hewlett Packard Enterprise Company since 2015 and as a director of, Merck & Co., Inc. since 2009 and General Motors Company since 2009. Prior to its merger with Merck in 2009, Ms. Russo served as a director of Schering-Plough since 1995, and she served as a director of Hewlett Packard Company from 2011 to November 2015. She graduated from Georgetown University with a bachelor's degree in political science and history, and obtained an Advanced Management Degree from Harvard Business School's Advanced Management Program. Ms. Russo's management and leadership experience as chief executive officer of complex global companies as well as her experience with corporate strategy, mergers and acquisitions, and sales and marketing brings important expertise to the oversight and development of our business. Ms. Russo also brings extensive experience in corporate governance as a member of boards and board committees of other public companies.

**Thomas M. Schoewe** has been a member of the board of directors of our Managing Partner since March 14, 2011. Mr. Schoewe was executive vice president and chief financial officer for Wal-Mart Stores, Inc., a position he held from 2000 to 2010, and was employed by Walmart in a transitional capacity to January 2011. Prior to his employment at Walmart, Mr. Schoewe served as senior vice president and chief financial officer for Black and Decker Corp., a position he held from 1993 to 1999. Prior to that, he served for four years as Black and Decker's vice president of finance. He previously held the position of vice president of business planning and analysis. He joined Black and Decker in 1986 after serving at Chicago-based Beatrice Companies, where he was chief financial officer and controller of Beatrice Consumer Durables, Inc. He has served on the board of directors of Northrop Grumman Corporation and General Motors Company since 2011. From 2001 to May 2012, he served on the board of directors of PulteGroup Inc., which merged with Centex Corporation in 2009 and previously served on the Centex board. Mr. Schoewe graduated from Loyola University of Chicago with a bachelor's of business administration degree in finance. Mr. Schoewe's experience in financial reporting, accounting and controls, and business planning and analysis, together with his significant international experience as an executive of large multinational companies, brings important expertise to the oversight and development of our business. Mr. Schoewe also has experience with large-scale, transformational information technology implementations at Wal-Mart and Black and Decker.

**Robert W. Scully** has been a member of the board of directors of our Managing Partner since July 15, 2010. Mr. Scully was a member of the Office of the Chairman of Morgan Stanley from 2007 until his retirement in 2009, where he had previously been co-president, chairman of global capital markets and vice chairman of investment banking. Prior to joining Morgan Stanley in 1996, he served as a managing director at Lehman Brothers and at Salomon Brothers. Mr. Scully has served as a director of Zoetis Inc. since June 2013, Chubb Limited since January 2016, and prior to its acquisition of Chubb Limited, a director of ACE Limited from May 2014 to January 2016, and UBS Group AG since May 2016. Previously, he was a director of Bank of America Corporation from August 2009 to May 2013 and a public governor of the Financial Industry Regulatory Authority, Inc. from October 2014 to May 2016. He has also served as a director of GMAC Financial Services and MSCI Inc. He holds an A.B. from Princeton University and an M.B.A. from Harvard Business School. Mr. Scully serves on the Board of Dean's Advisors of Harvard Business School. Mr. Scully's 35-year career in the financial services industry brings important expertise to the oversight of our business. In addition, his leadership experience with a global financial services company brings an industry perspective to our business development within and outside the United States as well as issues such as talent development, senior client relationship management, strategic initiatives, risk management and audit and financial reporting.

**William J. Janetschek** joined KKR in 1997 and is Chief Financial Officer of our Managing Partner. Mr. Janetschek also serves on KKR's balance sheet committee, and has been the president and chief executive officer of KKR Financial Holdings LLC since June 2014 and its director since May 2014. Prior to joining KKR, he was a Tax Partner at Deloitte & Touche LLP. He holds a B.S. from St. John's University and an M.S., Taxation from Pace University. Mr. Janetschek is actively involved in the community, serving as a sponsor and member of a variety of non-profit organizations including Student Sponsor Partners and St. John's University.

**David J. Sorkin** joined KKR in 2007 and is General Counsel and Secretary of our Managing Partner. Prior to joining KKR, Mr. Sorkin was with Simpson Thacher & Bartlett LLP for 22 years. He served as a partner at the law firm and also served on the executive committee and was one of KKR's principal outside counsels. Mr. Sorkin serves on the board of directors of New Alternatives for Children. He received a B.A., summa cum laude, from Williams College and a J.D., cum laude, from Harvard Law School.

## **Independence and Composition of the Board of Directors**

Our Managing Partner's board of directors consists of ten directors, six of whom, Messrs. Drummond, Grundfest, Hess, Schoewe and Scully and Ms. Russo, are independent under NYSE rules relating to corporate governance matters and the independence standards described in our corporate governance guidelines. While we are exempt from NYSE rules relating to board independence, our Managing Partner intends to maintain a board of directors that consists of at least a majority of directors who are independent under NYSE rules relating to corporate governance matters.

In addition, the board has considered transactions and relationships between KKR and the companies and organizations on whose boards or other similar governing bodies where our independent directors also serve or where our independent directors serve as executive officers, including investments made by such companies in the portfolio companies in which KKR or its funds are invested. It was determined that none of these transactions or relationships adversely impacted the independence of our independent directors.

### ***Board Committees***

Our Managing Partner's board of directors has four standing committees: an audit committee, a conflicts committee, a nominating and corporate governance committee and an executive committee that operate pursuant to written charters as described below. Because we are a limited partnership, our Managing Partner's board is not required by NYSE rules to establish a compensation committee or a nominating and corporate governance committee or to meet other substantive NYSE corporate governance requirements. While the board has established a nominating and governance committee, we rely on available exemptions concerning the committee's composition and mandate.

#### ***Audit Committee***

The audit committee consists of Messrs. Grundfest (Chairman), Schoewe and Scully. The purpose of the audit committee is to provide assistance to the board of directors in fulfilling its responsibility with respect to its oversight of: (i) the quality and integrity of our financial statements, including investment valuations; (ii) our compliance with legal and regulatory requirements; (iii) our independent registered public accounting firm's qualifications, independence and performance; and (iv) the performance of our internal audit function. The members of the audit committee meet the independence standards and financial literacy requirements for service on an audit committee of a board of directors pursuant to the Exchange Act and NYSE rules applicable to audit committees. The Managing Partner's board of directors has determined that each of Messrs. Grundfest, Schoewe and Scully is an "audit committee financial expert" within the meaning of Item 407(d) (5) of Regulation S-K. The audit committee has a charter, which is available at the Investor Center section of our website at [www.kkr.com](http://www.kkr.com).

#### ***Conflicts Committee***

The conflicts committee consists of Messrs. Drummond, Hess, Schoewe and Scully and Ms. Russo. The conflicts committee is responsible for reviewing specific matters that the board of directors believes may involve a conflict of interest and for enforcing our rights under any of the exchange agreement, the tax receivable agreement, the limited partnership agreement of any KKR Group Partnership or our limited partnership agreement (collectively, the "covered agreements") against KKR Holdings and certain of its subsidiaries and designees, a general partner or limited partner of KKR Holdings, or a person who holds a partnership or equity interest in the foregoing entities. The conflicts committee is also authorized to take any action pursuant to any authority or rights granted to such committee under any covered agreement or with respect to any amendment, supplement, modification or waiver to any such agreement that would purport to modify such authority or rights. In addition, the conflicts committee shall approve any amendment to any of the covered agreements that in the reasonable judgment of our Managing Partner's board of directors is or will result in a conflict of interest. The conflicts committee will determine if the resolution of any conflict of interest submitted to it is fair and reasonable to our partnership. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to our partnership and not a breach of any duties that may be owed to our unitholders. In addition, the conflicts committee may review and approve any related person transactions, other than those that are approved pursuant to our related person policy, as described under "Certain Relationships and Related Transactions, and Director Independence—Statement of Policy Regarding Transactions with Related Persons," and may establish guidelines or rules to cover specific categories of transactions. The members of the conflicts committee meet the independence standards under our corporate governance guidelines as required for service on the conflicts committee in accordance with its charter.

### ***Nominating and Corporate Governance Committee***

The nominating and corporate governance committee consists of Messrs. Kravis, Roberts and Scully. The nominating and corporate governance committee is responsible for identifying and recommending candidates for appointment to the board of directors and for assisting and advising the board of directors with respect to matters relating to the general operation of the board and corporate governance matters. Mr. Scully meets the independence standards under the rules of the NYSE as required for service on the nominating and corporate governance committee in accordance with its charter.

### ***Executive Committee***

The executive committee consists of Messrs. Kravis and Roberts. The purpose of the executive committee is to act, when necessary, in place of our Managing Partner's full board of directors during periods in which the board is not in session. The executive committee is authorized and empowered to act as if it were the full board of directors in overseeing our business and affairs, except that it is not authorized or empowered to take actions that have been specifically delegated to other board committees or to take actions with respect to: (i) the declaration of distributions on our common units; (ii) a merger or consolidation of our partnership with or into another entity; (iii) a sale, lease or exchange of all or substantially all of our assets; (iv) a liquidation or dissolution of our partnership; (v) any action that must be submitted to a vote of our Managing Partner's members or our unitholders; or (vi) any action that may not be delegated to a board committee under our Managing Partner's limited liability company agreement or the Delaware Limited Liability Company Act.

### **Code of Business Conduct and Ethics**

We have a Code of Business Conduct and Ethics that applies to our principal executive officers, principal financial officer and principal accounting officer and is available on our website at [www.kkr.com](http://www.kkr.com) under the "Investor Center" section. In accordance with, and to the extent required by the rules and regulations of the SEC, we intend to disclose any amendment to or waiver of the Code of Business Conduct and Ethics on behalf of an executive officer or director either on our website or in a Current Report on Form 8-K filing.

### **Corporate Governance Guidelines**

Our Managing Partner's board of directors has a governance policy, which addresses matters such as the board of directors' responsibilities and duties, the board of directors' composition and compensation and director independence. The governance guidelines are available on our website at [www.kkr.com](http://www.kkr.com) under the "Investor Center" section.

### **Communications to the Board of Directors**

The non-management members of our Managing Partner's board of directors meet regularly. At each meeting of the non-management members, the non-management directors choose a director to lead the meeting. All interested parties, including any employee or unitholder, may send communications to the non-management members of our Managing Partner's board of directors by writing to: Investor Relations, KKR & Co. L.P., 9 West 57th Street, Suite 4200, New York, New York 10019.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires the executive officers and directors of our Managing Partner, and persons who beneficially own more than ten percent of a registered class of our partnership's equity securities, to file initial reports of ownership and reports of changes in ownership with the SEC and furnish us with copies of all Section 16(a) forms they file. To our knowledge, based solely on our review of the copies of such reports or written representations from such persons that they were not required to file a Form 5 to report previously unreported ownership or changes in ownership, we believe that, with respect to the fiscal year ended December 31, 2017, such persons complied with all such filing requirements, except KKR Holdings filed a late Form 4 on November 13, 2017 for a transaction that occurred on November 8, 2017.

## ITEM 11. EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### *Compensation Philosophy*

Our compensation program has three primary objectives: (1) to attract, motivate and retain our employees, (2) to align their interests with those of our unitholders and fund investors and (3) to reinforce our culture and values.

**Our employees.** Our business is dependent on the services of our employees, including our named executive officers. Among other things, we depend on their ability, where applicable, to find, select and execute investments, manage and improve portfolio company operations, find and develop relationships with fund investors and other sources of capital, find, select and execute capital markets opportunities, and provide other services, and we cannot compete effectively without their continued employment with us. Therefore, it is important that our key employees are compensated in a manner that motivates them to excel consistently and encourages them to remain with the firm.

**Alignment of interests.** Management equity ownership in the businesses in which we invest has been a guiding principle throughout our firm's history, and we apply that principle to ourselves: every employee of the firm is expected to have an equity interest in KKR. This equity ownership serves to align the interests of our employees with those of our unitholders. In addition, because we invest in and alongside our investment funds and have a carry pool from which we can allocate to our employees 40% or 43%, as applicable, of the carried interest that we generate through our business, we believe that our employees' interests are also aligned with those of our investors in the funds, vehicles and accounts that we manage, which in turn benefits our unitholders. Our carry pool is supplemented by allocating for compensation 40% of the incentive fees that do not constitute carried interest that are earned from investment funds and certain management fee refunds.

**Culture and values.** One of our most important values is our "one-firm" approach with shared responsibility and success, and we also subscribe to a culture of meritocracy and fairness. Therefore, compensation is based on the performance of the firm as a whole as well as on an individual's contributions to the firm. For example, we do not compensate people based merely on an individual's accomplishments in relation to the profits and losses of his or her business unit. In addition, we conduct, at least annually, an evaluation process based on input from a wide range of persons regarding each employee's contribution to the firm, including his or her commitment to the firm's culture and values. We believe that using this kind of an evaluation process also promotes a measure of objectivity as a balance to a single manager's judgment.

We refer to our two Co-Chief Executive Officers (Henry Kravis and George Roberts), our two Co-Presidents/Co-Chief Operating Officers (Joseph Bae and Scott Nuttall), our Chief Financial Officer (William Janetschek), our General Counsel (David Sorkin) and our former Chief Administrative Officer (Todd Fisher) as our "named executive officers." Messrs. Bae and Nuttall were appointed as our Co-Presidents and Co-Chief Operating Officers on July 16, 2017, and Mr. Fisher left the firm on December 29, 2017 to pursue a career outside the investment industry. We believe that the elements of compensation discussed below for our named executive officers serve these primary objectives. We, as a limited partnership with no annual meeting of unitholders, are not required to conduct say-on-pay or say-on-frequency votes as provided in the Dodd-Frank Act. However, we intend periodically to review the elements of our compensation, and we may make changes to the compensation structure relating to one or more named executive officers based on the outcome of such reviews from time to time.

#### **KKR Holdings**

Each of our named executive officers holds interests in our business through KKR Holdings, which is the entity that indirectly owns all of the outstanding KKR Group Partnership Units that are not allocable to us.

KKR Holdings units are, subject to certain restrictions, exchangeable for our common units, on a one-for-one basis, and generally cannot be sold to third parties for monetary value unless they are first exchanged for our common units. Because KKR Holdings units are exchangeable for our common units, we believe that our named executive officers' interests are aligned with those of our unitholders.

KKR Holdings, from time to time, receives distributions that are made on KKR Group Partnership Units that are held by it. To the extent such distributions are received on KKR Group Partnership Units that underlie any KKR Holdings units that have satisfied their respective vesting requirements, if any, at the time distributions are declared on the underlying KKR Group Partnership Units, such distributions will be allocated and further distributed to the named executive officers as and when received. To the extent that such distributions are made on KKR Group Partnership Units underlying any KKR Holdings units that have not satisfied all vesting requirements at the time distributions are declared on the underlying KKR Group Partnership

Units, such distributions may be allocated or otherwise applied in such amounts and in such manner as our Co-Chief Executive Officers, acting through the general partner of KKR Holdings, may determine. See "—Compensation Elements—Year-End Bonus Compensation" for a description of these grants. As of February 21, 2018, approximately 0.2 million KKR Holdings units remain unallocated.

In 2017, our named executive officers received distributions on their vested KKR Holdings units, as well as common units, and because these distributions are not considered to be compensation, they have not been reported in the Summary Compensation Table.

## **Compensation Elements**

### ***Base Salary***

For 2017, each of our named executive officers was paid an annual salary of \$300,000. We believe that the base salary of our named executive officers should typically not be the most significant component of total compensation. Our Co-Chief Executive Officers determined that this amount was a sufficient minimum base salary for our named executive officers and decided that it should be the same for all named executive officers. We are responsible for funding this base salary.

### ***Year-End Bonus Compensation***

Our Co-Chief Executive Officers did not receive any year-end bonus compensation in 2017. They have decided at this time not to receive any bonus from us or from KKR Holdings in excess of distributions payable with respect to their KKR Holdings units. Instead, they have decided that year-end bonus payments from KKR Holdings for 2017 should be made to our other employees in order to motivate and retain them for the benefit of the firm. See also "—KKR Holdings Units and Restricted Equity Units" and "—Other Compensation" below for KKR Holdings units granted to our Co-Chief Executive Officers in November 2017 and certain incidental benefits provided by the firm.

In 2017, our Co-Presidents/Co-Chief Operating Officers, Chief Financial Officer, General Counsel and former Chief Administrative Officer were awarded additional year-end compensation as bonus payments that were determined by our Co-Chief Executive Officers. Our Co-Chief Executive Officers made their subjective determinations by assessing our overall performance and the contributions that our Co-Presidents/Co-Chief Operating Officers, Chief Financial Officer, General Counsel and former Chief Administrative Officer made to our development and success, as a firm, during the year. Certain factors that were considered when determining the size of the bonus payments for our Co-Presidents/Co-Chief Operating Officers, Chief Financial Officer, General Counsel and former Chief Administrative Officer include (i) their respective contributions and accomplishments in 2017 in terms of driving commercial results for the firm, leading and managing people, and living the firm's values; (ii) their respective performance and contributions relative to other senior employees at the firm, (iii) their respective performance and contributions in 2017 as compared to the prior year and (iv) the overall financial performance of the firm in 2017 as compared to the prior year based on certain financial measures considered by management, including but not limited to distributable earnings. More specifically, in assessing Mr. Bae and Mr. Nuttall's contributions, our Co-Chief Executive Officers considered their services as newly appointed Co-Presidents/Co-Chief Operating Officers and their day-to-day management of the firm's operations, as well as their joint leadership roles in executing and implementing KKR's strategy in its global private equity, real assets, credit, capital markets and capital raising businesses together with its corporate development and balance sheet initiatives. In assessing Mr. Janetschek's contributions, they considered his service as the Chief Financial Officer and his leadership and oversight of our finance, tax and accounting functions and related operations and his role with respect to strategic initiatives undertaken by the firm. In assessing Mr. Sorkin's contributions, they considered his leadership and oversight of our global legal and compliance functions and his role with respect to the strategic initiatives undertaken by the firm. Finally, in assessing Mr. Fisher's contributions, they considered his service as the firm's Chief Administrative Officer, his role in overseeing the growth and operations of the firm, his leadership in the performance of our real estate business and the strategic direction of the firm generally. The firm experienced stronger performance in 2017 compared to the prior year, supported by a notable increase in revenues year-over-year, greater AUM raised and greater capital deployed. Based on the firm's positive 2017 results and the individual contributions described above, the aggregate size of the bonus granted to the named executive officers with respect to 2017 was higher relative to the total bonus granted with respect to 2016. In making these determinations, our Co-Chief Executive Officers consulted with certain of our senior employees and, with respect to the determinations for our Chief Financial Officer and General Counsel, considered the recommendations by our Co-Presidents/Co-Chief Operating Officers. We believe that the discretion permitted to our Co-Chief Executive Officers permits them to award bonus compensation in an amount they determine to be necessary to motivate and retain these named executive officers. Because the restricted equity units associated with the deferred equity bonus were made after December 31, 2017, they do not appear in the tables below, but will appear in the tables for the year ended December 31, 2018.

Once the bonus amount is determined, the bonus amount is divided into cash compensation and, for our named executive officers (other than our Co-Chief Executive Officers and our former Chief Administrative Officer, who did not receive any deferred equity bonus compensation), a recommendation to our Managing Partner's board of directors for an award of deferred equity bonus compensation and, in some years, additional equity compensation. The amount of deferred equity bonus compensation for our principals is calculated using a graduated range of percentages applied to different incremental amounts of total salary and bonus compensation ranging from 5% to 50%. In addition, senior employees including our named executive officers are eligible, in some years, for additional equity compensation without reference to the graduated range of percentages. Grants of additional equity compensation may be made to our named executive officers in order to deliver a total bonus compensation determined by our Co-Chief Executive Officers as described above, less the cash compensation and deferred equity bonus. No grants of additional equity compensation were made to our named executive officers in connection with 2017 year-end bonus compensation. See also "*—KKR Holdings Units and Restricted Equity Units*" below for KKR Holdings units and restricted equity units granted to certain named executive officers in November 2017.

The cash bonus amounts paid to our Co-Presidents/Co-Chief Operating Officers, our Chief Financial Officer, our General Counsel and our former Chief Administrative Officer for 2017 are reflected in the Bonus column of the 2017 Summary Compensation Table below.

The portion of the year-end bonus payment granted to our named executive officers as 2017 deferred equity bonus compensation (other than our Co-Chief Executive Officers and our former Chief Administrative Officer, who received none) consists of grants of equity awards issued under our Equity Incentive Plan. These equity awards are restricted equity units that may be settled for our common units on a one-for-one basis. See below under "*—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards—Terms of Restricted Equity Units*" for more information. We call these equity grants "deferred" equity bonus compensation, because our named executive officers' ability to monetize them into cash is deferred to the future when the vesting provisions (and any applicable transfer restrictions) discussed below lapse.

The number of restricted equity units granted to our named executive officers as deferred equity bonus compensation (other than our Co-Chief Executive Officers and our former Chief Administrative Officer, who received none) is determined by our Managing Partner's board of directors. As part of 2017 year-end bonus compensation, our Managing Partner's board of directors approved the following grants: 286,042 restricted equity units to each of our Co-Presidents/Co-Chief Operating Officers, 61,259 restricted equity units to our Chief Financial Officer and 61,259 restricted equity units to our General Counsel, in each case as deferred equity bonus compensation. The number of restricted equity units was determined by dividing the dollar amount of deferred equity bonus compensation recommended by the Co-Chief Executive Officers to our Managing Partner's board of directors by the average closing price of our common units over the ten trading days ending December 1, 2017. The restricted equity units that were granted as deferred equity bonus compensation in respect of 2017 year-end bonus compensation are subject to a three-year service-based vesting condition (with the first vesting event occurring on April 1, 2019). The restricted equity units for the deferred equity bonus are not subject to additional transfer restrictions after vesting or any minimum retained ownership requirement. Because these grants were made after December 31, 2017 and the associated restricted equity units are generally issued in the first quarter of the following year, they do not appear in the tables below, but will appear in the tables for the year ended December 31, 2018.

Our named executive officers along with other employees at the firm may be eligible for additional equity compensation awards based on their performance and contributions during the year as described above. Grants of additional equity compensation made in February 2015 for 2014 year-end compensation are reflected in the Summary Compensation Table. While no additional equity compensation was granted to our named executive officers in connection with any of 2017, 2016 or 2015 year-end bonus compensation, these additional equity compensation awards may become a component of our annual year-end bonus determination for our named executive officers in the future. See "*—KKR Holdings Units and Restricted Equity Units*" below for KKR Holdings units and restricted equity units granted to certain named executive officers in 2017.

#### ***KKR Holdings Units and Restricted Equity Units***

Certain of our named executive officers also received allocations or grants of KKR Holdings units and restricted equity units that are not part of the annual compensation program, as determined by the general partner of KKR Holdings and our Managing Partner's board of directors, as applicable. KKR Holdings units are, subject to certain restrictions, exchangeable for our common units, on a one-for-one basis. The restricted equity units are also settled for our common units, on a one-for-one basis, and subject to tax withholding, once the applicable vesting provisions are satisfied. The size of the allocations and grants were determined in light of the remaining KKR Holdings units available to be granted to them and other senior employees of the firm and taking into consideration the roles and responsibilities of each named executive officer, including their view of each officer's potential impact on future firm performance, growth and strategic initiatives.

On November 2, 2017, the conflicts committee of our Managing Partners' board of directors consented to the allocation by KKR Holdings of 2,500,000 KKR Holdings units to each of Messrs. Kravis and Roberts. Also on November 2, 2017, in connection with the appointment of Messrs. Bae and Nuttall as our Co-Presidents/Co-Chief Operating Officers, our Managing Partner's board of directors consented to the allocation by KKR Holdings of 4,850,000 KKR Holdings units to each of Messrs. Bae and Nuttall and authorized grants of 4,000,000 restricted equity units to each of Messrs. Bae and Nuttall.

The KKR Holdings units (but not the restricted equity units) allocated to our Co-Chief Executive Officers and Co-Presidents/Co-Chief Operating Officers were already outstanding but previously unallocated units, and consequently these allocations did not increase the number of KKR Holdings units outstanding or our outstanding common units on a fully-diluted basis. If and when vested, these KKR Holdings units would not dilute our ownership interests in the KKR Group Partnerships. The objectives of the allocations and grants were (1) to provide incremental long-term economic incentives to our Co-Presidents/Co-Chief Operating Officers in connection with their appointment as such in July 2017 and (2) to grant our co-founders practically all of the remaining unallocated KKR Holdings units that were previously reserved for future allocations to provide additional incentives for them to spend time externally on investor, corporate and other relationships and internally on investments, strategy, culture and mentoring, including providing guidance and oversight for our Co-Presidents/Co-Chief Operating Officers. It was also recognized that our co-founders did not receive any equity grants or allocations since the KPE Transaction, at which time they could have assigned a larger equity interest in KKR Holdings for themselves. We believe these allocations and grants will further align these named executive officers' interests with those of our unitholders. For the terms of these allocations and grants, see below under "—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards—Terms of KKR Holdings Units" and "—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards—Terms of Restricted Equity Units."

### ***Carried Interest***

We allocate 40% or 43%, as applicable, of the carried interest that we earn to a carry pool, from which our employees and selected other individuals are eligible to receive a carried interest allocation. The percentage of carried interest allocable to the carry pool may be amended with the approval of a majority of our independent directors. Our carry pool is supplemented by allocating for compensation 40% of the incentive fees that do not constitute carried interest that are earned from investment funds. Carry pool allocations for the named executive officers are made by first determining a total dollar value for the named executive officer's interest in the carry pool. Due to their unique status as co-founders of our firm, our Co-Chief Executive Officers determine their own allocation from the carry pool. To make this total dollar value determination for the other named executive officers, our Co-Chief Executive Officers take into consideration the executive officer's involvement with investments and impact on the portfolio, the size of the executive officer's bonus as well as the recommendations by our Co-Presidents/Co-Chief Operating Officers and other factors similar to those considered when determining the size of the bonus, as described under "—Year-End Bonus Compensation." However, the total dollar value available to be allocated to the named executive officers and other employees is limited by the total amount of investments made by our investment funds during the fiscal year, and executive officers and other employees may not be allocated any dollar value of carry in any given year. For our older funds, carry pool allocations were determined based on a percentage applied on an investment-by-investment basis. After a total dollar value, if any, for each named executive officer is determined, such dollar value was then divided by the total allocable dollar value of investments made by our funds for the year, which yielded a certain percentage for the named executive officer. This percentage was then applied consistently to each investment made during the year. Because the size of each investment was different, the nominal amount of the carry pool allocation differed by investment, although the percentage applied to each investment was consistent. For our more recent funds, carry pool allocations are determined based on a percentage applied on a fund-by-fund basis. The dollar value, if any, for each named executive officer is determined and then allocated to the applicable funds, and such dollar value is then divided by the total allocable dollar value of investments made by that fund for the year to yield a percentage for that particular fund. If carry is paid prior to the end of a fund's investment period, this percentage is applied at that time. At the end of the investment period, an adjustment would be made to account for any difference in percentages applied at the times carry was paid during the investment period (taking vesting into account) and the percentage determined for a particular fund based on the total dollar values allocated to the named executive officer for such fund divided by the total allocable dollars invested during the entire investment period of such fund.

A portion of the carried interest that is available for allocation to our employees is not immediately allocated when it becomes available and is instead reserved. This reserved carried interest is later allocated to a discrete number of employees when it is determined that they deserve additional carried interest allocations based on their performance or pursuant to a matching program based on personal commitments made to an investment or a fund. The carried interest allocated to the carry pool is maintained and administered by KKR Associates Holdings L.P., which, similar to KKR Holdings, is not a subsidiary of ours. Allocations are determined by our Co-Chief Executive Officers acting through the general partner of KKR Associates Holdings L.P.



Carried interest, if any, from the carry pool in respect of any particular investment or fund is only paid in cash after all of the following are met: (i) a realization event has occurred (e.g., sale of a portfolio company, dividend, etc.); (ii) the vehicle has achieved positive overall investment returns since its inception, in excess of performance hurdles where applicable; and (iii) with respect to investments with a fair value below cost, cost has been returned to fund investors in an amount sufficient to reduce remaining cost to the investments' fair value. To the extent any "clawback" obligation is triggered, carried interest previously distributed by the fund would have to be returned to such fund, thereby reducing the named executive officer's overall compensation for any such year. A portion of certain carried interest payable is generally not distributed to the recipient and is instead held in escrow in order to enhance the recipient's ability to satisfy any future clawback obligation. Because the amount of carried interest payable is directly tied to the realized performance of the underlying investments, we believe this fosters a strong alignment of interests among the investors in those funds and the named executive officers, and thus benefits our unitholders. In addition, several of our competitors use participation in carried interest as an important compensation element, and we believe that we must do the same in order to attract and retain the most qualified personnel.

Participation in our carry pool for our employees, including our named executive officers, is subject only to service-based vesting with certain exceptions, including acceleration upon death or disability. In general, the vesting for carry pool allocations for investments made during 2013 through 2017 is annual over a four-year period (other than for our Co-Chief Executive Officers). The vesting schedules for investments made prior to 2013 range from four-year vesting (with no vesting upon grant) for the most junior employees up to two-year vesting (and 50% vesting upon grant) for most senior employees. Vesting serves as an employment retention mechanism and enhances the alignment of interests between a participant in our carry pool and the firm as well as the limited partners in our investment funds. Due to their status as co-founders of our firm, our Co-Chief Executive Officers are typically completely vested in their carry pool allocations upon grant.

### ***Other Compensation***

Our Co-Chief Executive Officers are reimbursed by us for the use of a car and driver, and we pay for the compensation of certain personnel who administer personal matters for them. We believe that these benefits are appropriate in light of the time that they spend on our business, the limited compensation paid by us for their services and their unique status as co-founders of our firm. In addition, we also pay for certain tax preparation fees for our named executive officers.

### **Minimum Retained Ownership**

While employed by us, unless waived in whole or in part, each of our named executive officers is required to hold at least 25% of the cumulative amount of KKR Holdings units that have satisfied the vesting conditions during the duration of his employment with the firm. In addition, unless waived in whole or in part, each of our named executive officers may be required, on a grant by grant basis, to hold common unit equivalents of 15% of the cumulative restricted equity units granted under our Equity Incentive Plan that have satisfied the applicable vesting condition during the duration of his employment with the firm.

### **Compensation and Risk**

Our compensation program includes elements that we believe discourage excessive risk-taking and align the compensation of our employees with the long-term performance of the firm. For example, other than certain equity that either immediately vested as part of the grants to all employees or our founders or that were made in exchange for the contribution of assets, in each case in connection with the consummation of the KPE Transaction in October 2009 or otherwise, a significant majority of the equity awards granted to our employees are subject to a multi-year vesting conditions, one- and two-year post-vesting transfer restriction periods and/or a minimum retained ownership requirement. Because our equity awards have multi-year vesting provisions, the actual amount of compensation realized by the recipient will be tied to the long-term performance of our common units. Pursuant to our internal policies, our employees are not permitted to buy or sell derivative securities, including for hedging purposes, or to engage in short-selling to hedge their economic risk of ownership. In addition, we only make cash payments of carried interest to our employees when profitable investments have been realized and after sufficient cash has been distributed to the investors in our funds. Moreover, the general partner of a fund is required to return carried interest distributions to the fund due to, for example, underperformance by the relevant fund subsequent to the payment of such carried interest. Accordingly, the employees would be subject to a "clawback," i.e., be required to return carried interest payments previously made, all of which further discourages excessive risk-taking by our personnel.

**Summary Compensation Table**

The following table presents summary information concerning compensation that was paid for services rendered by our named executive officers during the fiscal years ended December 31, 2015, 2016 and 2017.

In 2015, 2016 and 2017, our named executive officers received distributions based on their vested KKR Holdings units or common units. Because these distributions are not considered to be compensation, these distributions are not reflected as compensation in the table below. There are certain contractual arrangements we entered into with KKR Holdings at the time of the KPE Transaction in October 2009 and thereafter, including a tax receivable agreement, which relate to payments to our named executive officers that are not compensatory and are described in "Certain Relationships and Related Transactions, and Director Independence." Because the grants of restricted equity units to our named executive officers as part of 2017 year-end bonus compensation were made after December 31, 2017, they do not appear in the tables below, and will appear in the tables for the year ended December 31, 2018.

Carried interest distributions to our named executive officers in respect of the carry pool for the years ended December 31, 2015, 2016 and 2017 are reflected in the All Other Compensation column in the 2017 Summary Compensation Table below.

**2017 Summary Compensation Table**

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) <sup>(2)</sup>	All Other Compensation (\$) <sup>(3)</sup>	Total (\$)
Henry R. Kravis	2017	300,000	—	44,650,000	68,484,271 <sup>(4)</sup>	113,434,271
Co-Chief Executive Officer	2016	300,000	—	—	63,541,599	63,841,599
	2015	300,000	—	—	51,994,055	52,294,055
George R. Roberts	2017	300,000	—	44,650,000	68,761,704 <sup>(5)</sup>	113,711,704
Co-Chief Executive Officer	2016	300,000	—	—	63,637,400	63,937,400
	2015	300,000	—	—	52,064,278	52,364,278
Joseph Y. Bae	2017	300,000	7,385,000	121,302,000	14,919,102 <sup>(6)(7)</sup>	143,906,102
Co-President and Co-Chief Operating Officer						
Scott C. Nuttall	2017	300,000	7,385,000	121,302,000	15,364,186 <sup>(6)(7)(9)</sup>	144,351,186
Co-President and Co-Chief Operating Officer						
William J. Janetschek	2017	300,000	2,747,500 <sup>(1)</sup>	967,419	6,655,362 <sup>(6)</sup>	10,670,281
Chief Financial Officer	2016	300,000	2,455,000	7,813,846	5,196,063	15,764,909
	2015	300,000	2,325,000	3,676,867	2,705,105	9,006,972
David J. Sorkin	2017	300,000	2,747,500 <sup>(1)</sup>	967,419	3,389,709 <sup>(6)</sup>	7,404,628
General Counsel	2016	300,000	2,455,000	7,841,425	1,695,934	12,292,359
	2015	300,000	2,390,000	3,676,867	1,396,629	7,763,496
Todd A. Fisher	2017	300,000	3,500,000	—	9,014,143 <sup>(6)(8)</sup>	12,814,143
Chief Administrative Officer	2016	300,000	3,585,000	12,880,497	15,660,918	32,426,415
	2015	300,000	3,485,000	3,600,328	10,622,133	18,007,461

(1) Represents distributions received by KKR Holdings with respect to unvested KKR Holdings units that have been distributed to the named executive officer as bonus. The discretionary bonus payments in 2015, 2016 and 2017 were made by KKR Holdings and accordingly were not economically borne by us.

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- (2) Stock awards reflected in the table above for each year presented represent the value of the restricted equity units and KKR Holdings units granted in such reporting period. For the fiscal years ended December 31, 2015, 2016 and 2017, restricted equity units presented in such reporting periods relate to the equity portion of the prior year's year-end bonus compensation and for the fiscal year ended December 31, 2014, and in each case reflect the grant date fair value of restricted equity units. For the fiscal years ended December 31, 2016 and 2017, amounts relating to KKR Holdings units represent the original grant date fair value of KKR Holdings units, and for the fiscal year ended December 31, 2016, the incremental fair value of such KKR Holdings units, as of the modification in November 2016. Fair value of the restricted equity units and KKR Holdings units granted to our named executive officers and the incremental fair value relating to the modification of the KKR Holdings units are calculated in accordance with Accounting Standards Codification Topic 718, Compensation-Stock Compensation ("ASC Topic 718"). See Note 12 "Equity Based Compensation" to our consolidated financial statements included elsewhere in this report for additional information about the valuation assumptions with respect to all grants reflected in this column. These amounts reflect the aggregate grant date fair values (or incremental fair values) calculated under ASC Topic 718, and may not correspond to the actual value that will be recognized by our named executive officers. See "—Grants of Plan-Based Awards in 2017" for additional information regarding the restricted equity units and KKR Holdings units, including the modification of such units.
- (3) Carried interest is presented on the basis of cash received by our named executive officers in the respective fiscal year. We believe that presenting actual cash received by our named executive officers is a more representative disclosure of their compensation than presenting accrued carried interest, because carried interest is paid only if and when there are profitable realization events relating to the underlying investments. Carried interest also includes amounts retained and allocated for distribution to the respective named executive officer, but not yet distributed to the named executive officer, which could be used to fund potential future clawback obligations if any were to arise.
- (4) Consists of \$ 67,846,230 in cash payments of carried interest from the carry pool during 2017; \$40,000 in fees for Mr. Kravis's service as a KKR-designated director on the board of directors of First Data Corporation, a KKR portfolio company, during 2017; \$212,041 related to Mr. Kravis's use of a car and driver during 2017; \$361,000 related to certain personnel who administer personal matters for Mr. Kravis during 2017; and \$25,000 related to tax preparation fees. SEC rules require that transportation and personnel expenses not directly and integrally related to our business be disclosed as compensation to Mr. Kravis. Because we do not separately track personnel expenses based on whether they are incurred for business or for personal reasons, 100% of the preceding costs have been reported for Mr. Kravis.
- (5) Consists of \$67,846,230 in cash payments of carried interest from the carry pool during 2017; \$340,318 related to Mr. Roberts's use of a car and driver during 2016; \$550,156 related to certain personnel who administer personal matters for Mr. Roberts during 2017; and \$25,000 related to tax preparation fees. SEC rules require that transportation and personnel expenses not directly and integrally related to our business be disclosed as compensation to Mr. Roberts. Because we do not separately track personnel expenses based on whether they are incurred for business or personal reasons, 100% of the preceding costs have been reported for Mr. Roberts.
- (6) Consists of cash payments of carried interest from the carry pool during 2017 and \$25,000 related to tax preparation fees.
- (7) Messrs. Bae and Nuttall became our named executive officers in 2017, and therefore, only their compensation information for the fiscal year ended December 31, 2017 is provided in the table.
- (8) Following his departure from KKR, Mr. Fisher is permitted to continue to make investments in our funds on a no-fee and no-carry basis. See "Certain Relationships and Related Transactions, and Director Independence—Side-By-Side and Other Investments."
- (9) Includes \$40,000 in fees for Mr. Nuttall's service as a KKR-designated director on the board of directors of First Data Corporation, a KKR portfolio company, during 2017.

**Grants of Plan-Based Awards in 2017**

The following table provides supplemental information relating to grants of equity awards in the year ended December 31, 2017 provided in our 2017 Summary Compensation Table.

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock and Option Awards (\$) <sup>(4)</sup>
Henry R. Kravis	11/02/17	2,500,000 <sup>(1)</sup>	\$ 44,650,000
George R. Roberts	11/02/17	2,500,000 <sup>(1)</sup>	\$ 44,650,000
Joseph Y. Bae	11/02/17	4,850,000 <sup>(1)</sup>	\$ 84,972,000
	11/02/17	4,000,000 <sup>(2)</sup>	\$ 36,330,000
Scott C. Nuttall	11/02/17	4,850,000 <sup>(1)</sup>	\$ 84,972,000
	11/02/17	4,000,000 <sup>(2)</sup>	\$ 36,330,000
William J. Janetschek	02/21/17	67,463 <sup>(3)</sup>	\$ 967,419
David J. Sorkin	02/21/17	67,463 <sup>(3)</sup>	\$ 967,419
Todd A. Fisher	02/21/17	117,173 <sup>(3)</sup>	\$ — <sup>(5)</sup>

- (1) The amounts represent KKR Holdings units allocated in the fiscal year ended December 31, 2017. Each allocation of KKR Holdings units is subject to a service-based vesting condition, which is described under the caption "Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards—Terms of KKR Holdings Units" below.
- (2) The amounts represent restricted equity units granted under our Equity Incentive Plan in the fiscal year ended December 31, 2017 relating to the appointment of Messrs. Bae and Nuttall as our Co-Presidents and Co-Chief Operating Officers in 2017. Each grant of restricted equity units is subject to a service-based vesting condition or a market price-based vesting condition, which is described under the caption "Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards—Terms of Restricted Equity Units" below.
- (3) The amounts represent restricted equity units granted under our Equity Incentive Plan in the fiscal year ended December 31, 2017 relating to the equity portion of the prior year's year-end bonus compensation. Each grant of restricted equity units is subject to a service-based vesting condition, which is described under the caption "Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards—Terms of Restricted Equity Units" below.
- (4) The amounts represent the grant date fair value of the KKR Holdings units or restricted equity units, as applicable, as calculated in accordance with ASC Topic 718. See Note 12 "Equity Based Compensation" to our consolidated financial statements included elsewhere in this report for additional information about the valuation assumptions with respect to all grants reflected in this table. These amounts reflect the aggregate grant date fair values calculated under ASC Topic 718 and may not correspond to the actual value that will be recognized by our named executive officers.
- (5) All of Mr. Fisher's unvested restricted equity units were forfeited upon his departure from KKR.

**Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards**

***Terms of KKR Holdings Units***

In general, KKR Holdings units vest over a three- to five-year period from their grant date, subject to continued service through each vesting date. Following this service-based vesting, certain KKR Holdings units may also be subject to transfer restrictions and/or minimum retained ownership requirements. Unvested KKR Holdings units are not entitled to receive any distributions that are declared and received on the underlying KKR Group Partnership Units. See "—KKR Holdings."

The KKR Holdings units granted to our Co-Chief Executive Officers in November 2017 are subject to five year service-based vesting requirements and will vest in equal annual installments beginning on October 1, 2018 and ending October 1, 2022, in each case, subject to continued service through each vesting date (including full continued vesting upon death or disability and an additional two years of vesting following retirement), and will be subject to minimum retained ownership requirements but no transfer restriction requirements. The KKR Holdings units granted to our Co-Presidents/Co-Chief Operating Officers in November 2017 are subject to five year service-based vesting requirements and will vest on October 1 of each year as follows: 10% in 2018, 15% in 2019, 20% in 2020, 25% in 2021 and 30% in 2022, in each case, subject to continued service through each vesting date (including continued vesting upon death and disability), and will be subject to minimum retained ownership and transfer restriction requirements. As of February 21, 2018, 304,922,822 outstanding KKR Holdings units have vested, constituting 91% of the KKR Holdings units outstanding.

KKR Holdings units that are subject to transfer restrictions, unless waived, may not be sold, exchanged or otherwise transferred for a specified period of time following the initial vesting date and interests in such units will remain contingently vested during that time. The transfer restriction period typically lasts for (1) one year with respect to one-half of the units vesting on the vesting date and (2) two years with respect to the other one-half of the units vesting on such vesting date. Transfer restricted units become fully vested and transferable and may be exchanged into common units at the end of the transfer restriction period if the holder is not terminated for cause and has complied with the terms of his or her confidentiality and restrictive covenant agreement during the transfer restrictions period. See "Terms of Confidentiality and Restrictive Covenant Agreements" below.

Because KKR Holdings is a partnership, all of the 335,971,334 KKR Holdings units have been legally allocated, but the allocation of 199,929 of these units has not been communicated to each respective principal as of December 31, 2017. The units whose allocation has not been communicated are subject to performance-based vesting conditions, which include: (i) whether the principal is in good standing and has adhered to our policies and rules; (ii) performance of assigned tasks and duties in an effective, efficient and diligent manner; (iii) contribution and commitment to the growth, development and profitability of KKR and our business; (iv) contribution and commitment to our management and general administration; (v) contribution and commitment to the culture, business principles, reputation and morale of KKR as a whole and the team or teams to which the principal has been assigned; and (vi) contribution and commitment to our recruiting, business development, public image and marketing efforts and the professional development of our personnel. These criteria are not sufficiently specific to constitute performance conditions for accounting purposes, and the achievement, or lack thereof, will be determined based upon the exercise of judgment by the general partner of KKR Holdings. Each principal will ultimately receive between zero and 100% of the units initially allocated. The allocation of these units has not yet been communicated to the award recipients as this was management's decision on how to best incentivize its principals. It is anticipated that additional service-based vesting conditions will be imposed at the time the allocation is initially communicated to the respective principals. We applied the guidance of ASC Topic 718 and concluded that these KKR Holdings units do not yet meet the criteria for recognition of compensation cost because neither the grant date nor the service inception date has occurred. In reaching a conclusion that the service inception date has not occurred, we considered (1) the fact that the vesting conditions are not sufficiently specific to constitute performance conditions for accounting purposes, (2) the significant judgment that can be exercised by the general partner of KKR Holdings in determining whether the vesting conditions are ultimately achieved and (3) the absence of communication to the principals of any information related to the number of units they were initially allocated. The allocation of these units will be communicated to the award recipients when the performance-based vesting conditions have been met, and currently there is no plan as to when the communication will occur. The determination as to whether the award recipients have satisfied the performance-based vesting conditions is made by the general partner of KKR Holdings, and is based on multiple factors primarily related to the award recipients' individual performance.

While employed by our firm, our principals, including our named executive officers, are also subject to minimum retained ownership rules that require them to continuously hold at least 25% of their cumulatively vested KKR Holdings units, unless waived.

The transfer and vesting restrictions and minimum retained ownership requirements applicable to KKR Holdings units may not be enforceable in all cases and can be waived, modified or amended by KKR Holdings at any time without our consent.

The terms of the KKR Holdings units described above are distinct from equity awards issuable under our Equity Incentive Plan, which are described below.

#### ***Terms of Restricted Equity Units***

Restricted equity units are equity awards issuable under our Equity Incentive Plan, which after vesting, may be settled for our common units on a one-for-one basis (or an amount of cash equal to the fair market value of such common units).

In general, restricted equity units are subject to a service-based vesting condition and vest in equal annual installments over a multi-year period (generally three to five years) from a specified date, subject to the recipient's continued employment with us. Following this service-based vesting, certain restricted equity unit grant agreements may also subject the common units delivered upon settlement of such restricted equity units to transfer restrictions and/or minimum retained ownership requirements. Unvested restricted equity units granted under our Equity Incentive Plan are not entitled to receive distributions. Certain restricted equity unit grant agreements may also contain additional vesting requirements.

The restricted equity units granted to our Co-Presidents/Co-Chief Operating Officers in November 2017 are partly subject to service-based vesting condition and partly subject to a market price-based vesting condition. Of the 4,000,000 restricted equity units granted to each of our Co-Presidents/Co-Chief Operating Officers, 1,500,000 units are subject to five year service-

based vesting requirements and will vest on October 1 of each year as follows: 10% in 2018, 15% in 2019, 20% in 2020, 25% in 2021 and 30% in 2022, in each case, subject to continued service through each vesting date (including continued vesting upon death and disability). The remaining 2,500,000 restricted equity units are subject to a market price-based vesting condition, where all of such units will vest upon the market price of our common units reaching and maintaining a closing market price of \$40.00 per common unit for a period of ten consecutive trading days on or prior to December 31, 2022, subject to the officer's continued service to the time of such vesting (including continued service vesting upon death and disability). These restricted equity units will be automatically forfeited upon the earlier of the officer's termination of service (except for death or disability) and the failure of the price condition to have been met by December 31, 2022. Following vesting, the common units received upon settlement of the restricted equity units will remain subject to minimum retained ownership and transfer restriction requirements.

The restricted equity units granted to Messrs. Janetschek, Sorkin and Fisher in the fiscal year ended December 31, 2017 are subject to three year service-based vesting requirements.

Common units delivered upon settlement of restricted equity units that are subject to transfer restrictions, unless waived, may not be sold, exchanged or otherwise transferred for a specified period of time following the vesting date. The transfer restriction period typically lasts for (1) one year with respect to one-half of the units vesting on such vesting date and (2) two years with respect to the other one-half of the units vesting on such vesting date. Transfer-restricted common units become saleable at the end of the transfer restriction period if the holder has not been terminated for cause and has not breached in any significant or intentional manner, as determined by the Administrator (as defined in "KKR & Co. L.P. Equity Incentive Plan—Administration"), the terms of his or her confidentiality and restrictive covenants contained in the grant agreement during the transfer restriction period. See "Terms of Confidentiality and Restrictive Covenant Agreements" below.

While employed by our firm, our employees, including our named executive officers, may also be subject to a minimum retained ownership requirement under the restricted equity unit grant agreement, which would obligate them to continuously hold common unit equivalents of 15% of their cumulatively vested restricted equity units, unless waived. From time to time, the transfer restrictions and minimum retained ownership requirements applicable to restricted equity units of certain employees, including our named executive officers, may be transferred to such employees' KKR Holdings units, if any, so that the total units of equity subject to transfer restrictions and minimum retained ownership requirements are expected to be the same, unless waived.

For additional information about equity awards granted under our Equity Incentive Plan, please also see "KKR & Co. L.P. Equity Incentive Plan" below.

#### ***Terms of Confidentiality and Restrictive Covenant Agreements***

The confidentiality and restrictive covenant agreements with each of our named executive officers include prohibitions on them competing with us or soliciting our clients or employees while employed by us and during a restricted period following their departure from the firm. These agreements also require personnel to protect and use the firm's confidential information only in accordance with confidentiality restrictions set forth in the agreement.

The restricted periods for our Co-Chief Executive Officers expire two years from termination for both the prohibitions on competition with us and the prohibitions on the solicitations of our clients and employees. In cases where the Co-Chief Executive Officer is terminated involuntarily and for reasons not constituting cause, such periods are reduced to one year from termination. The restricted periods for our other named executive officers expire (1) in the case of the prohibitions on competition with us, 12 months from termination and (2) in the case of the prohibitions on the solicitation of our clients and employees, 18 months from termination. In cases where the named executive officer is terminated involuntarily and for reasons not constituting cause, such periods are reduced to 6 months and 9 months, respectively. In addition, under certain conditions the restricted periods applicable to the solicitation of our clients and employees are subject to reduction for any "garden leave" or "notice period" that an employee serves prior to termination of employment. These agreements also require that we, and our named executive officers, provide advance notice prior to termination of employment.

Our named executive officers other than our Co-Chief Executive Officers have entered into these confidentiality and restrictive covenant agreements with us through their restricted equity unit grant agreements and separately also with KKR Holdings, which is entitled to waive, modify or amend them at any time without our consent. However, because our Co-Chief Executive Officers have not received any restricted equity units, their confidentiality and restrictive covenant agreements are solely with KKR Holdings. Because KKR Holdings is the party to these agreements and not us, we may not be able to enforce them, and these agreements might be waived, modified or amended at any time without our consent.

**Outstanding Equity Awards at 2017 Fiscal Year-End**

The following table sets forth information concerning unvested restricted equity units and KKR Holdings units for each of the named executive officers as of December 31, 2017.

Name	Stock Awards	
	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock that Have Not Vested (\$) <sup>(1)</sup>
Henry R. Kravis	2,500,000 <sup>(2)</sup>	\$ 52,650,000
George R. Roberts	2,500,000 <sup>(2)</sup>	\$ 52,650,000
Joseph Y. Bae	10,341,659 <sup>(3)</sup>	\$ 217,795,339
Scott C. Nuttall	10,546,390 <sup>(4)</sup>	\$ 222,106,973
William J. Janetschek	619,545 <sup>(5)</sup>	\$ 13,047,618
David J. Sorkin	620,926 <sup>(6)</sup>	\$ 13,076,702
Todd A. Fisher	—	—

- (1) These amounts are based on the closing market price of our common units on the last trading day of the year ended December 31, 2017, of \$21.06 per common unit.
- (2) Includes 2,500,000 KKR Holdings units granted to each of Messrs. Kravis and Roberts on November 2, 2017, which will vest in five equal annual installments, beginning on October 1, 2018.
- (3) Includes (i) 145,370 KKR Holdings units granted on January 28, 2015, which will vest on April 1, 2018; (ii) 52,595 KKR Holdings units granted on January 25, 2016, which will vest on April 1, 2018; (iii) 67,032 KKR Holdings units granted on December 31, 2016, which will vest on April 1, 2018; (iv) 52,596 KKR Holdings units granted on January 25, 2016, which will vest on April 1, 2019; (v) 67,033 KKR Holdings units granted on December 31, 2016, which will vest on April 1, 2019; (vi) 67,033 KKR Holdings units granted on December 30, 2016, which will vest on April 1, 2020; (vii) 1,040,000 KKR Holdings units granted on February 25, 2016, which will vest in equal installments on May 1, 2018, May 1, 2019, May 1, 2020 and May 1, 2021; (viii) 4,850,000 KKR Holdings units granted on November 2, 2017, which will vest on October 1 of each year as follows: 10% in 2018, 15% in 2019, 20% in 2020, 25% in 2021 and 30% in 2022; and (ix) 4,000,000 restricted equity units granted on November 2, 2017, of which (a) 1,500,000 units will vest on October 1 of each year as follows: 10% in 2018, 15% in 2019, 20% in 2020, 25% in 2021 and 30% in 2022 and (b) 2,500,000 units will vest upon the market price of our common units reaching and maintaining a market price of \$40.00 per common unit for a period of ten consecutive trading days on or prior to December 31, 2022.
- (4) Includes (i) 159,958 KKR Holdings units granted on January 28, 2015, which will vest on April 1, 2018; (ii) 48,648 KKR Holdings units granted on January 25, 2016, which will vest on April 1, 2018; (iii) 53,045 KKR Holdings units granted on December 31, 2016, which will vest on April 1, 2018; (iv) 48,649 KKR Holdings units granted on January 25, 2016, which will vest on April 1, 2019; (v) 53,045 KKR Holdings units granted on December 31, 2016, which will vest on April 1, 2019; (vi) 53,045 KKR Holdings units granted on December 30, 2016, which will vest on April 1, 2020; (vii) 1,280,000 KKR Holdings units granted on February 25, 2016, which will vest in equal installments on May 1, 2018, May 1, 2019, May 1, 2020 and May 1, 2021; (viii) 4,850,000 KKR Holdings units granted on November 2, 2017, which will vest on October 1 of each year as follows: 10% in 2018, 15% in 2019, 20% in 2020, 25% in 2021 and 30% in 2022; and (ix) 4,000,000 restricted equity units granted on November 2, 2017, of which (a) 1,500,000 units will vest on October 1 of each year as follows: 10% in 2018, 15% in 2019, 20% in 2020, 25% in 2021 and 30% in 2022 and (b) 2,500,000 units will vest upon the market price of our common units reaching and maintaining a market price of \$40.00 per common unit for a period of ten consecutive trading days on or prior to December 31, 2022.
- (5) Includes (i) 73,597 restricted equity units granted on February 23, 2015, which will vest on April 1, 2018; (ii) 38,485 restricted equity units granted on February 23, 2016, which will vest in equal installments on April 1, 2018 and April 1, 2019; and (iii) 440,000 KKR Holdings units granted on February 25, 2016, which will vest in equal installments on May 1, 2018, May 1, 2019, May 1, 2020 and May 1, 2021; and (iv) 67,463 restricted equity units granted on February 21, 2017, which will vest in equal installments on April 1, 2018, April 1, 2019 and April 1, 2020.
- (6) Includes (i) 73,597 restricted equity units granted on February 23, 2015, which will vest on April 1, 2018; (ii) 39,866 restricted equity units granted on February 23, 2016, which will vest in equal installments on April 1, 2018 and April 1, 2019; and (iii) 440,000 KKR Holdings units granted on February 25, 2016, which will vest in equal installments on May 1, 2018, May 1, 2019, May 1, 2020 and May 1, 2021; and (iv) 67,463 restricted equity units granted on February 21, 2017, which will vest in equal installments on April 1, 2018, April 1, 2019 and April 1, 2020.

**Option Exercises and Stock Vested in 2017**

The following table sets forth information concerning the vesting of KKR Holdings units and restricted equity units held by each of our named executive officers during the year ended December 31, 2017 .

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#) <sup>(1)</sup>	Value Realized on Vesting (\$) <sup>(2)</sup>
Henry R. Kravis	—	—
George R. Roberts	—	—
Joseph Y. Bae	496,626	\$ 9,227,692
Scott C. Nuttall	567,267	\$ 10,555,677
William J. Janetschek	215,750	\$ 4,006,823
David J. Sorkin	215,960	\$ 4,010,651
Todd A. Fisher	316,333	\$ 5,887,351

- (1) The amounts reflected in this column represent KKR Holdings units and common units delivered upon vesting, a portion of which are subject to one- and two-year transfer restrictions upon vesting. See "—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards—Terms of KKR Holdings Units" and "—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards—Terms of Restricted Equity Units" for additional terms, including with respect to the transfer of certain restrictions from the restricted equity units to employees' KKR Holdings units.
- (2) These amounts are based on the closing market price of our common units on each respective vesting date.

**Pension Benefits for 2017**

We provided no pension benefits during the fiscal year ended December 31, 2017 .

**Nonqualified Deferred Compensation for 2017**

We provided no defined contribution plan for the deferral of compensation on a basis that is not tax-qualified during the fiscal year ended December 31, 2017 .

**Potential Payments Upon Termination or Change in Control**

Upon termination of employment, vesting generally ceases for KKR Holdings units and restricted equity units that have not vested. In addition, transfer-restricted vested KKR Holdings units and, if applicable, transfer-restricted equity units (which term includes the transfer-restricted common units that may be delivered upon settlement of such restricted equity units) remain subject to transfer restrictions for one- and two-year periods, except as described below. See "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" for additional information regarding KKR Holdings units and transfer-restricted equity units of our named executive officers.

An employee who retires after the first date on which his or her age plus years of service to KKR equals 80 ("qualified retirement") will continue to vest in his or her unvested KKR Holdings units and restricted equity units for an additional two years following retirement, subject to compliance, if applicable, with the requirement that the holder not violate the terms and conditions of his or her confidentiality and restrictive covenants during the period in which such KKR Holdings unit or restricted equity unit, if applicable, remains transfer restricted over one-and two-year periods. None of our named executive officers had a qualified retirement in the fiscal year ended December 31, 2017 .

Upon death or permanent disability, a holder of KKR Holdings units or restricted equity units becomes immediately vested in all unvested KKR Holdings units and restricted equity units, respectively, which become permitted to be exchanged after the scheduled vesting dates or will be settled on the scheduled vesting dates, respectively. In addition, upon a change in control of KKR, a holder of KKR Holdings units and restricted equity units becomes immediately vested in all unvested KKR Holdings units and restricted equity units, respectively, which become permitted to be exchanged after the scheduled vesting dates or will be settled on the scheduled vesting dates, respectively. The values of unvested KKR Holdings units and restricted equity units



held by the named executive officers as of December 31, 2017 are set forth above in "Outstanding Equity Awards at 2017 Fiscal Year-End."

Upon termination of employment, vesting generally ceases for carried interest allocations. In addition, carried interest allocations become immediately vested upon death or permanent disability.

### **Pay Ratio Disclosure**

For the fiscal year ended December 31, 2017:

- the median of the annual total compensation of all employees of our company (other than Messrs. Kravis and Roberts, who are our Co-Chief Executive Officers) was \$265,000;
- the annual total compensation of Messrs. Kravis and Roberts were \$113,434,271 and \$113,711,704, respectively; and
- the ratio of the annual total compensation of our Co-Chief Executive Officers to the median of the annual total compensation of all other employees was 429 to 1 (which includes the special allocation of KKR Holdings units to each of our Co-Chief Executive Officers in 2017, as described in "— Compensation Elements—Year-end Bonus Compensation").

To identify the median employee for the purpose of providing the information above, we examined the compensation of all our employees (other than our Co-Chief Executive Officers) as of December 31, 2017 using, based on our payroll records, a consistently applied compensation measure consisting of such employees' annual salary, annual cash bonus, actual overtime, carried interest payouts and equity granted. Employees on unpaid leave of absence, employees who gave notice of departure and were not part of the regular year-end compensation process, and certain employees who joined us in connection with an acquisition consummated in 2017 were excluded from the calculation. Compensation of employees who were employed for less than the full year of 2017 were annualized, if they were part of the regular year-end compensation process. We reviewed all compensation in U.S. dollars, using the relevant exchange rate for any compensation paid in other currencies. After identifying the median employee, we calculated annual total compensation for such employee using the same methodology we use for our principal executive officers as set forth in "—Summary Compensation Table—2017 Summary Compensation Table." As noted in "—Compensation Elements—Year-end Bonus Compensation," Messrs. Kravis and Roberts did not receive any year-end bonus compensation in 2017, and the distributions payable with respect to their vested KKR Holdings units are not considered compensation and accordingly are not included in the pay ratio calculation above.

**Director Compensation**

We limit compensation for service on our Managing Partner's board of directors to the independent directors. Each independent director receives (1) an annual cash retainer of \$75,000, (2) an additional annual cash retainer of \$15,000 if such independent director is a member of the nominating and corporate governance committee, (3) an additional annual cash retainer of \$25,000 if such independent director is a member of the audit committee and (4) an additional annual cash retainer of \$25,000 if such independent director serves as the chairman of the audit committee. Cash retainers are pro-rated if, during the fiscal year, a director joins or resigns from the board of directors of our Managing Partner, a director joins or resigns from a committee or the amount of a retainer is increased or decreased. In addition, on October 27, 2017, 7,372 restricted equity units were granted to each independent director pursuant to our Equity Incentive Plan.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) <sup>(1)</sup>	Total (\$)
David C. Drummond	75,000	150,000	225,000
Joseph A. Grundfest	125,000	150,000	275,000
John B. Hess	75,000	150,000	225,000
Patricia F. Russo	75,000	150,000	225,000
Thomas M. Schoewe	100,000	150,000	250,000
Robert W. Scully	115,000	150,000	265,000

- (1) Represents the aggregate grant date fair value of restricted equity units granted to each of the independent directors during the year ended December 31, 2017 as calculated in accordance with ASC Topic 718. See Note 12 "Equity Based Compensation" to our consolidated financial statements included elsewhere in this report for additional information about the valuation assumptions with respect to all grants reflected in this column. These amounts reflect the aggregate grant date fair values calculated under ASC Topic 718 and may not correspond to the actual value that will be recognized by the independent directors.

The following table details grants of restricted equity units to each independent director of our Managing Partner in the fiscal year ended December 31, 2017. The table includes the grant date and grant date fair value of 2017 restricted equity units and the aggregate number of unvested restricted equity units as of December 31, 2017 owned by each independent director who served as a director during the year ended December 31, 2017:

Name	Grant Date <sup>(1)</sup>	Stock Awards (#)	Grant Date Fair Value (\$) <sup>(2)</sup>	Total Number of Unvested Restricted Equity Awards on December 31, 2017 (#)
David C. Drummond	10/27/2017	7,372	150,000	7,372
Joseph A. Grundfest	10/27/2017	7,372	150,000	7,372
John B. Hess	10/27/2017	7,372	150,000	7,372
Patricia F. Russo	10/27/2017	7,372	150,000	7,372
Thomas M. Schoewe	10/27/2017	7,372	150,000	7,372
Robert W. Scully	10/27/2017	7,372	150,000	7,372

- (1) The restricted equity awards were granted on October 27, 2017 and vest on October 1, 2018, subject to the grantee's continued service through the vesting date.
- (2) This column represents the grant date fair value of restricted equity units granted to each of the independent directors during the year ended December 31, 2017 as calculated in accordance with ASC Topic 718. These amounts reflect the aggregate grant date fair values calculated under ASC Topic 718 and may not correspond to the actual value that will be recognized by the independent directors.

## **KKR & Co. L.P. Equity Incentive Plan**

Our Managing Partner has adopted the KKR & Co. L.P. 2010 Equity Incentive Plan, which is referred to as our Equity Incentive Plan.

### ***Administration***

The board of directors of our Managing Partner administers our Equity Incentive Plan. However, the board of directors of our Managing Partner may delegate such authority, including to a committee or subcommittee of the board of directors. Under the terms of our Equity Incentive Plan, the board of directors of our Managing Partner, or the committee or subcommittee thereof to whom authority to administer our Equity Incentive Plan has been delegated, as the case may be, is referred to as the "Administrator." The Administrator determines who will receive awards under our Equity Incentive Plan, as well as the form of the awards, the number of units underlying the awards and the terms and conditions of the awards, consistent with the terms of our Equity Incentive Plan. The Administrator has full authority to interpret and administer our Equity Incentive Plan and its determinations will be final and binding on all parties concerned. The Administrator may delegate the authority to grant awards and the day-to-day administration of the plan to any of our employees. Grants of equity awards to our named executive officers under our Equity Incentive Plan are made only by our Managing Partner's board of directors.

### ***Common Units Subject to our Equity Incentive Plan***

The total number of our common units that may be issued under our Equity Incentive Plan as of the effective date of the plan was equivalent to 15% of the number of fully diluted and exchanged common units outstanding as of such date; provided that beginning with the first fiscal year after our Equity Incentive Plan became effective and continuing with each subsequent fiscal year occurring thereafter, the aggregate number of common units covered by the plan will be increased, on the first day of each fiscal year of KKR & Co. L.P. occurring during the term of the plan, by a number of common units equal to the positive difference, if any, of (x) 15% of the aggregate number of common units outstanding (on a fully-diluted and exchanged basis) on the last day of the immediately preceding fiscal year minus (y) the aggregate number of common units available for issuance under the plan as of the last day of such year, unless the Administrator should decide to increase the number of common units covered by the plan by a lesser amount on any such date.

### ***Options and Unit Appreciation Rights***

The Administrator may award non-qualified unit options and unit appreciation rights under our Equity Incentive Plan. Options and unit appreciation rights granted under our Equity Incentive Plan will become vested and exercisable at such times and upon such terms and conditions as may be determined by the Administrator at the time of grant, but no option or unit appreciation right will be exercisable for a period of more than ten years after it is granted. The exercise price per common unit will be determined by the Administrator, provided that options and unit appreciation rights granted to participants who are U.S. taxpayers (i) will not be granted with an exercise price less than 100% of the fair market value per underlying common unit on the date of grant and (ii) will not be granted unless the common unit on which it is granted constitutes equity of the participant's "service recipient" within the meaning of Section 409A of the Code. To the extent permitted by the Administrator, the exercise price of an option may be paid in cash or its equivalent, in common units having a fair market value equal to the aggregate exercise price and satisfying such other requirements as may be imposed by the Administrator, partly in cash and partly in common units or through net settlement in common units. As determined by the Administrator, unit appreciation rights may be settled in common units, cash or any combination thereof.

### ***Other Equity-Based Awards***

The Administrator, in its sole discretion, may grant or sell common units, restricted common units, deferred restricted common units, phantom restricted common units, and any other awards that are valued in whole or in part by reference to, or are otherwise based on the fair market value of, the common units, including restricted equity units that may be granted from time to time, to our employees, including our named executive officers. Any of these other equity-based awards may be in such form, and dependent on such conditions, as the Administrator determines, including without limitation the right to receive, or vest with respect to, one or more common units (or the equivalent cash value of such units) upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. The Administrator may, in its discretion, determine whether other equity-based awards will be payable in cash, common units or other assets or a combination of cash, common units and other assets.

### **Compensation Committee Interlocks and Insider Participation**

Because we are a limited partnership, our Managing Partner's board of directors is not required by NYSE rules to establish a compensation committee. Our founders, Messrs. Kravis and Roberts, serve as Co-Chairmen of the board of directors of our Managing Partner and participated in discussions regarding executive compensation. For a description of certain transactions between us and our founders, see "Certain Relationships and Related Transactions, and Director Independence."

### **Compensation Committee Report**

The board of directors of our Managing Partner does not have a compensation committee. The entire board of directors has reviewed and discussed with management the foregoing Compensation Discussion and Analysis and, based on such review and discussion, has determined that the Compensation Discussion and Analysis should be included in this Annual Report.

Henry R. Kravis  
George R. Roberts  
Joseph Y. Bae  
Scott C. Nuttall  
David C. Drummond  
Joseph A. Grundfest  
John B. Hess  
Patricia F. Russo  
Thomas M. Schoewe  
Robert W. Scully

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

**Our Common Units**

The following table sets forth the beneficial ownership of our common units and KKR Group Partnership Units that are exchangeable for our common units by:

- each person known to us to beneficially own more than 5% of any class of the outstanding voting securities of our partnership based on our review of filings with the SEC;
- each of the directors, persons chosen to become a director and named executive officers of our Managing Partner; and
- the directors, persons chosen to become a director and executive officers of our Managing Partner as a group.

The numbers of common units and KKR Group Partnership Units outstanding and the percentage of beneficial ownership are based on 486,800,395 common units issued and outstanding and 335,971,334 KKR Group Partnership Units that are exchangeable for our common units as of February 21, 2018. Beneficial ownership is in each case determined in accordance with the rules of the SEC, and includes equity securities of which that person has the right to acquire beneficial ownership within 60 days of February 21, 2018. Under these rules, more than one person may be deemed a beneficial owner of the same securities and a person may be deemed a beneficial owner of securities as to which he has no economic interest.

Name <sup>(3)</sup>	Common Units Beneficially Owned <sup>(1)</sup>		KKR Group Partnership Units and Special Voting Units Beneficially Owned <sup>(1)(2)</sup>		Percentage of Combined Beneficial Ownership <sup>(4)</sup>
	Number	Percent	Number	Percent	
KKR Holdings <sup>(5)</sup>	2,677	*	335,971,334	100.0%	40.8%
ValueAct Capital MFB Holdings, L.P. <sup>(6)</sup>	49,700,000	10.2%	—	—	6.0
FMR LLC <sup>(7)</sup>	33,735,482	6.9	—	—	4.1
Henry R. Kravis <sup>(5)(8)(9)</sup>	6,965,126	1.4	335,971,334	100.0	41.7
George R. Roberts <sup>(5)(8)(9)</sup>	5,878,998	1.2	335,971,334	100.0	41.6
Joseph Y. Bae <sup>(10)</sup>	385,978	*	8,170,735	2.4	1.0
Scott C. Nuttall <sup>(10)</sup>	564,265	*	11,046,555	3.3	1.4
David C. Drummond	24,967	*	—	—	*
Joseph A. Grundfest	59,583	*	—	—	*
John B. Hess	133,183	*	—	—	*
Patricia F. Russo	52,583	*	—	—	*
Thomas M. Schoewe	60,183	*	—	—	*
Robert W. Scully	114,583	*	—	—	*
William J. Janetschek <sup>(10)</sup>	115,326	*	3,110,000	*	*
David J. Sorkin <sup>(10)</sup>	225,886	*	3,133,593	*	*
Todd A. Fisher <sup>(10)</sup>	211,302	*	9,468,035	2.8	1.2
Directors and executive officers as a group (12 persons)	9,910,818	2.0%	335,971,334	100.0%	42.0%

\* Less than 1.0%.

(1) KKR Group Partnership Units held by KKR Holdings are exchangeable (together with the corresponding special voting units) for our common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications and in compliance with lock-up, vesting and transfer restrictions as described under "Certain Relationships and Related Transactions, and Director Independence—Exchange Agreement." Beneficial ownership of KKR Group Partnership Units reflected in this table has not also been reflected as beneficial ownership of our common units for which such KKR Group Partnership Units may be exchanged.

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- (2) On any matters that may be submitted to a vote of our unitholders, the special voting units provide their holders with a number of votes that is equal to the aggregate number of KKR Group Partnership Units that such holders hold and entitle such holders to participate in the vote on the same basis as our unitholders.
- (3) The address of each director and executive officer is c/o KKR Management LLC, 9 West 57th Street, Suite 4200, New York, New York 10019.
- (4) This column assumes the exchange of KKR Group Partnership Units beneficially owned into common units and a number of outstanding common units calculated in accordance with Rule 13d-3(d)(1) of the Exchange Act.
- (5) KKR Holdings owns, beneficially or of record, an aggregate of 2,677 common units and 335,971,334 exchangeable KKR Group Partnership Units. Our principals hold interests in KKR Holdings that will entitle them to participate in the value of the KKR Group Partnership Units held by KKR Holdings. KKR Holdings is a limited partnership that is controlled by KKR Holdings GP Limited, its sole general partner, which has investment control over all KKR Group Partnership Units and common units held by KKR Holdings and voting control over all special voting units held by KKR Holdings. Each of Messrs. Kravis and Roberts disclaims beneficial ownership of the securities that may be deemed to be beneficially owned by him, except to the extent of his own pecuniary interest therein. Messrs. Kravis and Roberts, by virtue of their rights under the organizational documents of KKR Holdings GP Limited (the general partner of KKR Holdings), may be deemed to share dispositive and/or voting power with respect to the KKR Group Partnership Units, special voting units and common units held by KKR Holdings. Mr. Kravis disclaims beneficial ownership of the securities that may be deemed to be beneficially owned by him, except with respect to 82,814,740 KKR Group Partnership Units in which he and certain related entities he controls have a pecuniary interest. Mr. Roberts disclaims beneficial ownership of the securities that may be deemed to be beneficially owned by him, except with respect to 87,277,805 KKR Group Partnership Units in which he and certain related entities he controls have a pecuniary interest. The address of KKR Holdings is c/o KKR Management LLC, 9 West 57th Street, Suite 4200, New York, New York 10019.
- (6) Based on a Form 4 filed with the SEC on February 13, 2018 and a Schedule 13D/A filed with the SEC on November 29, 2017, common units reported as beneficially owned by ValueAct Capital MFB Holdings, L.P. are also reported as indirectly beneficially owned by (i) ValueAct Capital Master Fund, L.P. as sole limited partner of ValueAct Capital MFB Holdings, L.P., (ii) VA Partners I, LLC as general partner of ValueAct Capital MFB Holdings, L.P. and ValueAct Capital Master Fund, L.P., (iii) ValueAct Capital Management, L.P. as the manager of ValueAct Capital Master Fund, L.P., (iv) ValueAct Capital Management, LLC as general partner of ValueAct Capital Management, L.P., (v) ValueAct Holdings, L.P. as the sole owner of the limited partnership interests of ValueAct Capital Management, L.P. and the membership interests of ValueAct Capital Management, LLC and as the majority owner of the membership interests of VA Partners I, LLC and (vi) ValueAct Holdings GP, LLC as general partner of ValueAct Holdings, L.P. ValueAct Capital MFB Holdings, L.P. is reported as having shared power to vote or to direct the vote, and shared power to dispose or direct the disposition of, such shares of common units, with VA Partners I, LLC, ValueAct Capital Master Fund, L.P., ValueAct Capital Management, L.P., ValueAct Capital Management, LLC, ValueAct Holdings, L.P. and ValueAct Holdings GP, LLC. The address of these beneficial owners is One Letterman Drive, Building D, Fourth Floor, San Francisco, California 94129.
- (7) Based on a Schedule 13G/A filed with the SEC on February 13, 2018, FMR LLC and Abigail P. Johnson may be deemed to beneficially own and have the sole power to dispose or to direct the disposition of 33,735,482 common units. The address of these beneficial owners is 245 Summer Street, Boston, Massachusetts 02210. Certain affiliates of Fidelity provide services to us in connection with the investment management, record keeping and administration of our Equity Incentive Plan and our retirement savings plans for which they received customary fees and expenses not in excess of \$1.2 million, although certain of these fees are paid by participants in the respective plans. Affiliates of Fidelity have invested or committed to invest approximately \$95.0 million as of December 31, 2017, in our investment vehicles. Fidelity and its affiliates have in the past and may in the future participate in offerings, syndications or similar transactions with our capital markets business, including in certain cases where equity of KKR portfolio companies are offered to Fidelity's retail and institutional brokerage customers, on the same terms and conditions provided to other participants in such transactions. For the year ended December 31, 2017, in connection with such transactions affiliates of Fidelity received selling concessions of less than \$650,000 in the aggregate, which were borne by the underwriters in such transactions. Affiliates of Fidelity may also sell common units owned by our employees, including our executive officers and directors, in ordinary brokerage transactions from time to time.
- (8) KKR MIF Fund Holdings L.P. owns, beneficially or of record, an aggregate of 1,028,156 common units. The sole general partner of KKR MIF Fund Holdings L.P. is KKR MIF Carry Holdings L.P. The sole general partner of KKR

MIF Carry Holdings L.P. is KKR MIF Carry Limited. Each of KKR MIF Carry Holdings L.P. (as the sole general partner of KKR MIF Fund Holdings L.P.); KKR MIF Carry Limited (as the sole general partner of KKR MIF Carry Holdings L.P.); KKR Index Fund Investments L.P. (as the sole shareholder of KKR MIF Carry Limited); KKR IFI GP L.P. (as the sole general partner of KKR Index Fund Investments L.P.); KKR IFI Limited (as the sole general partner of KKR IFI GP L.P.); KKR Fund Holdings L.P. (as the sole shareholder of KKR IFI Limited); KKR Fund Holdings GP Limited (as a general partner of KKR Fund Holdings L.P.); KKR Group Holdings L.P. (as a general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited); KKR Group Limited (as the sole general partner of KKR Group Holdings L.P.); KKR & Co. L.P. (as the sole shareholder of KKR Group Limited); and KKR Management LLC (as the sole general partner of KKR & Co. L.P.) may be deemed to be the beneficial owner of the securities. Messrs. Kravis and Roberts are the designated members of KKR Management LLC and may be deemed to share dispositive power with respect to the common units held by KKR MIF Fund Holdings L.P. Each of Messrs. Kravis and Roberts disclaims beneficial ownership of the securities.

- (9) KKR Reference Fund Investments L.P. owns, beneficially or of record, an aggregate of 3,639,010 common units. The sole general partner of KKR Reference Fund Investments L.P. is KKR IFI GP L.P. Each of KKR IFI GP L.P. (as the sole general partner of KKR Reference Fund Investments L.P.); KKR IFI Limited (as the sole general partner of KKR IFI GP L.P.); KKR Fund Holdings L.P. (as the sole shareholder of KKR IFI Limited); KKR Fund Holdings GP Limited (as a general partner of KKR Fund Holdings L.P.); KKR Group Holdings L.P. (as a general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited); KKR Group Limited (as the sole general partner of KKR Group Holdings L.P.); KKR & Co. L.P. (as the sole shareholder of KKR Group Limited); and KKR Management LLC (as the sole general partner of KKR & Co. L.P.) may be deemed to be the beneficial owner of the securities. Messrs. Kravis and Roberts are the designated members of KKR Management LLC and may be deemed to share dispositive power with respect to the common units held by KKR MIF Fund Holdings L.P. Each of Messrs. Kravis and Roberts disclaims beneficial ownership of the securities.
- (10) The common units above for Messrs. Janetschek and Sorkin include 115,326 and 116,017 restricted equity units, respectively, that will vest within 60 days of February 21, 2018.

### **Our Managing Partner**

Our Managing Partner's outstanding limited liability company interests consist of Class A shares, which are entitled to vote on the election and removal of directors and all other matters that have not been delegated to the board of directors or reserved for the vote of Class B members, and Class B shares, which are entitled to vote only with respect to any matter requiring the approval of holders of voting interests held directly or indirectly by us in the general partners of our non-U.S. funds. Notwithstanding the number of Class A shares held by the Class A members, under our Managing Partner's limited liability company agreement, Messrs. Kravis and Roberts, as the designated members of KKR Management LLC, are deemed to represent a majority of the Class A shares outstanding when acting together for purposes of voting on matters upon which holders of Class A shares are entitled to vote. Messrs. Kravis and Roberts may, in their discretion, designate one or more holders of Class A shares to hold such voting power and exercise all of the rights and duties of Messrs. Kravis and Roberts under our Managing Partner's limited liability company agreement. While Messrs. Kravis and Roberts historically have acted with unanimity when managing our business, they have not entered into any agreement relating to the voting of their Class A shares. All of our Managing Partner's other Class A shares are held by our other senior employees. Our Managing Partner's Class B shares are divided equally among twelve employees, each of whom holds less than 10% of the voting power of the Class B shares. None of the shares in our Managing Partner provide these holders with economic interests in our business. See also "Risk Factors—Risks Related to Our Common Units—Our limited partnership agreement contains provisions that reduce or eliminate duties (including fiduciary duties) of our Managing Partner and limit remedies available to unitholders for actions that might otherwise constitute a breach of duty. It will be difficult for unitholders to successfully challenge a resolution of a conflict of interest by our Managing Partner or by its conflicts committee." In addition, see "Risk Factors—Risks Related to Our Organizational Structure—We are a Delaware limited partnership, and there are certain provisions in our limited partnership agreement regarding exculpation and indemnification of our officers and directors that differ from the Delaware General Corporation Law ('DGCL') in a manner that may be less protective of the interests of our common unitholders."

**Securities Authorized for Issuance under Equity Compensation Plans**

The table set forth below provides information concerning the awards that may be issued under our Equity Incentive Plan as of December 31, 2017 .

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights <sup>(1)</sup>	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in the first column) <sup>(2)</sup>
Equity Compensation Plans Approved by Security Holders	51,475,176	—	27,313,068
Equity Compensation Plans Not Approved by Security Holders	—	—	—
<b>Total</b>	<b>51,475,176</b>	<b>—</b>	<b>27,313,068</b>

(1) Reflects the aggregate number of restricted equity units granted under our Equity Incentive Plan and outstanding as of December 31, 2017 .

(2) The aggregate number of common units covered by our Equity Incentive Plan is increased on the first day of each fiscal year during its term by a number of units equal to the positive difference, if any, of (a) 15% of the aggregate number of common units outstanding (on a fully diluted basis and exchanged) on the last day of the immediately preceding fiscal year minus (b) the aggregate number of common units available for issuance under our Equity Incentive Plan as of such date (unless the Administrator should decide to increase the number of common units covered by the plan by a lesser amount). We have filed a registration statement and intend to file additional registration statements on Form S-8 under the Securities Act to register common units covered by our Equity Incentive Plan (including pursuant to automatic annual increases). Any such Form S-8 registration statement will automatically become effective upon filing. Accordingly, upon issuance pursuant to our Equity Incentive Plan, these common units will be available for sale in the open market.



## **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The following description is a summary of the material terms of the agreements described below, and does not contain all of the information that you may find useful. For additional information, you should read the copies of our exchange agreement, our registration rights agreement, our tax receivable agreement and the limited partnership agreements of the KKR Group Partnerships, all of which have been incorporated by reference as exhibits to this report.

### **Exchange Agreement**

We have entered into an exchange agreement with KKR Holdings, the entity through which certain of our employees, including Messrs. Kravis, Roberts, Bae, Nuttall, Janetschek and Sorokin, hold their KKR Group Partnership Units, pursuant to which KKR Holdings or certain transferees of its KKR Group Partnership Units may, on a quarterly basis (subject to the terms of the exchange agreement), exchange KKR Group Partnership Units held by them (together with corresponding special voting units) for our common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. At the election of certain of our intermediate holding companies that are partners of the KKR Group Partnerships, the intermediate holding companies may settle exchanges of KKR Group Partnership Units with cash in an amount equal to the fair market value of the common units that would otherwise be deliverable in such exchanges. To the extent that KKR Group Partnership Units held by KKR Holdings or its transferees are exchanged for our common units, our interests in the KKR Group Partnerships will be correspondingly increased. Any common units received upon such exchange will be subject to any restrictions that were applicable to the exchanged KKR Group Partnership Units, including any applicable transfer restrictions. During the year ended December 31, 2017, 17,786,064 KKR Group Partnership Units were exchanged for our common units pursuant to this agreement.

On November 2, 2010, the exchange agreement was amended and restated to provide certain rights to cancel exchanges or limit the number of units exchanged in a given quarter. The amendments also provided that certain exchanges will be with a new subsidiary, the result of which is that the income tax character of a small portion of income distributed to unitholders may differ from what it would have been absent the amendment. If additional taxes result from the inclusion of this subsidiary of ours, KKR Holdings will make payments to one of our subsidiaries in respect of those taxes.

Certain interests in KKR Holdings that are held by our employees are subject to transfer restrictions and vesting requirements that, unless waived, modified or amended, limit the ability of our employees to cause KKR Group Partnership Units to be exchanged under the exchange agreement so long as applicable vesting and transfer restrictions apply. The general partner of KKR Holdings, which is controlled by our founders, will have sole authority for waiving any applicable vesting or transfer restrictions.

As contemplated by the exchange agreement, a coordinated selling program has been established relating to sales of common units received pursuant to the exchanges by certain holders of KKR Holdings units. Pursuant to the program, sales generally take place quarterly, and management is permitted to establish an overall limit on such sales based upon the trading volume of our common units or any other factor that may be considered relevant.

### **Registration Rights Agreement**

In connection with our NYSE listing, we entered into a registration rights agreement with KKR Holdings pursuant to which we granted KKR Holdings, its affiliates and transferees of its KKR Group Partnership Units the right, under certain circumstances and subject to certain restrictions, to require us to register under the Securities Act our common units (and other securities convertible into or exchangeable or exercisable for our common units) held or acquired by them. Under the registration rights agreement, holders of registration rights will have the right to request us to register the common units received upon the exchange of their KKR Holdings units and the sale of such common units and also have the right to require us to make available shelf registration statements permitting sales of common units into the market from time to time over an extended period. In addition, holders of registration rights will have the ability to exercise certain piggyback registration rights in connection with registered offerings requested by other holders of registration rights or initiated by us. On October 1, 2010, the registration statement we filed pursuant to this agreement was declared effective, and a post-effective amendment was declared effective on September 21, 2011. As of December 31, 2017, 335,971,334 common units remain unissued under that registration statement.

## Tax Receivable Agreement

We and one or more of our intermediate holding companies may be required to acquire KKR Group Partnership Units from time to time pursuant to our exchange agreement with KKR Holdings. KKR Management Holdings L.P. has made an election under Section 754 of the Code, which will remain in effect for each taxable year in which an exchange of KKR Group Partnership Units for common units occurs. Certain of these exchanges are expected to result in an increase in certain of our intermediate holding companies' share of the tax basis of the tangible and intangible assets of the KKR Group Partnerships, primarily attributable to a portion of the goodwill inherent in our business, that would not otherwise have been available. This increase in tax basis may increase depreciation and amortization deductions for tax purposes and therefore reduce the amount of income tax our intermediate holding companies would otherwise be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

We have entered into a tax receivable agreement with KKR Holdings requiring our intermediate holding companies to pay to KKR Holdings or transferees of its KKR Group Partnership Units 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that our intermediate holding companies actually realize as a result of this increase in tax basis, as well as 85% of the amount of any such savings our intermediate holding companies actually realize as a result of increases in tax basis that arise due to future payments under the agreement. A termination of the agreement or a change of control could give rise to similar payments based on tax savings that we would be deemed to realize in connection with such events. This payment obligation is an obligation of the intermediate holding companies and not of any KKR Group Partnership. As such, the cash distributions to common unitholders may vary from holders of KKR Group Partnership Units (held by KKR Holdings and others) to the extent payments are made under the tax receivable agreement to exchanging holders of KKR Group Partnership Units. As the payments reflect actual tax savings received by KKR entities, there may be a timing difference between the tax savings received by KKR entities and the cash payments to exchanging holders of KKR Group Partnership Units. We expect the intermediate holding companies to benefit from the remaining 15% of cash savings, if any, in income tax that they realize. In the event that other of our current or future subsidiaries become taxable as corporations and acquire KKR Group Partnership Units in the future, or if we become taxable as a corporation for U.S. federal income tax purposes, we expect that each will become subject to a tax receivable agreement with substantially similar terms.

For purposes of the tax receivable agreement, cash savings in income tax will be computed by comparing the actual income tax liability of our intermediate holding companies to the amount of such taxes that they would have been required to pay had there been no increase to the tax basis of the tangible and intangible assets of the KKR Group Partnerships as a result of the exchanges of KKR Group Partnership Units and had the intermediate holding companies not entered into the tax receivable agreement. The term of the tax receivable agreement continues until all such tax benefits have been utilized or expired, unless the intermediate holding companies exercise their right to terminate the tax receivable agreement for an amount based on the agreed payments remaining to be made under the agreement.

Estimating the amount of payments that may be made under the tax receivable agreement is by its nature imprecise, insofar as the calculation of amounts payable depends on a variety of factors. The actual increase in tax basis, as well as the amount and timing of any payments under the tax receivable agreement, will vary depending upon a number of factors, including:

- the timing of exchanges—for instance, the increase in any tax deductions will vary depending on the fair market value, which may fluctuate over time, of the KKR Group Partnership Units, which will depend on the fair market value of the depreciable or amortizable assets of the KKR Group Partnerships at the time of the transaction;
- the price of our common units at the time of the exchange—the increase in any tax deductions, as well as the tax basis increase in other assets, of the KKR Group Partnerships is directly proportional to the price of our common units at the time of the exchange;
- the extent to which such exchanges are taxable—if an exchange is not taxable for any reason (for instance, in the case of a charitable contribution), increased deductions will not be available; and
- the amount of tax, if any, our intermediate holding company is required to pay aside from any tax benefit from the exchanges, and the timing of any such payment—if our intermediate holding companies do not have taxable income aside from any tax benefit from the exchanges, they will not be required to make payments under the tax receivable agreement for that taxable year because no tax savings will have been actually realized.

We expect that as a result of the amount of the increases in the tax basis of the tangible and intangible assets of the KKR Group Partnerships, assuming no material changes in the relevant tax law and that we earn sufficient taxable income to realize

the full tax benefit of the increased amortization of our assets, future payments under the tax receivable agreement will be substantial. The payments under the tax receivable agreement are not conditioned upon our principals' continued ownership of us and are required to be made within 90 days of the filing of the tax return s of our intermediate holding companies. For the year ended December 31, 2017 , no payments were made to our principals, including our executive officers, or KKR Holdings. The independent directors of our board of directors are not eligible to receive payments under the tax receivable agreement.

The intermediate holding companies may terminate the tax receivable agreement at any time by making an early termination payment to KKR Holdings or its transferees, based upon the net present value (based upon certain assumptions in the tax receivable agreement) of all tax benefits that would be required to be paid by the intermediate holding companies to KKR Holdings or its transferees. In addition, the tax receivable agreement provides that upon certain mergers, asset sales, other forms of combination transactions or other changes of control, the minimum obligations of our intermediate holding companies or their successor with respect to exchanged or acquired KKR Group Partnership Units (whether exchanged or acquired before or after such transaction) would be based on certain assumptions, including that our intermediate holding companies would have sufficient taxable income to fully utilize the increased tax deductions and increased tax basis and other benefits related to entering into the tax receivable agreement. In these situations, our obligations under the tax receivable agreement could have a substantial negative impact on our liquidity.

Decisions made by our senior principals in the course of running our business, such as with respect to mergers, asset sales, other forms of business combinations or other changes of control, may influence the timing and amount of payments that are received by an exchanging or selling holder of partner interests in the KKR Group Partnerships under the tax receivable agreement. For example, the earlier disposition of assets following an exchange or acquisition transaction will generally accelerate payments under the tax receivable agreement and increase the present value of such payments, and the disposition of assets before an exchange or acquisition transaction will increase a principals' tax liability without giving rise to any rights of a principal to receive payments under the tax receivable agreement.

Payments under the tax receivable agreement will be based upon the tax reporting positions that our Managing Partner will determine. We are not aware of any issue that would cause the IRS to challenge a tax basis increase. However, neither KKR Holdings nor its transferees will reimburse us for any payments previously made under the tax receivable agreement if such tax basis increase, or the tax benefits we claim arising from such increase, is successfully challenged by the IRS. As a result, in certain circumstances payments to KKR Holdings or its transferees under the tax receivable agreement could be in excess of the intermediate holding companies' cash tax savings. The intermediate holding companies' ability to achieve benefits from any tax basis increase, and the payments to be made under this agreement, will depend upon a number of factors, as discussed above, including the timing and amount of our future income.

### **KKR Group Partnership Agreements**

We indirectly control the general partners of the KKR Group Partnerships and, through the KKR Group Partnerships and their subsidiaries, the KKR business. Because our Managing Partner operates and controls us, our Managing Partner's board of directors and our officers are ultimately responsible for all material decisions of the KKR Group Partnerships and the KKR Group Partnerships' businesses.

Pursuant to the limited partnership agreements of the KKR Group Partnerships, our partnership, as the controlling general partner of KKR Fund Holdings L.P., KKR Management Holdings L.P. and KKR International Holdings L.P., have the indirect right to determine when distributions will be made to the holders of KKR Group Partnership Units and the amount of any such distributions.

On March 17, 2016, in connection with the issuance of the Series A Preferred Units and on June 20, 2016, in connection with the issuance of the Series B Preferred Units, the limited partnership agreements of the KKR Group Partnerships were amended to provide for preferred units with economic terms designed to mirror those of the Series A Preferred Units and Series B Preferred Units.

The limited partnership agreements of the KKR Group Partnerships provide for tax distributions to the holders of KKR Group Partnership Units if the general partners of the KKR Group Partnerships determine that distributions from the KKR Group Partnerships would otherwise be insufficient to cover the tax liabilities of a holder of a KKR Group Partnership Unit. Generally, these tax distributions will be computed based on our estimate of the net taxable income of the relevant partnership allocable to a holder of a KKR Group Partnership Unit multiplied by an assumed tax rate equal to the highest effective marginal combined U.S. federal, state and local income tax rate prescribed for an individual or corporate resident in New York, New York (taking into account the nondeductibility of certain expenses and the character of our income).

The limited partnership agreements of the KKR Group Partnerships authorize the general partners of the KKR Group Partnerships to issue an unlimited number of additional securities of the KKR Group Partnerships with such designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to the KKR Group Partnerships Units, and which may be exchangeable for KKR Group Partnership Units.

#### **Firm Use of Private Aircraft**

Certain of our senior employees, including Messrs. Kravis and Roberts, own aircraft that we use for business purposes in the ordinary course of our operations. These senior employees paid for the purchase of these aircraft with their personal funds and bear all operating, personnel and maintenance costs associated with their operation. The hourly rates that we pay for the use of these aircraft are based on current market rates for chartering private aircraft of the same type. We incurred \$3.9 million for the use of these aircraft during the year ended December 31, 2017, of which substantially all was paid to entities collectively controlled by Messrs. Kravis and Roberts.

#### **Side-By-Side and Other Investments**

Because fund investors typically are unwilling to invest their capital in a fund unless the fund's manager also invests its own capital in the fund's investments, our investment fund documents generally require the general partners of our investment funds to make minimum capital commitments to the funds. The amount of these commitments, which are negotiated by fund investors, generally range from 2% to 8% of a fund's total capital commitments at final closing, but may be greater for certain funds pursuing new strategies. When investments are made, the general partner contributes capital to the fund based on its fund commitment percentage and if applicable, acquires a capital interest in the investment that is not subject to a carried interest. Historically, these capital contributions have been funded with cash from operations that otherwise would be distributed to our employees.

In connection with the KPE Transaction, we did not acquire capital interests in investments that were funded by our employees or others involved in our business prior to October 1, 2009. Rather, those capital interests were allocated to our employees or others involved in our business and are reflected in our financial statements as noncontrolling interests in consolidated entities to the extent that we hold the general partner interest in the fund. Any capital contributions that our private equity fund general partners are required to make to a fund will be funded by us and we will be entitled to receive our allocable share of the returns thereon.

In addition, certain of our current and former employees and certain other qualifying personnel are permitted to invest, and have invested, their own capital in our funds, in side-by-side investments with our funds and the firm, as well as in funds managed by our strategic manager partnerships. Side-by-side investments are investments generally made on the same terms and conditions as those available to the applicable fund or the firm and, together with their investments in our funds or the funds managed by our strategic manager partnerships, are not generally subject to management fees or a carried interest. The cash invested by our current and former employees and certain other qualifying personnel and their investment vehicles aggregated to \$505.1 million for the year ended December 31, 2017, of which \$43.3 million, \$39.0 million, \$22.4 million, \$7.3 million, \$2.8 million, \$0.8 million and \$5.3 million was invested by Messrs. Kravis, Roberts, Bae, Nuttall, Janetschek, Sorkin and Fisher and their investment vehicles, respectively. These investments are not included in the accompanying consolidated financial statements. In addition, our funds invested \$9.2 million in 2017 from the commitments of certain investment vehicles associated with Mr. Hess. Such investments associated with Mr. Hess were made on the same terms and conditions as for other fund investors including management fees and/or a carried interest applicable to the relevant fund.

#### **Indemnification of Directors, Officers and Others**

Under our limited partnership agreement, in most circumstances we will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts: (a) our Managing Partner; (b) any former Managing Partner; (c) any person who is or was an affiliate of our Managing Partner or any former Managing Partner; (d) any person who is or was a member, partner, Tax Matters Partner (as defined in the Code), officer, director, employee, agent, fiduciary or trustee of our partnership or our subsidiaries, any KKR Group Partnership, our Managing Partner or any former Managing Partner or any affiliate of us or our subsidiaries, our Managing Partner or any former Managing Partner; (e) any person who is or was serving at the request of our Managing Partner or any former Managing Partner or any affiliate of our Managing Partner or any former Managing Partner as an officer, director, employee, member, partner, Tax Matters Partner, agent, fiduciary or trustee of another person (provided that a person shall not be an indemnitee by reason of providing, on a fee-for-services basis or similar arms-length compensatory basis, agency, advisory, consulting, trustee, fiduciary or custodial services); or (f) any person designated by our Managing Partner as an indemnitee. We have agreed to provide this

indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons acted in bad faith or engaged in fraud or willful misconduct. We have also agreed to provide this indemnification for criminal proceedings. Any indemnification under these provisions will only be out of our assets. Unless it otherwise agrees, our Managing Partner will not be liable for, or have any obligation to contribute or loan any monies or property to us to enable us to effectuate, indemnification. The indemnification of the persons described above shall be secondary to any indemnification such person is entitled from another person or the relevant KKR fund to the extent applicable. We may purchase insurance against liabilities asserted against and expenses incurred by persons in connection with our activities, regardless of whether we would have the power to indemnify the person against liabilities under our limited partnership agreement. We currently maintain liability insurance for directors and officers of our Managing Partner.

Each member of the board of directors, each as an indemnitee, has entered into an indemnification agreement with our Managing Partner and us. Each indemnification agreement provides that the indemnitee, subject to the limitations set forth in each indemnification agreement, shall be indemnified and held harmless by our Managing Partner on an after-tax basis from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all threatened, pending or completed claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, and whether formal or informal and including appeals, in which the indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of being or having been or having agreed to serve as a member of the board of directors, or while serving as a member of the board of directors, being or having been serving or having agreed to serve at the request of our Managing Partner as a director, officer, employee or agent (which, for purposes hereof, shall include a trustee, partner or manager or similar capacity) of another corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise, whether arising from acts or omissions to act occurring on, before or after the date of such indemnification agreement. Each indemnification agreement provides that the indemnitee shall not be indemnified and held harmless if there has been a final and non-appealable judgment entered by an arbitral tribunal or court of competent jurisdiction determining that, in respect of the matter for which the indemnitee is seeking indemnification pursuant to the indemnification agreement, the indemnitee acted in bad faith or engaged in fraud or willful misconduct.

### **Guarantee of Contingent Obligations to Fund Partners; Indemnification**

The partnership documents governing KKR's carry-paying funds, including funds relating to private equity, mezzanine, infrastructure, energy, real estate, direct lending, special situations and core investments, generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. Under a clawback obligation, upon the liquidation of a fund, the general partner is required to return, typically on an after-tax basis, previously distributed carry to the extent that, due to the diminished performance of later investments, the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, including the effects of any performance thresholds. Excluding carried interest received by the general partners of funds that were not contributed to KKR in the KPE Transaction, as of December 31, 2017, \$19.2 million carried interest was subject to this clawback obligation, assuming that all applicable carry-paying funds were liquidated at their December 31, 2017 fair values. Had the investments in such funds been liquidated at zero value, the clawback obligation would have been \$1,920.9 million. Carried interest is recognized in the statement of operations based on the contractual conditions set forth in the agreements governing the fund as if the fund were terminated and liquidated at the reporting date and the fund's investments were realized at the then-estimated fair values. Amounts earned pursuant to carried interest are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment amounts earned decrease or turn negative in subsequent periods, recognized carried interest will be reversed and to the extent that the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, a clawback obligation would be recorded. For funds that are consolidated, this clawback obligation, if any, is reflected as an increase in noncontrolling interests in the consolidated statements of financial condition. For funds that are not consolidated, this clawback obligation, if any, is reflected as a reduction of KKR's investment balance as this is where carried interest is initially recorded.

Prior to the KPE Transaction in 2009, certain principals who received carried interest distributions with respect to certain private equity funds contributed to KKR had personally guaranteed, on a several basis and subject to a cap, the contingent obligations of the general partners of such private equity funds to repay amounts to fund investors pursuant to the general partners' clawback obligations. The terms of the KPE Transaction require that principals remain responsible for any clawback obligations relating to carry distributions received prior to the KPE Transaction, up to a maximum of \$223.6 million. Through investment realizations made to date, however, it is no longer possible for the principals to be required to pay any such clawback obligation. Carry distributions arising subsequent to the KPE Transaction may give rise to clawback obligations that may be allocated generally to KKR and principals who participate in the carry pool. In addition, guarantees of or similar

arrangements relating to clawback obligations in favor of third-party investors in an individual investment partnership by entities KKR owns may limit distributions of carried interest more generally.

## **Facilities**

Certain trusts, whose beneficiaries include children of Mr. Kravis and Mr. Roberts, and certain other senior employees who are not executive officers of the Company, are partners in a real-estate based partnership that maintains an ownership interest in our Menlo Park location. Payments made from us to this partnership aggregated \$7.6 million for the year ended December 31, 2017 .

## **Confidentiality and Restrictive Covenant Agreements**

Our employees have entered into confidentiality and restrictive covenant agreements that include prohibitions on our employees competing with us or soliciting clients or employees of our firm during a restricted period following their departure from the firm. For further information on these agreements, see "Executive Compensation—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards in 2017 —Terms of Confidentiality and Restrictive Covenant Agreements."

## **Other Transactions with Related Persons**

We have and may in the future continue to enter into ordinary course transactions with unaffiliated entities known to us to beneficially own more than 5% of any class of the outstanding voting securities of our partnership. These transactions may include investments by them in our funds generally on the same terms and conditions offered to other unaffiliated fund investors and participation in our capital markets transactions, including underwritings and syndications, generally on the same terms and conditions offered to other unaffiliated capital markets participants. See "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

## **Statement of Policy Regarding Transactions with Related Persons**

The board of directors of our Managing Partner adopted a written statement of policy for our partnership regarding transactions with related persons (our "related person policy"). Our related person policy requires that a "related person" (as defined as in Item 404(a) of Regulation S-K) must promptly disclose to our General Counsel or other designated person any "related person transaction" (defined as any transaction, arrangement or relationship, or series of similar transactions, arrangements or relationships, including, without limitation, any loan, guarantee of indebtedness, transfer or lease of real estate, or use of company property) that is reportable by us under Item 404(a) of Regulation S-K in which we were or are to be a participant and the amount involved exceeds \$120,000 and in which any related person had or will have a direct or indirect material interest) and all material facts with respect thereto. Those individuals will then communicate that information to the board of directors of our Managing Partner. No related person transaction will be consummated without the approval or ratification of a committee of the board consisting exclusively of disinterested directors; provided, however, the conflicts committee of our board of directors has pre-approved: certain ordinary course transactions with persons known to us to beneficially own more than 5% of our outstanding common units on terms generally not less favorable as obtained from other third parties, including investments in our funds as limited partners and participation in capital markets transactions like underwritings and syndications; the renewal of pre-existing strategic relationships with an owner of more than 5% of our outstanding common units; the use of aircraft owned by our senior employees for business purposes; certain investments by eligible employees in our funds, in side-by-side investments with our funds and the firm, as well as in funds managed by our strategic manager partnership; and certain pro rata cash contributions to the KKR Group Partnerships for cash management purposes. It is our policy that directors interested in a related person transaction will recuse themselves from any vote on a related person transaction in which they have an interest.

## **Director Independence**

Please see "Directors, Executive Officers and Corporate Governance—Independence and Composition of the Board of Directors" for information on director independence.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The following table summarizes the aggregate fees for professional services provided by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu Limited or their respective affiliates (collectively, the "Deloitte Entities") for the years ended December 31, 2017 and 2016 .

	<b>For the Year Ended December 31, 2017</b>	
	<b>KKR</b>	<b>Completed Transactions</b>
	<b>(in thousands)</b>	
Audit Fees	\$ 21,197 <sup>(a)</sup>	\$ —
Audit-Related Fees	\$ 11,432 <sup>(b)</sup>	\$ 13,603 <sup>(d)</sup>
Tax Fees	\$ 33,946 <sup>(c)</sup>	\$ 8,034 <sup>(d)</sup>
All Other Fees	\$ 24 <sup>(e)</sup>	\$ —

	<b>For the Year Ended December 31, 2016</b>	
	<b>KKR</b>	<b>Completed Transactions</b>
	<b>(in thousands)</b>	
Audit Fees	\$ 22,068 <sup>(a)</sup>	\$ —
Audit-Related Fees	\$ 6,854 <sup>(b)</sup>	\$ 6,769 <sup>(d)</sup>
Tax Fees	\$ 30,804 <sup>(c)</sup>	\$ 5,478 <sup>(d)</sup>
All Other Fees	\$ —	\$ —

- (a) Audit Fees consisted of estimated fees for each audit year for (1) the audits of our consolidated financial statements in our Annual Report on Form 10-K and services related to, or required by, statute or regulation; (2) reviews of the interim condensed consolidated financial statements included in our Quarterly Reports on Form 10-Q; and (3) comfort letters, consents and other services related to SEC and other regulatory filings. Estimate to actual adjustments for settlements of audit fees are reflected in the year audit fees are settled.
- (b) Audit-Related Fees primarily included merger, acquisition and investment due diligence services for strategic acquisitions or investments in target companies for in-process transactions and transactions not completed.
- (c) Tax Fees consisted of fees for services rendered for tax compliance, planning and advisory services as well as tax fees for merger, acquisition and investment due diligence services for strategic acquisitions or investments in target companies for in-process transactions and transactions not completed.
- (d) Audit-Related Fees and Tax Fees included merger, acquisition, and investment due diligence services for strategic acquisitions or investments in portfolio companies that have been completed. In addition, the Deloitte Entities provided audit, audit-related, tax and other services to the portfolio companies, which are approved directly by the portfolio company's management and are not included in the amounts presented here.
- (e) All Other Fees in 2017 included real estate advisory services.

Our audit committee charter, which is available on our website at [www.kkr.com](http://www.kkr.com) under "Investor Center - KKR & Co. L.P. - Corporate Governance -Audit Charter", requires the audit committee to approve in advance all audit and non-audit related services to be provided by our independent registered public accounting firm in accordance with the audit and non-audit related services pre-approval policy. All services reported in the Audit, Audit-Related, Tax, and All Other categories above were approved by the audit committee.

**PART IV**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

(a) The following documents are filed as part of this Annual Report.

1. Financial Statements

See Item 8 above.

2. Financial Statement Schedules:

See Schedule II - Valuation and Qualifying Accounts - Years Ended December 31, 2017, 2016 and 2015 of this Annual Report on Form 10-K. The other schedules are omitted as they are not applicable or the amounts involved are not material.

3. Exhibits:

- 2.1 [Merger Agreement, dated as of December 16, 2013, among KKR & Co. L.P., KKR Fund Holdings L.P., Copal Merger Sub LLC, a Delaware limited liability company and KKR Financial Holdings LLC \(incorporated by reference to Exhibit 2.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on December 17, 2013\).](#)
- 3.1 [Certificate of Limited Partnership of KKR & Co. L.P. \(incorporated by reference to Exhibit 3.1 to the KKR & Co. L.P. Registration Statement on Form S-1 \(File No. 333-165414\) filed on March 12, 2010\).](#)
- 3.2 [Third Amended and Restated Limited Partnership Agreement of KKR & Co. L.P. \(incorporated by reference to Exhibit 3.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on June 20, 2016\).](#)
- 3.3 [Certificate of Formation of KKR Management LLC \(incorporated by reference to Exhibit 3.3 of the Registration Statement on Form S-1 \(File No. 333-165414\) filed on March 12, 2010\).](#)
- 3.4 [Second Amended and Restated Limited Liability Company Agreement of KKR Management LLC \(incorporated by reference to Exhibit 3.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on May 6, 2016\).](#)
- 4.1 [Indenture dated as of September 29, 2010 among KKR Group Finance Co. LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee \(incorporated by reference to Exhibit 4.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on September 30, 2010\).](#)
- 4.2 [First Supplemental Indenture dated as of September 29, 2010 among KKR Group Finance Co. LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee \(incorporated by reference to Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on September 30, 2010\).](#)
- 4.3 [Second Supplemental Indenture dated as of August 5, 2014 among KKR Group Finance Co. LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee \(incorporated by reference to Exhibit 4.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014\).](#)
- 4.4 [Form of 6.375% Senior Note due 2020 \(included in Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on September 30, 2010\).](#)



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- 4.5 [Registration Rights Agreement of KKR & Co. L.P., dated as of October 1, 2012, by and among KKR & Co. L.P., AUSA Holding Company and the other persons listed on the signature page thereto \(incorporated by reference to Exhibit 4.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on November 2, 2012\).](#)
- 4.6 [Indenture dated as of February 1, 2013 among KKR Group Finance Co. II LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee \(incorporated by reference to Exhibit 4.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on February 1, 2013\).](#)
- 4.7 [First Supplemental Indenture dated as of February 1, 2013 among KKR Group Finance Co. II LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee \(incorporated by reference to Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on February 1, 2013\).](#)
- 4.8 [Second Supplemental Indenture dated as of August 5, 2014 among KKR Group Finance Co. II LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee \(incorporated by reference to Exhibit 4.2 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014\).](#)
- 4.9 [Form of 5.500% Senior Note due 2043 \(included in Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on February 1, 2013\).](#)
- 4.10 [Registration Rights Agreement of KKR & Co. L.P., dated as of February 19, 2014, by and among KKR & Co. L.P. and the sellers of Avoca listed on the signature pages thereto \(included in Exhibit 4.8 to the KKR & Co. L.P. Annual Report on Form 10-K filed on February 24, 2014\).](#)
- 4.11 [Indenture dated as of May 29, 2014 among KKR Group Finance Co. III LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee \(incorporated by reference to Exhibit 4.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on May 29, 2014\).](#)
- 4.12 [First Supplemental Indenture dated as of May 29, 2014 among KKR Group Finance Co. III LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee \(incorporated by reference to Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on May 29, 2014\).](#)
- 4.13 [Second Supplemental Indenture dated as of August 5, 2014 among KKR Group Finance Co. III LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee \(incorporated by reference to Exhibit 4.3 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014\).](#)
- 4.14 [Form of 5.125% Senior Note due 2044 \(included in Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on May 29, 2014\).](#)
- 4.15 [Form of 6.75% Series A Preferred Unit Certificate \(included in Exhibit 4.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on March 17, 2016\).](#)
- 4.16 [Form of 6.50% Series B Preferred Unit Certificate \(included in Exhibit 4.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on June 20, 2016\).](#)
- 4.17 [Indenture, dated as of November 15, 2011, between the KKR Financial Holdings LLC and Wilmington Trust, National Association, as Trustee \(incorporated by reference to Exhibit 4.1 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on November 15, 2011\).](#)
- 4.18 [Indenture, dated as of March 30, 2017, between KKR Financial Holdings LLC and The Bank of New York Mellon Trust Company, N.A., as trustee \(incorporated by reference to Exhibit 4.1 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on March 30, 2017\).](#)

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- 4.19 [First Supplemental Indenture, dated as of March 30, 2017, between KKR Financial Holdings LLC and The Bank of New York Mellon Trust Company, N.A., as trustee \(incorporated by reference to Exhibit 4.2 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on March 30, 2017\).](#)
- 4.20 [Form of 5.50% Senior Note due 2043 of KKR Financial Holdings LLC \(incorporated by reference to Exhibit 4.2 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on March 30, 2017\).](#)
- 4.21 [Registration Rights Agreement, dated as of November 2, 2015, by and among KKR & Co. L.P., MW Group \(GP\) LTD and the other persons listed on the signature pages thereto \(incorporated by reference to Exhibit 4.1 of the Registration Statement on Form S-3 \(No. 333-208019\) filed on November 13, 2015\).](#)
- 4.22 [Registration Rights Agreement Amendment, dated as of November 30, 2017, between KKR & Co. L.P. and the Covered Persons Representative \(as defined therein\).](#)
- 10.1 [Second Amended and Restated Limited Partnership Agreement of KKR Management Holdings L.P. dated October 1, 2009 \(incorporated by reference to Exhibit 10.1 of the Registration Statement on Form S-1 \(File No. 333-165414\) filed on March 12, 2010\).](#)
- 10.1.1 [Amendment No. 1 to the Second Amended and Restated Limited Partnership Agreement of KKR Management Holdings L.P., dated March 17, 2016 \(incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on March 17, 2016\).](#)
- 10.1.2 [Amendment No. 2 to the Second Amended and Restated Limited Partnership Agreement of KKR Management Holdings L.P., dated June 20, 2016 \(incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on June 20, 2016\).](#)
- 10.2 [Second Amended and Restated Limited Partnership Agreement of KKR Fund Holdings L.P. dated October 1, 2009 \(incorporated by reference to Exhibit 10.2 of the Registration Statement on Form S-1 \(File No. 333-165414\) filed on March 12, 2010\).](#)
- 10.2.1 [Amendment to Second Amended and Restated Limited Partnership Agreement of KKR Fund Holdings L.P. dated August 5, 2014 \(incorporated by reference to Exhibit 10.3 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014\).](#)
- 10.2.2 [Amendment to Second Amended and Restated Limited Partnership Agreement of KKR Fund Holdings L.P., dated March 17, 2016 \(incorporated by reference to Exhibit 10.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on March 17, 2016\).](#)
- 10.2.3 [Amendment to Second Amended and Restated Limited Partnership Agreement of KKR Fund Holdings L.P., dated June 20, 2016 \(incorporated by reference to Exhibit 10.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on June 20, 2016\).](#)
- 10.3 [Amended and Restated Limited Partnership Agreement of KKR International Holdings L.P., dated August 5, 2014 \(incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014\).](#)
- 10.3.1 [Amendment to Amended and Restated Limited Partnership Agreement of KKR International Holdings L.P., dated March 17, 2016 \(incorporated by reference to Exhibit 10.3 to the KKR & Co. L.P. Current Report on Form 8-K filed on March 17, 2016\).](#)
- 10.3.2 [Amendment to Amended and Restated Limited Partnership Agreement of KKR International Holdings L.P., dated June 20, 2016 \(incorporated by reference to Exhibit 10.3 to the KKR & Co. L.P. Current Report on Form 8-K filed on June 20, 2016\).](#)
- 10.4 [Registration Rights Agreement dated July 14, 2010, by and among KKR & Co. L.P., KKR Holdings L.P. and the persons from time to time party thereto \(incorporated by reference to Exhibit 10.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on July 20, 2010\).](#)

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- 10.5 \* [Form of KKR & Co. L.P. 2010 Equity Incentive Plan \(incorporated by reference to Exhibit 10.4 to Amendment No. 3 to the Registration Statement on Form S-1 \(File No. 333-165414\) filed on June 3, 2010\).](#)
- 10.6 [Tax Receivable Agreement, dated as of July 14, 2010, among KKR Holdings L.P., KKR Management Holdings Corp., KKR & Co. L.P., KKR Management Holdings, L.P., and other persons who executed a joinder thereto \(incorporated by reference to Exhibit 10.3 to the KKR & Co. L.P. Current Report on Form 8-K filed on July 20, 2010\).](#)
- 10.7 [Amended and Restated Exchange Agreement, dated as of November 2, 2010, among KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR Holdings L.P., KKR & Co. L.P., KKR Group Holdings L.P., KKR Subsidiary Partnership L.P. and KKR Group Limited \(incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on November 3, 2010\).](#)
- 10.8 [Amendment and Joinder Agreement to Exchange Agreement, dated as of August 5, 2014, among KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR Holdings L.P., KKR & Co. L.P., KKR Group Holdings L.P., KKR Subsidiary Partnership L.P., KKR Group Limited, and KKR International Holdings L.P. \(incorporated by reference to Exhibit 10.2 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014\).](#)
- 10.9 [Credit Agreement, dated as of October 22, 2014, among Kohlberg Kravis Roberts & Co. L.P., KKR Fund Holdings L.P., KKR Management Holdings L.P. and KKR International Holdings L.P., the other borrowers from time to time party thereto, the guarantors from time to time party thereto, the lending institutions from time to time party thereto and HSBC Bank USA, National Association, as Administrative Agent \(incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Current Report on Form 8-K filed October 24, 2014\).](#)
- 10.10 [Amendment No. 1 to Credit Agreement, dated as of August 18, 2015 by and among Kohlberg Kravis Roberts & Co. L.P. and HSBC Bank USA, National Association \(incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed November 5, 2015\).](#)
- 10.11 [364-Day Revolving Credit Agreement, dated as of June 29, 2017, among KKR Capital Markets Holdings L.P., certain subsidiaries of KKR Capital Markets Holdings L.P., each of the Lenders \(as defined therein\), and Mizuho Bank, Ltd., as administrative agent \(incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed August 4, 2017\).](#)
- 10.12 [First Amendment, dated as of June 29, 2017, to Second Amended and Restated 5-Year Revolving Credit Agreement, dated as of March 30, 2016, among KKR Capital Markets Holdings L.P., certain subsidiaries of KKR Capital Markets Holdings L.P., the Majority Lenders \(as defined therein\), and Mizuho Bank, Ltd., as administrative agent \(incorporated by reference to Exhibit 10.2 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed August 4, 2017\).](#)
- 10.13 \* [Form of Confidentiality and Restrictive Covenant Agreement \(Founders\) \(incorporated by reference to Exhibit 10.10 of the Registration Statement on Form S-1 \(File No. 333-165414\) filed on March 12, 2010\).](#)
- 10.14 \* [Form of Indemnification Agreement by and among each member of the Board of Directors of KKR Management LLC, KKR Management LLC and KKR & Co. L.P. \(incorporated by reference to Exhibit 10.4 to the KKR & Co. L.P. Current Report on Form 8-K filed on July 20, 2010\).](#)
- 10.15 \* [Independent Director Compensation Program.](#)
- 10.16 \* [Form of Grant Certificate \(incorporated by reference to Exhibit 10.3 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on May 5, 2011\).](#)
- 10.17 \* [Form of Public Company Equity Unit Award Agreement of KKR & Co. L.P. \(Directors\) \(incorporated by reference to Exhibit 10.1 of the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 3, 2012\).](#)

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- 10.18 \* [Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. \(Executive Officers\) \(incorporated by reference to Exhibit 10.17 of the KKR & Co. L.P. Annual Report on Form 10-K filed on February 27, 2015\).](#)
- 10.19 \* [Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. \(Executive Officers\) \(incorporated by reference to Exhibit 10.19 of the KKR & Co. L.P. Annual Report on Form 10-K filed on February 26, 2016\).](#)
- 10.20 \* [Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. \(Executive Officers\) \(incorporated by reference to Exhibit 10.18 of the KKR & Co. L.P. Annual Report on Form 10-K filed on February 24, 2017\).](#)
- 10.21 \* [Form of Grant Certificate \(Executive Officers\) \(incorporated by reference to Exhibit 10.19 of the KKR & Co. L.P. Annual Report on Form 10-K filed on February 24, 2017\).](#)
- 10.22 [Development Agreement, dated as of October 28, 2015, by and between ERY Developer LLC and KKR HY LLC \(incorporated by reference to Exhibit 10.23 of the KKR & Co. L.P. Annual Report on Form 10-K filed on February 26, 2016\).](#)
- 10.23 \* [Form of Grant Certificate.](#)
- 10.24 \* [Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. \(Executive Officers\) \(Market Price Vesting\).](#)
- 10.25 \* [Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. \(Executive Officers\) \(Service Vesting\).](#)
- 21.1 [Subsidiaries of the Registrant](#)
- 23.1 [Consent of Independent Registered Public Accounting Firm Relating to the Financial Statements of KKR & Co. L.P.](#)
- 31.1 [Certification of Co-Chief Executive Officer pursuant to Rule 13a-14\(a\) and Rule 15d-14\(a\) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of Co-Chief Executive Officer pursuant to Rule 13a-14\(a\) and Rule 15d-14\(a\) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.3 [Certification of Chief Financial Officer pursuant to Rule 13a-14\(a\) and Rule 15d-14\(a\) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)
- 32.1 [Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.3 [Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

101 Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Statements of Financial Condition as of December 31, 2017 and December 31, 2016, (ii) the Consolidated Statements of Operations for the years ended December 31, 2017, 2016 and 2015, (iii) the Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2017, 2016 and 2015, (iv) the Consolidated Statements of Changes in Equity for the years ended December 31, 2017, 2016 and 2015 (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015, and (vi) the Notes to the Consolidated Financial Statements.

\* Management contract or compensatory plan in which directors and/or executive officers are eligible to participate.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

**SCHEDULE****SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS****Valuation Allowance for Deferred Tax Assets****(in thousands)**

	<b>Balance at Beginning of Period</b>	<b>Tax Valuation Allowance Charged to Income Tax Provision</b>	<b>Tax Valuation Allowance Credited to Income Tax Provision</b>	<b>Balance at End of Period</b>
Year Ended:				
December 31, 2015	\$ 4,153	\$ 15,628 <sup>(1)</sup>	\$ —	\$ 19,781
December 31, 2016	\$ 19,781	\$ —	\$ 10,013 <sup>(2)</sup>	\$ 9,768
December 31, 2017	\$ 9,768	\$ 2,104	\$ —	\$ 11,872

(1) Includes an increase in valuation allowance due to foreign tax credits, the benefit of which is not currently recognizable due to uncertainty regarding realization.

(2) Includes a decrease in the valuation allowance for foreign tax credits claimed as a deduction on the 2015 tax return.

**ITEM 16. FORM 10-K SUMMARY**

None.

**SIGNATURES**

Pursuant to requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 23, 2018

**KKR & CO. L.P.**

By: KKR Management LLC,  
its General Partner

/s/ WILLIAM J. JANETSCHEK  
Name: William J. Janetschek  
Title: Chief Financial Officer

Pursuant to the requirements of the Exchange Act of 1934 this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated below on the dates indicated below.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ HENRY R. KRAVIS</u> Henry R. Kravis	Co-Chairman and Co-Chief Executive Officer (principal executive officer) of KKR Management LLC	February 23, 2018
<u>/s/ GEORGE R. ROBERTS</u> George R. Roberts	Co-Chairman and Co-Chief Executive Officer (principal executive officer) of KKR Management LLC	February 23, 2018
<u>/s/ JOSEPH Y. BAE</u> Joseph Y. Bae	Director, Co-President and Co-Chief Operating Officer of KKR Management LLC	February 23, 2018
<u>/s/ SCOTT C. NUTTALL</u> Scott C. Nuttall	Director, Co-President and Co-Chief Operating Officer of KKR Management LLC	February 23, 2018
<u>/s/ DAVID C. DRUMMOND</u> David C. Drummond	Director of KKR Management LLC	February 23, 2018
<u>/s/ JOSEPH A. GRUNDFEST</u> Joseph A. Grundfest	Director of KKR Management LLC	February 23, 2018
<u>/s/ JOHN. B. HESS</u> John. B. Hess	Director of KKR Management LLC	February 23, 2018
<u>/s/ PATRICK F. RUSSO</u> Patricia F. Russo	Director of KKR Management LLC	February 23, 2018
<u>/s/ THOMAS M. SCHOEWE</u> Thomas M. Schoewe	Director of KKR Management LLC	February 23, 2018



<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ ROBERT W. SCULLY</u> Robert W. Scully	Director of KKR Management LLC	February 23, 2018
<u>/s/ WILLIAM J. JANETSCHEK</u> William J. Janetschek	Chief Financial Officer (principal financial and accounting officer) of KKR Management LLC	February 23, 2018

**Registration Rights Agreement Amendment**

Reference is made to the Registration Rights Agreement between KKR & Co. L.P. and the persons listed on the signature page thereto, dated November 2, 2015 (the “**Registration Rights Agreement**”).

In connection with the exercise by MW Group (GP) Ltd (the “**General Partner**”) on October 5, 2017 of the First Put Option (as defined in and contemplated by that certain put and call option agreement, dated September 9, 2015, among Kappa Holdings Limited (the “**Buyer**”), KKR Fund Holdings L.P., the General Partner and the persons listed on Schedule 1 thereto (the “**Put/Call Option Agreement**”), the parties hereto agree that section 2.1 of the Registration Rights Agreement shall not apply with respect to the Put/Call Registrable Securities (as defined in the Registration Rights Agreement) to be issued in connection with the General Partner’s exercise of the First Put Option.

This amendment is limited to the matters expressly set forth herein, and except as expressly set forth herein, the provisions of the Registration Rights Agreement remain in full force and effect. The provisions of sections 3.2 through 3.9 and 3.12 through 3.13 (inclusive) of the Registration Rights Agreement are incorporated herein *mutatis mutandis*.

[ *Signature Page Follows* ]

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IN WITNESS WHEREOF, the Parties hereto have caused this amendment to be executed as of 30 November 2017.

**KKR & CO. L.P.**

**By: KKR Management LLC, its general partner**

By: /s/ William Janetschek

Name: Williaam Janetschek

Title: Chief Financial Officer

**IAN WACE** (solely in his role as Covered Persons Representative under the Registration Rights Agreement)

/s/ Ian Wace

*[Registration Rights Amendment Signature Page]*

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**INDEPENDENT DIRECTOR COMPENSATION PROGRAM**

As of February 2018

1. *Annual Retainer:* \$75,000.
  2. *Committee Fees:* audit committee member—\$25,000, audit committee chair— \$50,000 (inclusive of the audit committee member fee), nominating and corporate governance committee member—\$15,000.
  3. *Equity Awards.* To be determined from time to time by the board of directors or a committee thereof.
-

**GRANT CERTIFICATE**

**Current Issue of Units – Participant Name**

This Grant Certificate confirms that you have been granted the units of KKR Holdings L.P. identified below (the “ **Units** ”), which (subject to the following paragraph) are Fully Unvested Units and shall vest pursuant to the vesting schedule specified hereunder. The Units are subject to the terms of the First Amended and Restated Limited Partnership Agreement of KKR Holdings L.P., dated October 1, 2009, as amended (the “ **Holdings LPA** ”), and (save for the matters specifically addressed in this Grant Certificate) to the applicable terms of any other written documents relating to your interests in KKR Holdings L.P. (which may include a Consent, Admission and Award Agreement), each of which have been previously executed by you. Capitalized terms not otherwise defined herein have the meanings set forth in Appendix A hereto and if not defined therein have the meanings set forth in the Holdings LPA. In the event of a conflict between any term or provision contained in the Holdings LPA and this Grant Certificate (including, without limitation, with respect to transfer restrictions and vesting upon retirement, death or disability and change in control), the applicable terms and provisions of this Grant Certificate will govern and prevail.

Notwithstanding anything to the contrary in this Grant Certificate, the Holdings LPA or any other document, this grant of Units is conditioned upon and subject to your agreement to be bound by the Confidentiality and Restrictive Covenant Obligations attached hereto as Appendix B, which constitute the Limited Partner’s Confidentiality and Restrictive Covenant Agreement as of the date hereof (and may be amended or replaced after the date hereof in any Confidentiality and Restrictive Covenant Agreement executed by the Limited Partner with the Partnership or the Company (as defined in Appendix B)).

**Grant Date:**

**Grant Date** (the “ **Grant Date** ”)

**Issue:**

Number of Units issued on the Grant Date: **Number of Awards Granted**

**Units:**

*Service-Based Vesting*

The following table presents the percentage of Units issued and/or disclosed to the Limited Partner on the Grant Date that will contingently vest and become Contingently Vested Units as of each applicable Service Vesting Date, subject to the Limited Partner’s continued Employment through the Service Vesting Dates set forth below.

<b>Service Vesting Date</b>	<b>Percentage of Units Vesting</b>
[●]	[●]%
[●]	[●]%
[●]	[●]%
[●]	[●]%
[●]	[●]%
Cumulative Vesting Through [●]	100%

*Minimum Retained Ownership*

The Units are subject to Section 9.2(a) of the Holdings LPA, which requires the Limited Partner to retain the Minimum Retained Ownership Amount.

*Additional Vesting Provisions*

*Transfer Restrictions*

Each Unit issued to the Limited Partner is  /  is not subject to the transfer restrictions set forth in Appendix C and D, as applicable, of the Holdings LPA and shall be subject to the following additional vesting provision until the earlier of (i) the Transfer Restrictions End Date for such Unit and (ii) the date on which the non-solicitation covenants contained in the Limited Partner's Confidentiality and Restrictive Covenant Agreement expire:

The Limited Partner shall not (i) become a Terminated Limited Partner due to Cause or (ii) with respect only to those Units with respect to which the Transfer Restrictions End Date has not occurred, breach the Limited Partner's Confidentiality and Restrictive Covenant Agreement.

*Retirement, Death or Disability, Change in Control and Other Termination*

If, prior to the date the Units are vested as provided in "Service-Based Vesting" above or otherwise terminate or are forfeited pursuant to this Grant Certificate: (A) the Limited Partner's Employment terminates due to the Limited Partner's Retirement, if applicable, then all Retirement Units shall, in the discretion of the General Partner, be fully vested and thereafter be a Contingently Vested Unit as a result thereof; (B) the Limited Partner dies or experiences a Disability, then all Units shall be vested and thereafter be a Contingently Vested Unit as a result thereof, *provided that* if the Limited Partner is not an employee of the KKR Group, then any vesting of Units described in this clause (B) shall be in the discretion of the General Partner; or (C) there occurs a Change in Control prior to any termination of the Limited Partner's Employment, then all or any portion of any Units may, in the discretion of the General Partner, be vested and thereafter be a Contingently Vested Unit as a result thereof. Notwithstanding the foregoing, if the General Partner or KKR & Co. L.P. receives an opinion of counsel that there has been a legal judgment and/or legal development in the Limited Partner's jurisdiction that would likely result in the favorable treatment applicable to the Retirement Units pursuant to this Grant Certificate being deemed unlawful and/or discriminatory, then the General Partner will not apply the favorable treatment at the time the Limited Partner's Employment terminates due to the Limited Partner's Retirement under clause (A) above, and the Units will be treated as set forth in "Service-Based Vesting", or the other provisions of this Grant Certificate, as applicable.

If the Limited Partner's Employment terminates for any reason other than due to the Limited Partner's death, Disability or Retirement, each as provided for in this Grant Certificate, then all Units (including any Units that are not Retirement Units) shall immediately terminate and be forfeited without consideration.

The Limited Partner's right to vest in the Units, if any, will terminate effective as of the date that the Limited Partner is no longer actively providing services (even if still considered employed or engaged under local Law) and will not be extended by any notice period mandated under local Law (e.g., active Employment would not include a period of "garden leave" or similar period pursuant to local Law) except as may be otherwise agreed in writing by the General Partner with the Limited Partner; the General Partner shall have the exclusive discretion to determine when the Limited Partner is no longer actively employed or engaged for purposes of the Units.

Each of the foregoing additional vesting provisions shall be considered an "Additional Vesting Provision" for the purposes of the Holdings LPA. Appendix B of the Holdings LPA shall not apply to the Units.

In Witness Whereof , the parties hereto have executed this Grant Certificate as of the date specified under the signature of the Limited Partner.

**KKR HOLDINGS L.P.**

By: KKR HOLDINGS GP LIMITED,  
its general partner

By: \_\_\_\_\_

“LIMITED PARTNER”

**Electronic Signature**

Name: **Participant Name**

Dated: **Grant Date**

**Definitions**

“ **Cause** ” means, with respect to the Limited Partner, the occurrence or existence of any of the following as determined fairly on an informed basis and in good faith by the General Partner: (i) any act of fraud, misappropriation, dishonesty, embezzlement or similar conduct by the Limited Partner against any member of the KKR Group (including KKR & Co. L.P.), KKR Holdings L.P., KKR Associates Holdings L.P., a Fund, or a Portfolio Company, (ii) a Regulatory Violation that has a material adverse effect on (x) the business of any member of the KKR Group or (y) the ability of the Limited Partner to function as an employee, associate or in any similar capacity (including consultant) with respect to the KKR Group, taking into account the services required of the Limited Partner and the nature of the business of the KKR Group, or (iii) a material breach by the Limited Partner of a material provision of any Written Policies or the deliberate failure by the Limited Partner to perform the Limited Partner’s duties to the KKR Group, *provided that* in the case of this clause (iii), the Limited Partner has been given written notice of such breach or failure within 45 days of the KKR Group becoming aware of such breach or failure and, where such breach or failure is curable, the Limited Partner has failed to cure such breach or failure within (A) 15 days of receiving notice thereof or (B) such longer period of time, not to exceed 30 days, as may be reasonably necessary to cure such breach or failure provided that the Limited Partner is then working diligently to cure such breach or failure. If such breach or failure is not capable of being cured, the notice given to the Limited Partner may contain a date of termination that is earlier than 15 days after the date of such notice.

“ **Designated Service Recipient** ” means the member of the KKR Group, that employs or engages the Grantee or to which the Grantee otherwise is rendering services.

“ **Disability** ” means, as to any Person, such Person’s inability to perform in all material respects such Person’s duties and responsibilities to the KKR Group, by reason of a physical or mental disability or infirmity which inability is reasonably expected to be permanent and has continued (i) for a period of six consecutive months or (ii) such shorter period as the General Partner may reasonably determine in good faith.

“ **Employment** ” means the Limited Partner’s employment or engagement (including any similar association determined by the General Partner to constitute employment or engagement for purposes of this Grant Certificate) with (x) the Designated Service Recipient or any other member of the KKR Group or (y) any consultant or service provider that provides services to any member of the KKR Group; *provided that* in the case of clause (y), service provided as a consultant or service provider must be approved by the General Partner in order to qualify as “Employment” hereunder.

“ **Grantee** ” means the Limited Partner identified on the signature page of the Grant Certificate to which this Appendix A is attached.

“ **Group Partnerships** ” means KKR Management Holdings L.P., a Delaware limited partnership, KKR Fund Holdings L.P., a Cayman Island exempted limited partnership, and KKR International Holdings L.P., a Cayman Island exempted limited partnership, along with any partnership designated in the future as a “Group Partnership” by KKR & Co. L.P.

“ **KKR Capstone** ” means (i) KKR Capstone Americas LLC, KKR Capstone EMEA LLP, KKR Capstone EMEA (International) LLP, KKR Capstone Asia Limited and any other “Capstone” branded entity that provides similar consulting services to the KKR Group and Portfolio Companies, and (ii) the direct and indirect parents and subsidiaries of the foregoing.



“ **KKR Group** ” means the Group Partnerships, the direct and indirect parents of the Group Partnerships (the “ **Parents** ”), any direct or indirect subsidiaries of the Parents or the Group Partnerships, the general partner or similar controlling entities of any investment fund or vehicle that is managed, advised or sponsored by the KKR Group (the “ **Funds** ”) and any other entity through which any of the foregoing directly or indirectly conducts its business, but shall exclude Portfolio Companies.

“ **Law** ” means any statute, law, ordinance, regulation, rule, code, executive order, injunction, judgment, decree or other order issued or promulgated by any national, supranational, state, federal, provincial, local or municipal government or any administrative or regulatory body with authority therefrom with jurisdiction over the Partnership or any Partner, as the case may be.

“ **Portfolio Company** ” means a company over which a Fund exercises a significant degree of control as an investor.

“ **Regulatory Violation** ” means, with respect to the Limited Partner (i) a conviction of the Limited Partner based on a trial or by an accepted plea of guilt or *nolo contendere* of any felony or misdemeanor crime involving moral turpitude, false statements, misleading omissions, forgery, wrongful taking, embezzlement, extortion or bribery, (ii) a final determination by any court of competent jurisdiction or governmental regulatory body (or an admission by the Limited Partner in any settlement agreement) that the Limited Partner has violated any U.S. federal or state or comparable non-U.S. securities laws, rules or regulations or (iii) a final determination by self-regulatory organization having authority with respect to U.S. federal or state or comparable non-U.S. securities laws, rules or regulations (or an admission by the Limited Partner in any settlement agreement) that the Limited Partner has violated the written rules of such self-regulatory organization that are applicable to any member of the KKR Group.

“ **Retirement** ” means the resignation by the Limited Partner of the Limited Partner’s Employment with the KKR Group (other than for Cause), on or after the date that the Limited Partner’s age, plus the Limited Partner’s years of Employment with the KKR Group, equals at least 80; *provided that* such date shall be no earlier than December 31, 2012.

“ **Retirement Units** ” means, with respect to any Limited Partner whose Employment terminates due to Retirement, any Units with a Service Vesting Date that would, if the Limited Partner’s Employment were not so terminated, occur within two years after the date of such termination due to Retirement.

“ **Service Vesting Date** ” means, with respect to any Unit, the date set forth in the Grant Certificate as the “Service Vesting Date.”

“ **Written Policies** ” means with respect to any Limited Partner having Employment with a member of the KKR Group, the written policies of the KKR Group included in its employee manual, code of ethics and confidential information and information barrier policies and procedures and other documents relating to the Limited Partner’s Employment, association or other similar affiliation with the KKR Group.

**Confidentiality and Restrictive Covenant Obligations**

A. Capitalized terms contained in this Appendix B and not defined herein shall have the same meaning as such terms are defined in the Grant Certificate, including Appendix A thereto (the “Agreement”) into which this Appendix B is incorporated by reference therein and to which this Appendix B is attached, or the Holdings LPA, as applicable;

B. In connection with the Grantee’s employment, engagement, association or other similar affiliation with KKR & Co. L.P. or other entity of the KKR Group (“KKR” or the “Company” and such Grantee, a “KKR Employee”), the Grantee is being issued one or more Units pursuant to the Agreement to which this Appendix B is attached;

C. The Grantee acknowledges and agrees that the Grantee will receive financial benefits from KKR’s business through their participation in the value of the Units. The Grantee further acknowledges and agrees that (i) during the course of the Grantee’s employment, engagement, association or other similar affiliation with KKR, the Grantee will receive and have access to confidential information of KKR and the Portfolio Companies (collectively, the “KKR Related Entities”) and will have influence over and the opportunity to develop relationships with Clients, Prospective Clients, Portfolio Companies and partners, members, employees and associates of the Company; and (ii) such confidential information and relationships are extremely valuable assets in which KKR has invested, and will continue to invest, substantial time, effort and expense in developing and protecting;

D. The Grantee acknowledges and agrees that (i) the Units will materially benefit the Grantee; (ii) it is essential to protect the business interests and goodwill of the Company and that the Company be protected by the restrictive covenants and confidentiality undertaking set forth herein; (iii) it is a condition precedent to the Grantee receiving Units that the Grantee agree to be bound by the restrictive covenants and confidentiality undertaking contained herein; and (iv) KKR would suffer significant and irreparable harm from a violation by the Grantee of the confidentiality undertaking set forth herein as well as the restrictive covenants set forth herein for a period of time after the termination of the Grantee’s employment, engagement, association or other similar affiliation KKR; and

E. This Appendix B is made in part for the benefit of the KKR Group and the Designated Service Recipient and the parties intend, acknowledge, and agree that the KKR Group and the Designated Service Recipient are third party beneficiaries of this Appendix B and any one of them is authorized to waive compliance with any provision hereof by delivering a written statement clearly expressing the intent to waive such compliance to the Grantee and a duly authorized representative of the KKR Group or Designated Service Recipient.

NOW, THEREFORE, to provide the Company with reasonable protection of its and goodwill and in consideration for (i) the Units and any other consideration that the Grantee will receive in connection with and as a result of the Grantee’s employment, engagement, association or other similar affiliation with KKR; (ii) the material financial and other benefits that the Grantee will derive from such Units and other consideration (if any); and (iii) other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Grantee hereby agrees to the following restrictions:

1. Outside Business Activities.

The Grantee acknowledges that, during the course of the Grantee’s employment, engagement, association or other similar affiliation with KKR, the Grantee will be subject to the Written Policies. The Written Policies include restrictions that limit the ability of the Grantee to engage in outside business and other activities without the prior approval of the Company. If the Grantee has an employment, engagement or other similar contract with KKR, the Grantee may be subject to similar restrictions under that agreement. The Grantee hereby agrees that, during the Grantee’s employment, engagement, association or other similar affiliation with KKR, the Grantee will comply with all such restrictions that are from time to time in effect which are applicable to the Grantee.

2. Confidentiality Undertaking.

The Grantee acknowledges that, during the course of the Grantee's employment, engagement, association or other similar affiliation with KKR, the Grantee will receive and have access to Confidential Information (as defined below) of the Company and the Portfolio Companies. Recognizing that any disclosure of such information could have serious consequences to one or more of the Company and the Portfolio Companies, the Grantee hereby agrees that, except as provided herein, the Grantee will not under any circumstances (either while employed, engaged, associated or otherwise affiliated with KKR, or at any time after the Termination Date) for any purpose other than in the ordinary course of the performance of the Grantee's duties as an employee, consultant, associate or other affiliated person of KKR, use or divulge, communicate, publish, make available, or otherwise disclose any Confidential Information to any person or entity, including but not limited to any business, firm, governmental body, partnership, corporation, press service or otherwise, other than to (i) any executive or employee of the Company in the ordinary course of the performance of Grantee's duties as an employee, consultant, associate or other affiliated person of KKR; (ii) any person or entity to the extent explicitly authorized by an executive of the Company in the ordinary course of the performance of Grantee's duties as an employee, consultant, associate or other affiliated person of KKR; (iii) any attorney, accountant, consultant or similar service provider retained by the Company who is required to know such information and is obligated to keep such information confidential; or (iv) any person or entity to the extent the law or legal process requires disclosure by the Grantee, *provided that*, in the case of clause (iv), the Grantee must first give the Partnership or the Designated Service Recipient prompt written notice of any such requirement, disclose no more information than is so required in the opinion of competent legal counsel, and cooperate fully with all efforts by the Company to obtain a protective order or similar confidentiality treatment for such information; *provided, however*, the Partnership shall not enforce and shall cause its subsidiaries not to enforce any confidentiality agreement that prohibits the Grantee from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the U.S. Securities and Exchange Commission, or making other disclosures to the extent protected under the whistleblower provisions of federal law or regulation (or comparable laws or regulations that similarly prohibit the impediment of such protected disclosures). Notwithstanding the foregoing, neither the Partnership nor the Designated Service Recipient authorizes the waiver of (or the disclosure of information covered by) the attorney-client privilege or work product protection or any other privilege or protection belonging to the Partnership, the Designated Service Recipient or their subsidiaries, to the fullest extent permitted by law.

As used in this Section 2, an "*executive*" of KKR means an officer, member, managing director, director, principal or employee of the Company, acting in a supervisory capacity. "*Confidential Information*" means (a) all confidential, proprietary or non-public information of, or concerning the business, operations, activities, personnel, finances, plans, personal lives, habits, history, clients, investors, or otherwise of any person who at any time is or was a member, partner, officer, director, other executive, employee or stockholder of any of the foregoing, (b) all confidential, proprietary or non-public information of or concerning any member of a family of any of the individuals referred to in clause (a), whether by birth, adoption or marriage (including but not limited to any of their current or former spouses or any living or deceased relatives), and (c) all confidential, proprietary or non-public information of or concerning any of the clients or investors of the KKR Related Entities or any other person or entity with which or whom any of the KKR Related Entities or their respective clients or investors does business or has a relationship. Confidential Information includes information about the KKR Related Entities relating to or concerning any of their (i) finances, investments, profits, pricing, costs, and accounting, (ii) intellectual property (including but not limited to patents, inventions, discoveries, plans, research and development, processes, formulae, reports, protocols, computer software, databases, documentation, trade secrets, know-how and business methods), (iii) personnel, compensation, recruiting and training, and (iv) any pending or completed settlements, arbitrations, litigation, governmental investigations and similar proceedings. Notwithstanding the foregoing, Confidential Information does not include any portions of the foregoing that the Grantee can demonstrate by sufficient evidence satisfactory to the Company that has been (i) lawfully published in a form generally available to the public prior to any disclosure by the Grantee in breach of this Appendix B or (ii) made legitimately available to the Grantee by a third party without breach of any obligation of confidence owed to the Company or any Portfolio Company.

Without limiting the generality of the foregoing, the Grantee agrees that it will be a breach of this Appendix B to write about, provide, disclose or use in any fashion at any time any Confidential Information that is or becomes part of the basis for, or is used in any way in connection with any part of any book, magazine or newspaper article, any interview or is otherwise published in any media of any kind utilizing any technology now known or created in the future.

Upon termination of the Grantee's employment, engagement, association or other similar affiliation with KKR, for any reason, the Grantee hereby agrees to (i) cease and not thereafter commence any and all use of any Confidential Information; (ii) upon the request of the Company promptly deliver to the Company or, at the option of the Company destroy, delete or expunge all originals and copies of any Confidential Information in any form or medium in the Grantee's possession or control (including any of the foregoing stored or located in the Grantee's home, laptop or other computer that is not the property of the Company, its affiliates or Portfolio Companies); (iii) notify and fully cooperate with the Company regarding the delivery or destruction of any other Confidential Information of which the Grantee is aware; and (iv) upon the request of the Company sign and deliver a statement that the foregoing has been accomplished.

The Grantee acknowledges that he or she is aware that applicable securities laws place certain restrictions on any person who has received from an issuer material, non-public information concerning the issuer with respect to purchasing or selling securities of such issuer or from communicating such information to any other person and further agrees to comply with such securities laws. Without limiting anything in this Appendix B, the Grantee hereby expressly confirms his or her explicit understanding that the Grantee's obligations hereunder are in addition to, and in no way limit, the Grantee's obligations under compliance procedures of the Company including those contained in the Written Policies.

Notwithstanding anything in this Appendix B to the contrary, the Grantee may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of any member of the Company in which the Grantee holds an interest and all materials of any kind (including opinions or other tax analyses) that are provided to the Grantee relating to such tax treatment and tax structure.

3. Notice Period.

The Grantee acknowledges and agrees that the Designated Service Recipient may terminate his or her employment, engagement, association or other similar affiliation with the Designated Service Recipient at any time for any reason or for no reason at all with or without reasons constituting Cause, which as used in this Appendix B shall have the meaning set forth in Appendix A of the Agreement. The Designated Service Recipient or the Grantee, as applicable, shall provide advance written notice (which may be by email) of the termination of the Grantee's employment, engagement, association or other similar affiliation with the Designated Service Recipient at least [●] days prior to actual termination (such [●]-day period, the "Notice Period"); *provided, however*, that no advance notice shall be required by the Designated Service Recipient and the provisions of this Section 3 shall not be applicable if the Grantee's employment, engagement, association or other similar affiliation is terminated by the Designated Service Recipient for reasons constituting Cause or due to any conduct by Grantee that, in the judgment of the Designated Service Recipient in its sole discretion, amounts to gross negligence or reckless or willful misconduct. Notice pursuant to this paragraph shall be provided by the Grantee to any of the Chief Executive Officers, Presidents, Chief Operating Officers, General Counsel or Chief Human Resources Officer of the KKR Group.

During the Notice Period, the Grantee shall perform his or her regular duties and any transitional responsibilities (including but not limited to helping to transition work, projects, and Client relationships internally to others) as determined and directed by the Designated Service Recipient in its sole discretion, and Grantee shall not be employed, engaged, associated or otherwise similarly affiliated with any business other than the business of KKR; *provided, however*, the Designated Service Recipient reserves the right to require the Grantee not to be in the offices of the KKR Group, not to undertake all or any of the Grantee's duties or not to contact Clients or Prospective Clients (as defined in Section 5 below), other persons employed, engaged, associated or otherwise similarly affiliated with the KKR Group, or others (or any combination thereof) unless otherwise instructed during all or any part of the Notice Period. During the Notice Period, and except as provided in the next sentence, the Grantee shall continue to receive his or her salary, and the Grantee shall not be entitled to receive or be considered for payment of any other amount for his or her services during the Notice Period (including without limitation any bonus or equity award). In addition, the Designated Service Recipient in its sole discretion may elect to reduce the Notice Period and pay the Grantee his or her salary, but no other amount, for the period from the conclusion of the reduced Notice Period to the end of the original Notice Period, and the Grantee's employment, engagement, association or other similar affiliation with KKR, shall be terminated as of the day immediately following the conclusion of the reduced Notice Period.

4. Non-Compete.

The Grantee hereby agrees that, while employed, engaged, associated or otherwise similarly affiliated with KKR, and in addition during the Non-Compete Period (as defined below), the Grantee will not set up, be employed or engaged by, hold an office in or provide consulting, advisory or other similar services to or for the benefit of, a Competing Business (i) where the activities or services of the Grantee in relation to the Competing Business are similar or substantially related to any activity that the Grantee engaged in or any service that the Grantee provided, in connection with the Grantee's employment, engagement, association or other similar affiliation with KKR or (ii) for which the Grantee had direct or indirect managerial or supervisory responsibility with KKR, including through the Grantee's position on the Management Committee or similar committee or group, including without limitation the Public Markets & Distribution Management Committee, for one or more businesses of the KKR Group, in each case, at any time during the 12 months preceding the Termination Date.

For the purposes of this Appendix B, a "***Competing Business***" means a business that competes (i) in a Covered Country with any business conducted by the Company on the date on which the Grantee's employment, engagement, association or other similar affiliation with KKR Group, is terminated (the "***Termination Date***") or (ii) in any country with any business that the Company was, on the Termination Date, formally considering conducting. A "***Covered Country***" means the United States, United Kingdom, the Republic of Ireland, France, Hong Kong, China, Japan, the Republic of Korea, Australia, India, United Arab Emirates, Saudi Arabia, Brazil, Canada, Singapore, Spain, Luxembourg or any other country where the Company conducted business on the Termination Date; *provided that* if the Grantee is located in Japan, the definition of Covered Country shall exclude the phrase "any other country where the Company conducted business on the Termination Date" to the extent unenforceable under applicable law. The "***Non-Compete Period***" for the Grantee shall commence on the Termination Date and shall expire upon the [●] month anniversary of the Termination Date. Notwithstanding the foregoing, if the Grantee's employment, engagement, association or other similar affiliation with the KKR Group, is terminated involuntarily and for reasons not constituting Cause, the Non-Compete Period will expire on the [●] month anniversary of the Termination Date.

Notwithstanding the foregoing, nothing in this Appendix B shall be deemed to prohibit the Grantee from (i) associating with any business whose activities consist principally of making passive investments for the account and benefit of the Grantee or members of the Grantee's immediate family where such business does not, within the knowledge of the Grantee, compete with a business of the KKR Group for specific privately negotiated investment opportunities; (ii) making and holding passive investments in publicly traded securities of a Competing Business where such passive investment does not exceed 5% of the amount of such securities that are outstanding at the time of investment; or (iii) making and holding passive investments in limited partner or similar interests in any investment fund or vehicle with respect to which the Grantee does not exercise control, discretion or influence over investment decisions.

5. Non-Solicitation of Clients and Prospective Clients; Non-Interference.

The Grantee hereby agrees that, while employed, engaged, associated or otherwise similarly affiliated with KKR, and in addition during the Post-Termination Restricted Period (as defined below), the Grantee will not, directly or indirectly, (i) solicit, or assist any other person in soliciting, the business of any Client or Prospective Client for, or on behalf of, a Competing Business; (ii) provide, or assist any other person in providing, for any Client or Prospective Client any services that are substantially similar to those that the Company provided or proposed to be provided to such Client or Prospective Client; or (iii) impede or otherwise interfere with or damage, or attempt to impede or otherwise interfere with or damage, any business relationship or agreement between the Company and any Client or Prospective Client. As used in this Section 5, “*solicit*” means to have any direct or indirect communication inviting, advising, encouraging or requesting any person to take or refrain from taking any action with respect to the giving by such person of business to a Competing Business, regardless of who initiated such communication.

For purposes of this Appendix B, “*Client*” means any person (a) for whom the Company provided services, including any investor in an investment fund, account or vehicle that is managed, advised or sponsored by KKR (a “*KKR Fund*”) or any client of the KKR Group’s broker-dealer business or that was a Portfolio Company of a KKR Fund and (b) with whom the Grantee, individuals reporting to the Grantee or any other individuals over whom the Grantee had direct or indirect managerial or supervisory responsibility had any contact or dealings on behalf of, and involving Confidential Information of, the Company during the 12 months prior to the Termination Date; and “*Prospective Client*” means any person with whom (I) the Company has had negotiations or discussions concerning becoming a Client and (II) the Grantee, individuals reporting to the Grantee or any other individuals over whom the Grantee had direct or indirect managerial or supervisory responsibility had any contact or dealings on behalf of, and involving Confidential Information of, the Company during the 12 months prior to the Termination Date.

6. Non-Solicitation of Personnel; No Hire.

The Grantee hereby agrees that, while employed, engaged, associated or otherwise similarly affiliated with KKR, and in addition during the Post-Termination Restricted Period, the Grantee will not, directly or indirectly, solicit, employ, engage or retain, or assist any other person in soliciting, employing, engaging or retaining, any Covered Person. As used in this Section 6, “*solicit*” means to have any direct or indirect communication inviting, advising, encouraging or requesting any Covered Person to terminate his or her employment, engagement, association or other affiliation with the KKR Group or KKR Capstone or recommending or suggesting that a third party take any of the foregoing actions, including by way of identifying such Covered Person to the third party, in each case regardless of who initiated such communication.

For purposes of this Appendix B, a “*Covered Person*” means a person who on the Termination Date was either (i) employed or engaged by the KKR Group as an employee or officer or otherwise associated or similarly affiliated with the KKR Group in any position, including as a member or partner, having functions and duties substantially similar to those of an employee or officer; (ii) a Senior Advisor, Industry Advisor or KKR Advisor to the KKR Group; (iii) employed or engaged by KKR Capstone as an employee or officer or otherwise associated or similarly affiliated with KKR Capstone in any position, including as a member or partner, having functions and duties substantially similar to those of an employee or officer; or (iv) a person who provides services exclusively to the Company or any Portfolio Company and has functions and duties that are substantially similar to those of a person listed in sub-clauses (i), (ii) or (iii) above.

7. Post-Termination Restricted Period.

The “ ***Post-Termination Restricted Period*** ” for the Grantee shall commence on the Termination Date and shall expire upon the [●] month anniversary of the Termination Date. Notwithstanding the foregoing, if the Grantee’s employment, engagement, association or other similar affiliation with KKR is terminated involuntarily and for reasons not constituting Cause, the Post-Termination Restricted Period will expire on the [●] month anniversary of the Termination Date. To the extent that the Grantee continues to be employed or engaged by, or otherwise associated or similarly affiliated with KKR, during any “garden leave” or “notice” period in which the Grantee is required to not perform any services for or enter the premises of the Company, and to otherwise comply with all terms and conditions imposed on the Grantee during such “garden leave” or “notice” period, the applicable Post-Termination Restricted Period shall be reduced by the amount of any such “garden leave” or “notice” period in which the Grantee complies with such terms.

8. Intellectual Property; Works Made for Hire.

Except as otherwise agreed in writing between the Grantee and the Partnership, the Designated Service Recipient or other member of the KKR Group, as applicable, the Grantee agrees that all work and deliverables that the Grantee prepares, creates, develops, authors, contributes to or improves, either alone or with third parties, during the course of the Grantee’s employment, engagement, association or other similar affiliation with KKR, within the scope of the services provided to or with the use of any of the resources of KKR, including but not limited to notes, drafts, scripts, documents, designs, inventions, data, presentations, research results, developments, reports, processes, programs, spreadsheets and other materials and all rights and intellectual property rights thereunder including but not limited to rights of authorship (collectively, “ **Work Product** ”), are works-made-for-hire owned exclusively by KKR. The Grantee hereby irrevocably assigns, transfers and conveys, to the maximum extent permitted by law, all right, title and interest that the Grantee may have in such Work Product (and any written records thereof) to KKR (or any of its designees), to the extent ownership of any such rights does not vest originally with the KKR. The Grantee acknowledges and agrees that the Units issued pursuant to the Agreement are sufficient compensation for such assignment, transference and conveyance. To the extent the foregoing assignment is deemed to be invalid or unenforceable, Grantee grants KKR, at no additional charge an exclusive, worldwide, irrevocable, royalty-free, perpetual, assignable license under all intellectual property in and to the Work Product.

9. Non-Disparagement.

The Grantee hereby agrees that the Grantee will not at any time during his or her employment with the Designated Service Recipient or for [●] years thereafter make any disparaging, defamatory, or derogatory written or oral statements or other communications about or in reference to the Designated Service Recipient, KKR & Co. L.P., KKR Holdings L.P., KKR Associates Holdings L.P., or any other member of the KKR Group or KKR Capstone (including their respective businesses or reputations) or any of their Clients, Prospective Clients, Portfolio Companies, or Covered Persons; *provided that* this provision shall not prevent the Grantee from (i) making truthful reports to or testifying truthfully before any court, agency, or regulatory body or pursuant to any legal or regulatory process or proceeding or (ii) engaging in activity protected by applicable law, rule or regulations, including the U.S. National Labor Relations Act.

10. Representations; Warranties; Other Agreements.

The Grantee acknowledges and agrees that the Grantee will derive material financial and other benefits from the Grantee’s employment, engagement, association or other similar affiliation with KKR, and that the restrictions contained herein are reasonable in all circumstances and necessary to protect the legitimate business interests of the Company, to have and enjoy the full benefit of its business interests and goodwill. The Grantee further agrees and acknowledges that such restrictions will not unnecessarily or unreasonably restrict or otherwise limit the professional opportunities of the Grantee should his or her employment, engagement, association or other similar affiliation with KKR, terminate, that the Grantee is fully aware of the Grantee’s obligations under this Appendix B and that the livelihood of the Grantee is not impaired by the Grantee’s entry into the covenants contained herein. The Partnership and the Designated Service Recipient shall have the right, exercisable in its sole discretion, to directly or indirectly make a payment to the Grantee or grant other consideration if, and to the extent, necessary to enforce the restrictions contained herein in accordance with any applicable law.

11. Certain Relationships.

The Grantee acknowledges and agrees that the Grantee's compliance with this Appendix B is a material part of the Grantee's arrangements with the Company, if applicable. Notwithstanding anything to the contrary herein, this Appendix B does not constitute an employment, engagement or other similar agreement between the Grantee and the Partnership, Company, or any other of the KKR Related Entities (including but not limited to KKR & Co. L.P.), and shall not interfere with or otherwise affect any rights any such person or entity may have to terminate the Grantee's employment, engagement, association or other similar affiliation at any time upon such notice as may be required by law or the terms of any agreement or arrangement with the Grantee.

12. Injunctive Relief; Third Party Beneficiaries.

The Grantee acknowledges and agrees that the remedies of the Partnership and the Designated Service Recipient at law for any breach of this Appendix B would be inadequate and that for any breach of this Appendix B, the Designated Service Recipient may terminate your employment, engagement, association or other similar affiliation with the Company and shall, in addition to any other remedies that may be available to it at law or in equity, or as provided for in this Appendix B, be entitled to an injunction, restraining order or other equitable relief, without the necessity of posting a bond, restraining the Grantee from committing or continuing to commit any violation of this Appendix B. The Grantee further acknowledges and agrees that the Partnership and the Designated Service Recipient shall not be required to prove, or offer proof, that monetary damages for a breach of this Appendix B would be difficult to calculate and that any remedies at law would be inadequate for any breach of this Appendix B. The parties intend, acknowledge, and agree that each member of the KKR Group is a third party beneficiary of this Agreement and is authorized to enforce any provision hereof by delivering a written statement expressing the intent to enforce the provisions hereof to the Grantee or the Designated Service Recipient. The Grantee has executed this Agreement for the benefit of each member of the KKR Group.

13. Amendment; Waiver.

This Appendix B may not be amended, restated, supplemented or otherwise modified other than by an agreement in writing signed by the parties hereto; *provided, however*, that the Partnership, the KKR Group or the Designated Service Recipient may reduce the scope of, or waive compliance with any part of, any obligation of the Grantee arising under this Appendix B, at any time without any action, consent or agreement of any other party. No failure to exercise and no delay in exercising, on the part of any party, of any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The waiver of any particular right, remedy, power or privilege shall not affect or impair the rights, remedies, powers or privileges of any person with respect to any subsequent default of the same or of a different kind by any party hereunder. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law. No waiver of any provision hereto shall be effective unless it is in writing and signed by the person asserted to have granted such waiver.

14. Assignment.

This Appendix B may not be assigned by any party hereto without the prior written consent of the other party hereto, except that the consent of the Grantee shall be deemed to have been given to the Partnership and the Designated Service Recipient (and the Grantee acknowledges that the Partnership and the Designated Service Recipient shall therefore have the right without further consent) to assign its rights hereunder, in whole or in part, to (i) any member of KKR that becomes a Designated Service Recipient or (ii) any person who is a successor of the Partnership or the Designated Service Recipient by merger, consolidation or purchase of all or substantially all of its assets, in which case such assignee shall be substituted for the Partnership and the Designated Service Recipient hereunder with respect to the provisions so assigned and be bound under this Appendix B and by the terms of the assignment in the same manner as the Partnership and the Designated Service Recipient was bound hereunder. Any purported assignment of this Appendix B in violation of this section shall be null and void.



15. Governing Law.

This Appendix B shall be governed by and construed in accordance with the laws of the State of New York.

16. Resolution of Disputes.

- (a) Subject to paragraphs (b) and (c) below, any and all disputes which cannot be settled amicably, including any ancillary claims of any party, arising out of, relating to or in connection with the validity, negotiation, execution, interpretation, performance, non performance or termination of this Appendix B (including the validity, scope and enforceability of this arbitration provision) (each a "Dispute") shall be finally settled by arbitration conducted by a single arbitrator in New York, New York in accordance with the then existing Rules of Arbitration of the International Chamber of Commerce (the "ICC"). If the parties to the Dispute fail to agree on the selection of an arbitrator within 30 days of the receipt of the request for arbitration, the ICC shall make the appointment. The arbitrator shall be a lawyer and shall conduct the proceedings in the English language. Performance under this Appendix B shall continue if reasonably possible during any arbitration proceedings.
- (b) Prior to filing a Request for Arbitration or an Answer under the Rules of Arbitration of the ICC, as the case may be, the Partnership or the Designated Service Recipient may, in its sole discretion, require all Disputes or any specific Dispute to be heard by a court of law in accordance with paragraph (e) below and, for the purposes of this paragraph (b), each party expressly consents to the application of paragraphs (e) and (f) below to any such suit, action or proceeding. If an arbitration proceeding has already been commenced in connection with a Dispute at the time that the Partnership or the Designated Service Recipient commences such proceedings in accordance with this paragraph (b), such Dispute shall be withdrawn from arbitration.
- (c) Subject to paragraph (b) above, either party may bring an action or special proceeding in any court of law (or, if applicable, equity) for the purpose of compelling a party to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder or enforcing an arbitration award and, for the purposes of this paragraph (c), each party expressly consents to the application of paragraphs (e) and (f) below to any such suit, action or proceeding.
- (d) Except as required by law or as may be reasonably required in connection with judicial proceedings to compel arbitration, to obtain temporary or preliminary judicial relief in aid of arbitration or to confirm or challenge an arbitration award, the arbitration proceedings, including any hearings, shall be confidential, and the parties shall not disclose any awards, any materials in the proceedings created for the purpose of the arbitration or any documents produced by another party in the proceedings not otherwise in the public domain. Judgment on any award rendered by an arbitration tribunal may be entered in any court having jurisdiction thereover.
- (e) EACH PARTY HEREBY IRREVOCABLY SUBMITS AND AGREES TO THE EXCLUSIVE JURISDICTION OF THE COURTS, AND VENUE, LOCATED IN NEW YORK, NEW YORK FOR THE PURPOSE OF ANY SUIT, ACTION OR PROCEEDING BROUGHT IN ACCORDANCE WITH THE PROVISIONS OF PARAGRAPHS (B) OR (C) ABOVE. The parties acknowledge that the forum designated by this paragraph (e) has a reasonable relation to this Appendix B, and to the parties' relationship with one another. The parties hereby waive, to the fullest extent permitted by applicable law, any objection which they now or hereafter may have to personal jurisdiction or to the laying of venue of any suit, action or proceeding brought in any court referred to in the preceding sentence or pursuant to paragraphs (b) or (c) above and such parties agree not to plead or claim the same.

- (f) The parties agree that if a suit, action or proceeding is brought under paragraphs (b) or (c) proof shall not be required that monetary damages for breach of the provisions of this Appendix B would be difficult to calculate and that remedies at law would be inadequate, and they irrevocably appoint the Secretary or General Counsel of the Partnership or the Designated Service Recipient or an officer of the Partnership or the Designated Service Recipient (at the then-current principal business address of the Partnership or the Designated Service Recipient) as such party's agent for service of process in connection with any such action or proceeding and agrees that service of process upon such agent, who shall promptly advise such party of any such service of process, shall be deemed in every respect effective service of process upon the party in any such action or proceeding.

17. Entire Agreement.

This Appendix B contains the entire agreement and understanding among the parties hereto with respect to the subject matter of this Appendix B and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with the Partnership or the Company with respect to the subject matter of this Appendix B (including but not limited to any prior grant agreement for an equity award under the KKR & Co. L.P. 2010 Equity Incentive Plan (or successor equity plan) that contains one or more appendices with respect to the subject matter of this Appendix B) or any Confidentiality and Restrictive Covenant Agreement previously executed with the Partnership, the KKR Group or KKR Capstone. The express terms of this Appendix B control and supersede any course of performance and any usage of the trade inconsistent with any of the terms of this Appendix B.

18. Severability.

Notwithstanding Section 13 or any other provision of this Appendix B to the contrary, any provision of this Appendix B that is prohibited or unenforceable in any jurisdiction (including but not limited to the application, if applicable, of Rule 5.6 of the New York Rules of Professional Conduct (or successor rule)) shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. In such event, the invalid provision shall be partially enforced, reformed or substituted with a valid provision which most closely approximates the intent and the economic effect of the invalid provision to give effect to the provision to the maximum extent permitted in such jurisdiction or in such case. Grantee specifically acknowledges that Grantee has been provided with valuable consideration in exchange for the covenants set forth herein and, accordingly, such partial enforcement or reformation is necessary to avoid frustrating the Company's purpose in awarding the Grantee such consideration.

19. Interpretation.

The provisions of Sections 10 through 19 (inclusive) of this Appendix B shall govern with respect to, and shall be applicable only to the interpretation, administration and enforcement of, the provisions of this Appendix B, and shall not govern or otherwise apply to, or have any administrative or interpretive effect on, any other provisions of the remainder of the Agreement or any other of its Appendices.

PUBLIC COMPANY HOLDINGS UNIT AWARD AGREEMENT  
OF  
KKR & CO. L.P.

*(Executive Officers)*

CONFIDENTIAL

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**PUBLIC COMPANY HOLDINGS UNIT AWARD AGREEMENT  
OF  
KKR & CO L.P.**

This **PUBLIC COMPANY HOLDINGS UNIT AWARD AGREEMENT** (this “**Agreement**”) of **KKR & CO L.P.** (the “**Partnership**”) is made by and between the Partnership and the undersigned (the “**Grantee**”). Capitalized terms used herein and not otherwise defined herein or in the KKR & Co. L.P. 2010 Equity Incentive Plan, as amended from time to time (the “**Plan**”), shall be as defined in Appendix A attached hereto and the Plan is hereby attached as Appendix E and incorporated by reference herein.

**RECITALS**

**WHEREAS**, the general partner of the Partnership has determined it is in the best interests of the Partnership to provide the Grantee with this Agreement pursuant to and in accordance with the terms of the Plan.

**NOW, THEREFORE**, in consideration of the mutual promises and agreements herein made and intending to be legally bound hereby, the parties hereto agree to the following:

**ARTICLE I  
GRANT OF PUBLIC COMPANY HOLDINGS UNITS**

**Section 1.1. Grant of Public Company Holdings Units; Conditions of Grant**

The Partnership hereby grants to the Grantee, effective as of the Grant Date specified on the REU Grant Certificate attached hereto as Appendix B (the “**Grant Date**”), the number of “public company holdings units”, which are restricted equity units as set forth in the REU Grant Certificate attached hereto, subject to the terms and conditions of this Agreement. Each restricted equity unit that is granted pursuant to this Agreement represents the right to receive delivery of one Common Unit, subject to any adjustment pursuant to Section 9 of the Plan (each such restricted equity unit, an “**REU**”). Notwithstanding the foregoing, the grant of REUs hereunder is conditioned upon the Grantee’s agreement to the covenants and obligations contained in the Confidentiality and Restrictive Covenant Obligations attached hereto as Appendix D incorporated herein by reference.

**Section 1.2. REUs and Agreement Subject to Plan; Administrator**

This Agreement and the grant of REUs provided for herein shall be subject to the provisions of the Plan, except that if there are any express differences or inconsistencies between the provisions of the Plan and this Agreement, the provisions of this Agreement shall govern. For the avoidance of doubt, the Partnership may delegate to any employee of the KKR Group its duties and powers hereunder, and any reference to the “Administrator” contained herein shall be deemed to include any such delegate.

**ARTICLE II**  
**VESTING AND SETTLEMENT OF REUS**

**Section 2.1. Vesting of REUs**

The vesting of the REUs is set forth in the REU Grant Certificate attached hereto as Appendix B.

**Section 2.2. Settlement of REUs**

- (a) To the extent that an REU granted hereunder becomes vested pursuant to the REU Grant Certificate, as a result of satisfaction of the applicable Service Condition and Price Condition on a Vesting Date, then with respect to such percentage of REUs which have vested on such Vesting Date, such REU shall be Settled as soon as administratively practicable on or following the applicable Vesting Date for such REU; provided that the Administrator may determine that such Settlement may instead occur on or as soon as administratively practicable after the first day of the next permissible trading window of Common Units that opens for employees of the KKR Group to sell Common Units (provided that in any event such Settlement shall not be later than the time permitted under Section 409A, if applicable). For the avoidance of doubt, the Settlement of any REUs that become vested pursuant to Section 2(b)(iii) or (iv) of the attached REU Grant Certificate shall not be accelerated, such that, with respect to any such REUs, only that percentage of such REUs that would otherwise have become vested on each applicable Vesting Date as set forth on the REU Grant Certificate pursuant to the REU Grant Certificate shall be Settled at each such Vesting Date in accordance with the foregoing sentence. The date on which any REU is to be Settled hereunder is referred to as a “ **Delivery Date.** ” The Settlement of each REU shall be effected in accordance with, and subject to the provisions of, Section 2.2(b) below.
- (b) On any Delivery Date, each vested REU that is then being Settled shall be cancelled in exchange for the Partnership delivering to the Grantee either (i) the number of Common Units equal to the number of REUs that are to be Settled on such Delivery Date pursuant to Section 2.2(a) above or (ii) an amount of cash, denominated in U.S. dollars, equal to the Fair Market Value of the foregoing number of Common Units (a “ **Cash Payment** ”). The Administrator may elect in its sole discretion whether to Settle the REUs in Common Units or by a Cash Payment, and in the case of the Cash Payment, whether to have the Cash Payment delivered by the member of the KKR Group that employs or engages the Grantee or to which the Grantee otherwise is rendering services (the “ **Designated Service Recipient** ”).
- (c) Subject to the provisions of this Article II relating to the number of REUs that are to be Settled on any applicable Delivery Date and solely to the extent permitted under Section 409A, if applicable, the Partnership may impose such other conditions and procedures in relation to the Settlement of REUs as it may reasonably determine. In addition to the foregoing and notwithstanding anything else in this Agreement, the Administrator may require that any or all of the Common Units that may be delivered to the Grantee under this Section 2.2 that the Grantee intends to sell, from time to time, may only be sold through a coordinated sales program as defined by the Administrator.

- (d) Any of the foregoing payments or deliveries shall in all instances be subject to Sections 4.3 and 4.5 below, as applicable.

**Section 2.3. No Distribution Payments**

The REUs granted to the Grantee hereunder do not include the right to receive any distribution payments.

**ARTICLE III  
RESTRICTIONS ON TRANSFERS AND OTHER LIMITATIONS**

**Section 3.1. Transfer Restrictions on REUs**

- (a) The Grantee may not Transfer all or any portion of the Grantee's REUs to any Other Holder (including to any Family Related Holder) without the prior written consent of the Administrator, which consent may be given or withheld, or made subject to such conditions (including the receipt of such legal or tax opinions and other documents that the Partnership may require) as are determined by the Administrator, in its sole discretion.
- (b) Any Transfer of REUs by the Grantee to Other Holders permitted by the Administrator pursuant to Section 3.1(a) shall be made in accordance with Section 3.4.
- (c) Any purported Transfer of REUs that is not in accordance with this Section 3.1 is null and void.

**Section 3.2. Confidentiality and Restrictive Covenants**

The Grantee acknowledges and agrees that Grantee is bound by and will comply with the Confidentiality and Restrictive Covenant Obligations contained in Appendix D, which obligations are incorporated by reference herein, and any other agreements that the Grantee has entered into with the Designated Service Recipient, the Partnership, KKR Holdings L.P., KKR Associates Holdings L.P., or any other member of the KKR Group, with respect to the Grantee's obligation to keep confidential the nonpublic, confidential or proprietary information of the KKR Group and its Affiliates and any restrictive covenants concerning the Grantee's obligations not to compete with the KKR Group or solicit its clients or employees after termination of Employment), as such agreements may be amended from time to time. If the Grantee is a limited partner of KKR Holdings L.P. or KKR Associates Holdings L.P., the Grantee further acknowledges and agrees that references to a Confidentiality and Restrictive Covenant Agreement in the limited partnership agreements of KKR Holdings L.P. and KKR Associates Holdings L.P. shall be deemed to include and also refer to the Confidentiality and Restrictive Covenant Obligations contained in Appendix D hereto.

**Section 3.3. Post-Settlement Transfer Restrictions on Common Units**

The provisions of this Section 3.3 shall or shall not be applicable to the REUs granted to the Grantee hereunder as indicated on the REU Grant Certificate.

- (a) The Grantee may not Transfer all or any portion of the Grantee's Transfer Restricted Common Unit (as defined below) (including to any Family Related Holder) without the prior written consent of the Administrator, which consent may be given or withheld, or made subject to such conditions (including the receipt of such legal or tax opinions and other documents that the Partnership may require) as are determined by the Administrator, in its sole discretion. For the avoidance of doubt, Transfer Restricted Common Units may only be held in an account with an institution, and subject to terms and conditions, which have been approved by the Administrator from time to time. Any Transfer of Transfer Restricted Common Units by the Grantee to Other Holders permitted by the Administrator pursuant to Section 3.3(a) shall be made in accordance with Section 3.4.
- (b) A "**Transfer Restricted Common Unit**" refers to all Common Units delivered upon Settlement of a vested REU until (i) the first anniversary of the Vesting Date related thereto, in the case of 50% of such Common Units and (ii) the second anniversary of such Vesting Date, in the case of the other 50% of such Common Units.
- (c) If the Grantee breaches in any significant or intentional manner, as determined by the Administrator in its sole discretion, any of the Grantee's covenants as stated in the Confidentiality and Restrictive Covenant Obligations contained in Appendix D, the Administrator, in its sole discretion, may direct that the Grantee forfeit all or a portion of the Transfer Restricted Common Units held by the Grantee in an amount determined by the Administrator in its sole discretion. The Grantee hereby consents and agrees to immediately surrender and deliver such Transfer Restricted Common Units to the Partnership, without the payment of any consideration, receipt of any further notice or fulfillment of any other condition.
- (d) If for any reason the Grantee's Employment is terminated for Cause, unless otherwise determined by the Administrator in writing, all Transfer Restricted Common Units held by the Grantee shall automatically be forfeited by the Grantee without payment of any consideration. The Grantee hereby consents and agrees to immediately surrender and deliver such Transfer Restricted Common Units to the Partnership, without the payment of any consideration, receipt of any further notice or fulfillment of any other condition.
- (e) Any forfeiture of Transfer Restricted Common Units contemplated by Section 3.3(c) or Section 3.3(d) shall require no additional procedures on the part of the Partnership or its Affiliates. The Grantee hereby acknowledges that the Administrator may take any and all actions to reflect the forfeiture of Transfer Restricted Common Units hereunder, including but not limited to the delivery of a written notice to the institution contemplated in Section 3.3(a) that holds the Transfer Restricted Common Units, and agrees to take any further action to memorialize such forfeiture as the Administrator may require.



- (f) The Administrator may, from time to time, waive the provisions of this Section 3.3, subject to the imposition of any conditions or further requirements, as determined by the Administrator in its sole discretion. Without limiting the foregoing, (i) the Administrator may impose equivalent transfer or forfeiture restrictions on the Grantee's other equity, if any, held in KKR Holdings, L.P., the Partnership or any of their respective Affiliates (or any of their respective equity incentive plans) to the extent that the provisions of this Section 3.3 are waived, and (ii) the Grantee hereby consents in advance to the imposition of such equivalent transfer or forfeiture restrictions for purposes of the governing documents of Grantee's other equity, if any, held in KKR Holdings, L.P., the Partnership or any of their respective Affiliates (or any of their respective equity incentive plans) to the extent the Administrator waives the application of this Section 3.3 to the Transfer Restricted Common Units.
- (g) For the avoidance of doubt, the provisions of this Section 3.3 also apply in the event the Grantee receives a Cash Payment in Settlement of a vested REU on a Delivery Date as provided in Section 2.2(b).
- (h) Any purported Transfer of Transfer Restricted Common Units that is not in accordance with this Section 3.3 is null and void.

**Section 3.4. Transfers to Other Holders**

- (a) Transfers of REUs or Transfer Restricted Common Units by the Grantee to Other Holders are not permitted unless the Administrator provides its prior written consent pursuant Section 3.1 or Section 3.3. Prior to a Transfer of any REUs or Transfer Restricted Common Units to any Other Holder, the Other Holder must consent in writing to be bound by this Agreement as an Other Holder and deliver such consent to the Administrator.
- (b) If an REU or Transfer Restricted Common Unit is held by an Other Holder, such Other Holder shall be bound by this Agreement in the same manner and to the same extent as the Grantee is bound hereby (or would be bound hereby had the Grantee continued to hold such REU or Transfer Restricted Common Unit). Any Transfer to an Other Holder must be undertaken in compliance with Section 3.1(a). For the avoidance of doubt, any vesting requirement that applies to an REU or transfer or forfeiture restrictions that are applicable to Transfer Restricted Common Units (including those Transfer Restricted Common Units delivered upon Settlement of a Transferred REU) held by an Other Holder shall be satisfied or deemed to be satisfied under this Article III only to the extent that such vesting requirement or transfer or forfeiture restrictions, as applicable, would otherwise have been satisfied if the REU or Transfer Restricted Common Unit had not been Transferred by the Grantee, and any REU and Transfer Restricted Common Unit, as applicable, that is held by an Other Holder shall cease to be held by such Other Holder under this Article III if the REU or Transfer Restricted Common Unit, as applicable, would have then ceased to be held by the Grantee if the REU or Transfer Restricted Common Unit had not been Transferred by the Grantee to such Other Holder.
- (c) In the event of a property settlement or separation agreement between the Grantee and his or her spouse, the Grantee agrees that he or she shall use reasonable efforts to retain all of his or her REUs and Transfer Restricted Common Units and shall reimburse his or her spouse for any interest he or she may have under this Agreement out of funds, assets or proceeds separate and distinct from his or her interest under this Agreement.

### Section 3.5. Minimum Retained Ownership Requirement

The provisions of this Section 3.5 shall or shall not be applicable to the REUs granted to the Grantee hereunder as indicated on the REU Grant Certificate.

- (a) For so long as the Grantee retains his or her Employment, the Grantee (collectively with all Family Related Holders who become Other Holders, if applicable) must continuously hold an aggregate number of Common Unit Equivalents that is at least equal to fifteen percent (15%) of the cumulative amount of (x) all REUs granted to the Grantee under this Agreement and (y) all other REUs designated as “public company holdings units” that have been or are hereafter granted to the Grantee under the Plan, in each case that have become vested pursuant to the REU Grant Certificate (or similar provision in any other “public company holdings units” grant agreement), prior to any net Settlement permitted by Section 4.5.
- (b) “ **Common Unit Equivalents** ” means any combination of: (i) REUs that are or become vested pursuant to the REU Grant Certificate and Common Units delivered upon Settlement of any such REUs (even if they are Transfer Restricted Common Units) and (ii) REUs designated as “public company holdings units” granted to the Grantee under the Plan that are or become vested pursuant to a provision similar to the REU Grant Certificate and Common Units delivered upon Settlement of any such REUs (even if a provision similar to the transfer restrictions on Transfer Restricted Common Units has not yet been satisfied).
- (c) The Administrator may, from time to time, waive the provisions of this Section 3.5, subject to the imposition of any conditions or further requirements, as determined by the Administrator in its sole discretion. Without limiting the foregoing, (i) the Administrator may impose equivalent transfer restrictions on the Grantee’s other equity, if any, held in KKR Holdings, L.P., the Partnership or any of their respective Affiliates (or any of their respective equity incentive plans) to the extent that the provisions of this Section 3.5 are waived, and (ii) the Grantee hereby consents in advance to the imposition of such equivalent transfer restrictions for purposes of the governing documents of Grantee’s other equity, if any, held in KKR Holdings, L.P., the Partnership or any of their respective Affiliates (or any of their respective equity incentive plans) to the extent the Administrator waives the application of this Section 3.5 to the Common Unit Equivalents.
- (d) Any purported Transfer of any Common Units that would result in a violation of this Section 3.5 is null and void. Notwithstanding anything to the contrary contained in this Agreement (including, without limitation, Section 4.7) this Section 3.5 shall survive any termination of this Agreement.

**ARTICLE IV  
MISCELLANEOUS**

**Section 4.1. Governing Law**

This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, United States of America, without giving effect to any otherwise governing principles of conflicts of law that would apply the Laws of another jurisdiction.

**Section 4.2. Arbitration**

- (a) Any and all disputes which cannot be settled amicably, including any ancillary claims of any party, arising out of, relating to or in connection with the validity, negotiation, execution, interpretation, performance or non-performance of this Agreement (including the validity, scope and enforceability of this arbitration provision) shall be finally settled by arbitration conducted by a single arbitrator in New York, New York in accordance with the then-existing Rules of Arbitration of the International Chamber of Commerce. If the parties to the dispute fail to agree on the selection of an arbitrator within 30 days of the receipt of the request for arbitration, the International Chamber of Commerce shall make the appointment. The arbitrator shall be a lawyer and shall conduct the proceedings in the English language. Performance under this Agreement shall continue if reasonably possible during any arbitration proceedings. Except as required by Law or as may be reasonably required in connection with ancillary judicial proceedings to compel arbitration, to obtain temporary or preliminary judicial relief in aid of arbitration, or to confirm or challenge an arbitration award, the arbitration proceedings, including any hearings, shall be confidential, and the parties shall not disclose any awards, any materials in the proceedings created for the purpose of the arbitration, or any documents produced by another party in the proceedings not otherwise in the public domain. Judgment on any award rendered by an arbitration tribunal may be entered in any court having jurisdiction thereover.
  
- (b) Notwithstanding the provisions of Section 4.2(a), the Partnership may bring an action or special proceeding in any court of competent jurisdiction for the purpose of compelling the Grantee to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder, or enforcing an arbitration award and, for the purposes of this clause (b), the Grantee (i) expressly consents to the application of Section 4.2(c) below to any such action or proceeding, (ii) agrees that proof shall not be required that monetary damages for breach of the provisions of this Agreement would be difficult to calculate and that remedies at law would be inadequate, and (iii) irrevocably appoints the Secretary or General Counsel of the Partnership (or any officer of the Partnership) at the address identified for the Partnership as set forth in Section 4.6 below as such Grantee's agent for service of process in connection with any such action or proceeding and agrees that service of process upon such agent, who shall promptly advise such Grantee of any such service of process, shall be deemed in every respect effective service of process upon the Grantee in any such action or proceeding.

- (c) EACH PARTY HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE U.S. FEDERAL AND STATE COURTS LOCATED IN NEW YORK, NEW YORK FOR THE PURPOSE OF ANY JUDICIAL PROCEEDING BROUGHT IN ACCORDANCE WITH THE PROVISIONS OF THIS SECTION 4.2, OR ANY JUDICIAL PROCEEDING ANCILLARY TO AN ARBITRATION OR CONTEMPLATED ARBITRATION ARISING OUT OF OR RELATING TO OR CONCERNING THIS AGREEMENT. Such ancillary judicial proceedings include any suit, action or proceeding to compel arbitration, to obtain temporary or preliminary judicial relief in aid of arbitration, or to confirm or challenge an arbitration award. The parties acknowledge that the forums designated by this clause (c) have a reasonable relation to this Agreement and to the parties' relationship with one another. The parties hereby waive, to the fullest extent permitted by applicable Law, any objection which they now or hereafter may have to personal jurisdiction or to the laying of venue of any such ancillary suit, action or proceeding referred to in this Section 4.2 brought in any court referenced therein and such parties agree not to plead or claim the same.

**Section 4.3. Remedies; Recoupment; Right to Set-Off**

- (a) The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive its right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by Law or under the terms of any other applicable agreement.
- (b) To the extent required or advisable, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules promulgated thereunder and any other similar Laws including but not limited to the European Directives 2011/61/EU, 2013/36/EU and 2014/91/EU, the Administrator may specify in any other document or a policy to be incorporated into this Agreement by reference, that the Grantee's rights, payments, and benefits with respect to REUs awarded hereunder and/or Common Units delivered to the Grantee in respect of REUs awarded hereunder shall be subject to reduction, cancellation, forfeiture or recoupment.
- (c) The Administrator may set-off any amounts due under this Agreement or otherwise against any amounts which may be owed to the Partnership or its Affiliates by the Grantee under this Agreement, any other relationship or otherwise. The Grantee hereby expressly authorizes the Partnership and its Affiliates to take any and all actions on the Grantee's behalf (including, without limitation, payment, credit and satisfaction of amounts owed) in connection with the set-off of any amounts owed to the Partnership or its Affiliates or otherwise.

**Section 4.4. Amendments and Waivers**

- (a) This Agreement (including the Definitions contained in Appendix A attached hereto, the REU Grant Certificate attached as Appendix B hereto, the Additional Terms and Conditions attached as Appendix C hereto, the Confidentiality and Restrictive Covenant Obligations attached as Appendix D hereto, and any other provisions as may be required to be appended to this Agreement under applicable local Law) may be amended, supplemented, waived or modified only in accordance with Section 4(c) of the Plan or Section 13 of the Plan, as applicable, or as may be required for purposes of compliance or enforceability with applicable local Law; provided, however, that the REU Grant Certificate shall be deemed amended from time to time to reflect any adjustments provided for under the Plan.

- (b) No failure or delay by any party in exercising any right, power or privilege hereunder (other than a failure or delay beyond a period of time specified herein) shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

#### **Section 4.5. Withholding**

Regardless of any action the Partnership or the Designated Service Recipient takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to the Grantee's participation in the Plan and legally applicable to the Grantee (" **Tax-Related Items** "), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and may exceed the amount actually withheld by the Partnership or the Designated Service Recipient. The Grantee further acknowledges that the Partnership and/or the Designated Service Recipient (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the REUs, including, but not limited to, the grant, vesting or Settlement of the REUs, the delivery of Common Units or a Cash Payment upon Settlement of the REUs, the lapse of any restrictions imposed on the Grantee's Transfer Restricted Common Units, the subsequent sale of Common Units acquired under the Plan and the receipt of any distributions; and (2) do not commit to and are under no obligation to structure the terms of the REUs or any aspect of the REUs to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result. Further, if the Grantee has become subject to tax in more than one jurisdiction, the Grantee acknowledges that the Partnership and/or the Designated Service Recipient (or the Affiliate formerly employing, engaging or retaining the Grantee, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Grantee will pay or make adequate arrangements satisfactory to the Partnership and/or the Designated Service Recipient to satisfy all Tax-Related Items. In this regard, the Grantee authorizes the Partnership and/or the Designated Service Recipient, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:

- (a) withholding from the Cash Payment, the Grantee's wages or other cash compensation paid to the Grantee by the Partnership and/or the Designated Service Recipient; or
- (b) withholding from proceeds of the sale of Common Units delivered upon Settlement of the REUs either through a voluntary sale or through a mandatory sale arranged by the Partnership (on the Grantee's behalf pursuant to this authorization); or
- (c) withholding in Common Units to be delivered upon Settlement of the REUs.

To avoid negative accounting treatment, the Partnership may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding in Common Units, for tax purposes, the Grantee is deemed to have been issued the full number of Common Units subject to the Settled Common Units, notwithstanding that a number of the Common Units are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Grantee's participation in the Plan.

Finally, the Grantee shall pay to the Partnership or the Designated Service Recipient any amount of Tax-Related Items that the Partnership or the Designated Service Recipient may be required to withhold or account for as a result of the Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Partnership may refuse to issue or deliver the Common Units, the Cash Payment or the proceeds of the sale of Common Units, if the Grantee fails to comply with the Grantee's obligations in connection with the Tax-Related Items.

**Section 4.6. Notices**

All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by courier service, by fax or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified for purposes of notice given in accordance with this Section 4.6):

- (a) If to the Partnership, to:

KKR & Co. L.P.  
9 West 57th Street, Suite 4200  
New York, New York 10019  
U.S.A.  
Attention: Chief Financial Officer

- (b) If to the Grantee, to the most recent address for the Grantee in the books and records of the Partnership or the Designated Service Recipient.

**Section 4.7. Entire Agreement; Termination of Agreement; Survival**

- (a) This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings, whether oral or written, pertaining thereto. The Grantee acknowledges that the grant of REUs provided for under this Agreement is in full satisfaction of any and all grants of equity or equity-based awards that representatives of the Partnership or its Affiliates, on or prior to the date hereof, may have informed the Grantee that such Grantee is entitled to receive.
- (b) This Agreement shall terminate when the Grantee and all Other Holders cease to hold any of the REUs or Transfer Restricted Common Units that have been granted or delivered, as applicable, hereunder. Notwithstanding anything to the contrary herein, this Article IV shall survive any termination of this Agreement.

**Section 4.8. Severability**

If any term or other provision of this Agreement is held to be invalid, illegal or incapable of being enforced by any rule of Law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions is not affected in any manner materially adverse to any party. Upon a determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

**Section 4.9. Binding Effect**

This Agreement shall be binding upon and inure to the benefit of all of the parties and, to the extent permitted by this Agreement, their successors, executors, administrators, heirs, legal representatives and assigns.

**Section 4.10. Appendices**

Appendices A, B, C and D constitute part of this Agreement. Notwithstanding the provisions of this Article IV, the provisions of Sections 10 through 19 (inclusive) of Appendix D shall govern solely with respect to, and shall be applicable only to the interpretation, administration and enforcement of, the provisions of Appendix D, but not to any other provisions of this Agreement or any other of its Appendices, including but not limited to Sections 3.2 and 3.3(c) of this Agreement. For the further avoidance of doubt, and without limiting the foregoing sentence, Sections 3.2 and 3.3(c) of this Agreement shall only be governed by, and shall only be subject to administration and enforcement under, the provisions of this Article IV, and shall not be governed by or subject to interpretation, administration or enforcement under any of Sections 10 through 19 (inclusive) of Appendix D.

**Section 4.11. Further Assurances**

The Grantee shall perform all other acts and execute and deliver all other documents as may be necessary or appropriate to carry out the purposes and intent of this Agreement.

**Section 4.12. Interpretation; Defined Terms; Section 409A; Employment with Designated Service Recipient; Headings**

- (a) Throughout this Agreement, nouns, pronouns and verbs shall be construed as masculine, feminine, neuter, singular or plural, whichever shall be applicable. Unless otherwise specified, all references herein to “Articles,” “Sections” and clauses shall refer to corresponding provisions of this Agreement. The word “including” is not meant to be exclusive, but rather shall mean “including without limitation” wherever used in this Agreement. Reference to “hereto”, “herein” and similar words is to this entire Agreement (including any Appendices) and not a particular sentence or section of this Agreement. All references to “date” and “time” shall mean the applicable date (other than a Saturday or Sunday or any day on which the Federal Reserve Bank of New York is closed or any day on which banks in the city of New York, New York are required to close, in which case such date refers to the next occurring date that is not described in this parenthetical) or time in New York, New York.

- (b) This Section 4.12(b) applies to Grantees who are U.S. tax residents (such as, a U.S. citizen, greencard holder or a U.S. tax resident under the substantial presence test) to the extent applicable. All references to any “separation from service” or termination of the Employment of, or the services to be provided by, the Grantee, shall be deemed to refer to a “separation from service” within the meaning of Section 409A, if applicable. Notwithstanding anything herein to the contrary, (i) if at the time of the Grantee’s termination of Employment the Grantee is a “specified employee” as defined in Section 409A of the Code and the deferral of the commencement of any payments or delivery of Common Units otherwise payable or provided hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A, then the Partnership will defer the commencement of the payment of any such payments or delivery hereunder (without any reduction in such payments or delivery of Common Units ultimately paid or provided to the Grantee) until the date that is six months following the Grantee’s termination of Employment (or the earliest date as is permitted under Section 409A) and (ii) if any other payments or other deliveries due to the Grantee hereunder could cause the application of an accelerated or additional tax under Section 409A, such payments or other deliveries shall be deferred if deferral will make such payment or other delivery compliant under Section 409A, or otherwise such payment or other delivery shall be restructured, to the extent possible, in a manner, determined by the Administrator, that does not cause such an accelerated or additional tax. The Partnership shall use commercially reasonable efforts to implement the provisions of this Section 4.12(b) in good faith; provided that none of the Partnership, the General Partner, the Administrator nor any of the Partnership’s, KKR Group’s employees, directors or representatives shall have any liability to the Grantee with respect to this Section 4.12(b).
- (c) For the avoidance of doubt, any references to the Employment of the Grantee in this Agreement refer solely to the Employment of the Grantee by the Designated Service Recipient or any other member of the KKR Group. The grant of REUs under this Agreement in no way implies any Employment relationship with the General Partner, the Partnership or with any other member of the KKR Group, other than the Designated Service Recipient with which a formal Employment relationship is currently in effect with the Grantee, or any other member of the KKR Group with which a formal Employment relationship is currently in effect with the Grantee. If the Grantee changes Employment from the Designated Service Recipient as of the Grant Date to another member of the KKR Group, references to Designated Service Recipient hereunder shall refer to such other member of the KKR Group with which the Grantee has Employment.
- (d) The headings and subheadings in this Agreement are included for convenience and identification only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof.

#### **Section 4.13. Counterparts**

This Agreement may be executed and delivered (including by facsimile transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed and delivered shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Copies of executed counterparts transmitted by telecopy or other electronic transmission service shall be considered original executed counterparts for purposes of this Agreement.

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IN WITNESS WHEREOF , the Partnership has executed this Agreement as of the date specified under the signature of the Grantee.

**KKR & CO. L.P.**

By: KKR MANAGEMENT LLC,  
its general partner

By: \_\_\_\_\_

**IN WITNESS WHEREOF** , the undersigned Grantee has caused this counterpart signature page to this Agreement to be duly executed as of the date specified under the signature of the Grantee.

**“GRANTEE”**

**Electronic Signature**

Name: **Participant Name**

Dated: **Grant Date**

## APPENDIX A

### DEFINITIONS

In addition the defined terms set forth in the Plan, the following terms shall have the following meanings for purposes of the Agreement:

“ **Cause** ” means, with respect to the Grantee, the occurrence or existence of any of the following as determined fairly on an informed basis and in good faith by the Administrator: (i) any act of fraud, misappropriation, dishonesty, embezzlement or similar conduct by the Grantee against any member of the KKR Group (including the Partnership), KKR Holdings L.P., KKR Associates Holdings L.P., a Fund, or a Portfolio Company, (ii) a Regulatory Violation that has a material adverse effect on (x) the business of any member of the KKR Group or (y) the ability of the Grantee to function as an employee, associate or in any similar capacity (including consultant) with respect to the KKR Group, taking into account the services required of the Grantee and the nature of the business of the KKR Group, or (iii) a material breach by the Grantee of a material provision of any Written Policies or the deliberate failure by the Grantee to perform the Grantee’s duties to the KKR Group, *provided that* in the case of this clause (iii), the Grantee has been given written notice of such breach or failure within 45 days of the KKR Group becoming aware of such breach or failure and, where such breach or failure is curable, the Grantee has failed to cure such breach or failure within (A) 15 days of receiving notice thereof or (B) such longer period of time, not to exceed 30 days, as may be reasonably necessary to cure such breach or failure provided that the Grantee is then working diligently to cure such breach or failure. If such breach or failure is not capable of being cured, the notice given to the Grantee may contain a date of termination that is earlier than 15 days after the date of such notice.

“ **Closing Price** ” for any trading day shall mean the closing price per Common Unit reported on the NYSE (or, if not listed on the NYSE, the principal securities exchange on which the Common Units are listed). If Common Units are not listed on any securities exchange, the Closing Price shall be the Fair Value thereof as reasonably determined by the Administrator.

“ **Disability** ” means, as to any Person, such Person’s inability to perform in all material respects such Person’s duties and responsibilities to the KKR Group by reason of a physical or mental disability or infirmity which inability is reasonably expected to be permanent and has continued (i) for a period of six consecutive months or (ii) such shorter period as the Administrator may reasonably determine in good faith.

“ **Employment** ” means the Grantee’s employment or engagement (including any similar association determined by the Administrator to constitute employment or engagement for purposes of this Agreement) with (x) the Designated Service Recipient or any other member of the KKR Group or (y) any consultant or service provider that provides services to any member of the KKR Group; provided that in the case of clause (y), service provided as a consultant or service provider must be approved by the Administrator in order to qualify as “Employment” hereunder.

“ **Family Related Holder** ” means, in respect of the Grantee, any of the following: (i) such Grantee’s spouse, parents, parents-in-law, children, siblings and siblings-in-law, descendants of siblings, and grandchildren, (ii) any trust or other personal or estate planning vehicle established by such Grantee, (iii) any charitable organization established by such Grantee and (iv) any successor-in-interest to such Grantee, including but not limited to a conservator, executor or other personal representative.

“ **Group Partnerships** ” means KKR Management Holdings L.P., a Delaware limited partnership, KKR Fund Holdings L.P., a Cayman Island exempted limited partnership, and KKR International Holdings L.P., a Cayman Island exempted limited partnership, along with any partnership designated in the future as a “Group Partnership” by the Partnership.

“ **KKR Capstone** ” means (i) KKR Capstone Americas LLC, KKR Capstone EMEA LLP, KKR Capstone EMEA (International) LLP, KKR Capstone Asia Limited and any other “Capstone” branded entity that provides similar consulting services to the KKR Group and Portfolio Companies and (ii) the direct and indirect parents and subsidiaries of the foregoing.

“ **KKR Group** ” means the Group Partnerships, the direct and indirect parents of the Group Partnerships (the “ **Parents** ”), any direct or indirect subsidiaries of the Parents or the Group Partnerships, the general partner or similar controlling entities of any investment fund, account or vehicle that is managed, advised or sponsored by the KKR Group (the “ **Funds** ”) and any other entity through which any of the foregoing directly or indirectly conducts its business, but shall exclude Portfolio Companies.

“ **Law** ” means any statute, law, ordinance, regulation, rule, code, executive order, injunction, judgment, decree or other order issued or promulgated by any national, supranational, state, federal, provincial, local or municipal government or any administrative or regulatory body with authority therefrom with jurisdiction over the Partnership or any Participant, as the case may be.

“ **Other Holder** ” means any Person that holds an REU, other than the Grantee.

“ **Portfolio Company** ” means a company over which a Fund exercises a significant degree of control as an investor.

“ **Regulatory Violation** ” means, with respect to the Grantee (i) a conviction of the Grantee based on a trial or by an accepted plea of guilt or *nolo contendere* of any felony or misdemeanor crime involving moral turpitude, false statements, misleading omissions, forgery, wrongful taking, embezzlement, extortion or bribery, (ii) a final determination by any court of competent jurisdiction or governmental regulatory body (or an admission by the Grantee in any settlement agreement) that the Grantee has violated any U.S. federal or state or comparable non-U.S. securities laws, rules or regulations or (iii) a final determination by self-regulatory organization having authority with respect to U.S. federal or state or comparable non-U.S. securities laws, rules or regulations (or an admission by the Grantee in any settlement agreement) that the Grantee has violated the written rules of such self-regulatory organization that are applicable to any member of the KKR Group.

“ **Retirement** ” means the resignation by the Grantee of the Grantee’s Employment with the KKR Group (other than for Cause), on or after the date that the Grantee’s age, plus the Grantee’s years of Employment with the KKR Group equals at least 80; *provided that* such date shall be no earlier than December 31, 2012.

“ **REU Grant Certificate** ” means the REU Grant Certificate delivered to the Grantee and attached to this Agreement as Appendix B, as the same may be modified pursuant to Section 4.4(a) of the Agreement.

“ **Section 409A** ” means Section 409A of the U.S. Internal Revenue Code of 1986, as the same may be amended from time to time, and the applicable regulations, including temporary regulations, promulgated under such Section, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

“ **Service Vesting Date** ” means, with respect to any REU, the date set forth in the REU Grant Certificate as the “Service Vesting Date.”

“ **Settle** ”, “ **Settled** ” or “ **Settlement** ” means the discharge of the Partnership’s obligations in respect of an REU through the delivery to the Grantee of (i) Common Units or (ii) a Cash Payment, in each case in accordance with Article II.

“ **Transfer** ” or “ **Transferred** ” means with respect to any REU or Common Unit, any (i) sale, assignment, transfer or other disposition thereof or any interests therein or rights attached thereto, whether voluntarily or by operation of Law, or (ii) creation or placement of any mortgage, claim, lien, encumbrance, conditional sales or other title retention agreement, right of first refusal, preemptive right, pledge, option, charge, security interest or other similar interest, easement, judgment or imperfection of title of any nature whatsoever.

“ **Written Policies** ” means the written policies of the KKR Group included in its employee manual, code of ethics and confidential information and information barrier policies and procedures and other documents relating to the Grantee's Employment, association or other similar affiliation with the KKR Group.

APPENDIX B

REU GRANT CERTIFICATE – Market Condition Equity Grant

Grantee Name: **Participant Name**

Grant Date: **Grant Date**

Number of REUs: **Number of Awards Granted**

**1. Grant of Public Company Holdings Units**

This REU Grant Certificate confirms that the Partnership hereby grants to the Grantee listed above, effective as of the grant date above (the “ **Grant Date** ”), the number of REUs, subject to the terms and conditions of this REU Grant Certificate and the other provisions of the Agreement. In the event of a conflict between any term or provision contained in the Agreement and this REU Grant Certificate, the applicable terms and provisions of this REU Grant Certificate will govern and prevail.

**2. Vesting of REUs**

(a) The following vesting provisions shall apply to the REUs:

(i) *Service Condition for Vesting*

Provided that the applicable Price Condition (as defined below) has been achieved, a percentage of the REUs shall vest subject to the Grantee’s continued Employment through and at the close of business on the applicable Service Vesting Date or Service Vesting Dates (the “ **Service Condition** ”).The following table sets forth the maximum number of REUs that are eligible to vest on each Service Vesting Date, subject to the Grantee’s continued Employment through each such date and the satisfaction of the applicable Price Condition:

Percentage of Granted REUs that May Become Vested on Applicable Service Vesting Date	Applicable Service Vesting Date
[•]%	[•]
[•]%	[•]
[•]%	[•]
[•]%	[•]
[•]%	[•]

To the extent the percentage of REUs that have achieved the Price Condition exceed the maximum percentage of REUs that may vest on a given Service Vesting Date, such excess (up to the next applicable maximum percentage) shall vest on the next Service Vesting Date, if applicable, subject to the Grantee’s continued Employment through the close of business on such date.

To the extent the Service Condition with respect to any REUs is satisfied prior to the achievement of the Price Condition applicable to such REUs, then the relevant percentage of REUs will vest only on the date such Price Condition is achieved.

(ii) *Price Condition for Vesting*

The “ **Price Condition** ” shall be achieved with respect to the percentage of the REUs when the Closing Price per Common Unit meets or exceeds the applicable “ **Price Target** ” for a period of [●] consecutive trading days (the “ **Trading Period** ”), in each case, as specified in the chart below:

Tranche	Percentage of Granted Units that Satisfy the Price Condition	Price Target
	[●]%	\$[●]
	[●]%	\$[●]
	[●]%	\$[●]
	[●]%	\$[●]
	[●]%	\$[●]

The Price Condition is not achieved if the Closing Price is below the Price Target at any point during such Trading Period.

In the event of any extraordinary unit distribution, unit split, unit combination, recapitalization, rights offering, split-up, spin-off or similar event that constitutes an “equity restructuring” (as defined under Financial Accounting Standards Board (FASB) Accounting Standards Codification 718) with respect to the Common Units, then the Administrator shall, in the manner determined appropriate or desirable by the Administrator and without liability to any person, adjust any or all of (x) the Price Target, (y) the number of REUs, and (z) any other term applicable to the REUs.

(iii) *Overall Vesting Principles*

Notwithstanding any provision to the contrary, (i) both the Service Condition and the Price Condition must be satisfied for any REU to vest (any date both conditions are satisfied, a “ **Vesting Date** ”), (ii) no REU shall be vested prior to [●], and (iii) any REU that fails to vest by the close of business on [●] (the “ **End Date** ”) shall be canceled and forfeited without any consideration.

(b) *Vesting and Forfeiture in Connection with Certain Events.*

(i) *No Vesting Upon Retirement*

Notwithstanding anything to the contrary, the REUs shall not be affected when Grantee’s Employment is terminated due to Retirement.

(ii) *No Vesting Upon Change of Control*

Notwithstanding anything to the contrary, the REUs shall not be affected by the occurrence of any Change of Control.

(iii) *Continued Service Condition Vesting Upon Death or Disability*

Notwithstanding anything to the contrary, in the event of the Grantee's death or Disability, the REUs shall remain outstanding until the End Date and, to the extent the applicable Price Conditions are satisfied with respect thereto, shall be eligible to vest on the applicable Service Vesting Dates (as though the Grantee's Employment had not terminated). Any REUs that are not vested as of the End Date shall be canceled and forfeited without consideration. Notwithstanding anything to the contrary, the determination of the Grantee's Disability shall be determined by the Administrator in its sole discretion.

(iv) *Forfeiture for Any Other Termination*

If the Grantee's Employment terminates for any reason other than for death, Disability or Involuntarily Termination without Cause as provided in the Agreement, then all REUs that are not vested at the time of termination of Employment shall be canceled and forfeited without consideration.

(v) *Two-Year Clawback for Termination for Cause or Breach of Confidentiality and Restrictive Covenant Agreement*

If either (i) for any reason the Grantee's Employment is terminated for Cause or (ii) the Grantee breaches the confidentiality, non-competition and non-solicitation provisions set forth in the Confidentiality and Restrictive Covenant Agreement attached as Appendix D to the Agreement (each event in clauses (i) or (ii), a "**Triggering Event**"), then a number of units (whether REUs or any other units owned by such Grantee) equal to the number of REUs that vested during the two (2) year period immediately prior to the date of the Triggering Event shall be canceled and forfeited without consideration (or, if sold, the Grantee may be required to return or repay to the Partnership the net proceeds of such sale), unless otherwise determined in writing by the Administrator in its sole discretion. Any REUs that vested prior to the two (2) year period immediately prior to the Triggering Event shall not be subject to the provisions of this paragraph, and nothing in this paragraph shall be deemed to limit any other rights or remedies that may be available to the Administrator, the Partnership or their Affiliates with respect to the occurrence of a Triggering Event.

(c) All REUs that become vested under this REU Grant Certificate are eligible to be Settled pursuant to Section 2.2. of the Agreement.

### 3. **Post-Settlement Terms**

Settlement of the REUs is subject to all terms and conditions contained in the Agreement to which this REU Grant Certificate is attached. Notwithstanding the foregoing:

The post-settlement transfer restrictions contained in Section 3.3 of the Agreement  shall /  shall not be applicable to the REUs (and any resulting Common Units) granted under this REU Grant Certificate.

The minimum retained ownership requirements contained in Section 3.5 of the Agreement  shall /  shall not be applicable to the REUs (and any resulting Common Units) granted under this REU Grant Certificate.



## APPENDIX C

### ADDITIONAL TERMS AND CONDITIONS

The terms and conditions in this Appendix C supplement the provisions of the Agreement, unless otherwise indicated herein. Capitalized terms contained in this Appendix C and not defined herein shall have the same meaning as such terms are defined in the Agreement into which this Appendix C is incorporated by reference therein and to which this Appendix C is attached, or the Plan, as applicable.

#### 1. Data Privacy

*The Grantee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Grantee's personal data as described in this Agreement and any other Award materials ("Data") by and among, as applicable, the Designated Service Recipient, the Partnership and its Affiliates for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan.*

*The Grantee understands that the Partnership and the Designated Service Recipient may hold certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number (e.g. resident registration number), salary, nationality, job title, any Common Units or directorships held in the Partnership, details of all REUs or any other entitlement to Common Units awarded, canceled, exercised, vested, unvested or outstanding in the Grantee's favor, for the exclusive purpose of implementing, administering and managing the Plan.*

*The Grantee understands that Data will be transferred to any third parties assisting the Partnership with the implementation, administration and management of the Plan. The Grantee understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than the Grantee's country. The Grantee understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. The Grantee authorizes the Partnership, its subsidiaries, the Designated Service Recipient and any other possible recipients which may assist the Partnership (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan. The Grantee understands that Data will be held only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan. The Grantee understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, the Grantee understands that he or she is providing the consents herein on a purely voluntary basis. If the Grantee does not consent, or if the Grantee later seeks to revoke his or her consent, the Grantee's employment status or service and career with the Designated Service Recipient will not be affected; the only consequence of refusing or withdrawing the Grantee's consent is that the Partnership would not be able to grant him or her REUs or other awards or administer or maintain such awards. Therefore, the Grantee understands that refusing or withdrawing his or her consent may affect the Grantee's ability to participate in the Plan. For more information on the consequences of the Grantee's refusal to consent or withdrawal of consent, the Grantee understands that he or she may contact his or her local human resources representative.*

## 2. Nature of Grant

In accepting the Award, the Grantee acknowledges, understands and agrees that:

- (a) the Plan is established voluntarily by the Partnership, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Partnership at any time;
- (b) the grant of the REUs is voluntary and occasional and does not create any contractual or other right to receive future grants, or benefits in lieu of REUs, even if REUs have been granted in the past;
- (c) all decisions with respect to future grants of REUs, if any, will be at the sole discretion of the Partnership;
- (d) the Grantee's participation in the Plan shall not create a right to further Employment with the Designated Service Recipient and shall not interfere with the ability of the Designated Service Recipient to terminate the Grantee's Employment or service relationship (if any) at any time;
- (e) the Grantee is voluntarily participating in the Plan;
- (f) the REUs and the Common Units subject to the REUs, and the income and value of same, are extraordinary items, which are outside the scope of the Grantee's Employment or service contract, if any;
- (g) the REUs and the Common Units subject to the REUs, and the income and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;
- (h) the grant of REUs and the Grantee's participation in the Plan will not be interpreted to form an Employment or service contract or relationship with the Partnership, the Designated Service Recipient or any Affiliate;
- (i) the future value of the underlying Common Units is unknown, indeterminable and cannot be predicted with certainty;
- (j) no claim or entitlement to compensation or damages shall arise from forfeiture of the REUs resulting from termination of the Grantee's Employment (for any reason whatsoever and whether or not in breach of local labor laws and whether or not later found to be invalid), and in consideration of the grant of REUs, the Grantee agrees not to institute any claim against the Partnership, the Designated Service Recipient or any Affiliate;
- (k) unless otherwise agreed with the Partnership in writing, the REUs and the Common Units subject to the REUs, and the income and value of same, are not granted as consideration for, or in connection with, the service the Grantee may provide as a director of the Designated Service Recipient, the Partnership or any Affiliate;

- (l) subject to Section 9 of the Plan, the REUs and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability; and
- (m) the following provisions apply only if the Grantee is providing services outside the United States:
  - (i) the REUs and the Common Units subject to the REUs, and the income and value of same, are not part of normal or expected compensation or salary for any purpose;
  - (ii) the REUs and the Common Units subject to the REUs, and the income and value of same, are not intended to replace any pension rights or compensation; and
  - (iii) neither the Designated Service Recipient, the Partnership nor any Affiliate shall be liable for any foreign exchange rate fluctuation between the Grantee's local currency and the United States Dollar that may affect the value of the REUs or of any amounts due to the Grantee pursuant to the vesting of the REUs or the subsequent sale of any Common Units acquired upon vesting.

### **3. No Advice Regarding Award**

The Partnership is not providing any tax, legal or financial advice, nor is the Partnership making any recommendations regarding the Grantee's participation in the Plan, or the Grantee's acquisition or sale of the underlying Common Units. The Grantee should consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

### **4. Language**

If the Grantee has received the Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

### **5. Electronic Delivery and Acceptance**

The Partnership may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Partnership or a third party designated by the Partnership.

### **6. Restrictions on Trading in Securities**

In addition to any policies and procedures which govern Grantee's ability to trade in Common Units as well as other securities of the Partnership set forth in the Partnership's trading window policy, Grantee may be subject to additional securities trading and market abuse laws in his or her country of residence. These laws may affect Grantee's ability to acquire or dispose of Common Units or rights to Common Units (e.g., REUs) under the Plan, particularly during such times as the Grantee is considered to have access to material nonpublic information concerning the Partnership (as defined by the Laws of the Grantee's country). Any restrictions under these Laws or regulations are separate from and in addition to any policies and procedures set forth by the Partnership. The Grantee is responsible for ensuring compliance with any applicable restrictions and should consult his or her personal legal advisor on this matter.

## **7. Foreign Asset / Account, Exchange Control Reporting**

Depending upon the country to which Laws the Grantee is subject, the Grantee may have certain exchange control, foreign asset and/or account reporting requirements that may affect the Grantee's ability to acquire or hold Common Units under the Plan or cash received from participating in the Plan (including from any sale proceeds arising from the sale of Common Units) in the Grantee's Fidelity brokerage account or a bank or other brokerage account outside the Grantee's country of residence. The Grantee's country may require that he or she report such accounts, assets or transactions to the applicable authorities in the Grantee's country. The Grantee also may be required to repatriate sale proceeds or other funds received as a result of his or her participation in the Plan to his or her country through a designated bank or broker and/or within a certain time after receipt. The Grantee is responsible for knowledge of and compliance with any such regulations and should speak with his or her own personal tax, legal and financial advisors regarding same.

## APPENDIX D

### Confidentiality and Restrictive Covenant Obligations

A. Capitalized terms contained in this Appendix D and not defined herein shall have the same meaning as such terms are defined in the Agreement into which this Appendix D is incorporated by reference therein and to which this Appendix D is attached, or the Plan, as applicable. Further, for the purposes of this Appendix D, the “Company” shall refer to the KKR Group;

B. In connection with the Grantee’s employment, engagement, association or other similar affiliation with an entity of the KKR Group, the Grantee is being issued one or more REUs pursuant to the Agreement to which this Appendix D is attached;

C. The Grantee acknowledges and agrees that the Grantee will receive financial benefits from the KKR Group’s business through their participation in the value of the REUs;

D. The Grantee further acknowledges and agrees that (i) during the course of the Grantee’s employment, engagement, association or other similar affiliation with the KKR Group, the Grantee will receive and have access to confidential information of the KKR Group and the Portfolio Companies (collectively, the “KKR Related Entities”) and have influence over and the opportunity to develop relationships with Clients, Prospective Clients, Portfolio Companies and partners, members, employees and associates of the Company; and (ii) such confidential information and relationships are extremely valuable assets in which the KKR Group has invested, and will continue to invest, substantial time, effort and expense in developing and protecting;

E. The Grantee acknowledges and agrees that (i) the REUs will materially benefit the Grantee; (ii) it is essential to protect the business interests and goodwill of the Company and that the Company be protected by the restrictive covenants and confidentiality undertaking set forth herein; (iii) it is a condition precedent to the Grantee receiving REUs that the Grantee agree to be bound by the restrictive covenants and confidentiality undertaking contained herein; and (iv) the KKR Group would suffer significant and irreparable harm from a violation by the Grantee of the confidentiality undertaking set forth herein as well as the restrictive covenants set forth herein for a period of time after the termination of the Grantee’s employment, engagement, association or other similar affiliation with the KKR Group; and

F. This Appendix D is made in part for the benefit of the KKR Group and the Designated Service Recipient and the parties intend, acknowledge, and agree that the KKR Group and the Designated Service Recipient are third party beneficiaries of this Appendix D and any one of them is authorized to waive compliance with any provision hereof by delivering a written statement clearly expressing the intent to waive such compliance to the Grantee and a duly authorized representative of the KKR Group or Designated Service Recipient.

NOW, THEREFORE, to provide the Company with reasonable protection of its interests and goodwill and in consideration for (i) the REUs and any other consideration that the Grantee will receive in connection with and as a result of the Grantee’s employment, engagement, association or other similar affiliation with the KKR Group; (ii) the material financial and other benefits that the Grantee will derive from such REUs and other consideration (if any); and (iii) other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Grantee hereby agrees to the following restrictions:

1. Outside Business Activities.

The Grantee acknowledges that, during the course of the Grantee's employment, engagement, association or other similar affiliation with the KKR Group, the Grantee will be subject to the Written Policies. The Written Policies include restrictions that limit the ability of the Grantee to engage in outside business and other activities without the prior approval of the Company. If the Grantee has an employment, engagement or other similar contract with the KKR Group, the Grantee may be subject to similar restrictions under that agreement. The Grantee hereby agrees that, during the Grantee's employment, engagement, association or other similar affiliation with the KKR Group, the Grantee will comply with all such restrictions that are from time to time in effect which are applicable to the Grantee.

2. Confidentiality Undertaking.

The Grantee acknowledges that, during the course of the Grantee's employment, engagement, association or other similar affiliation with the KKR Group, the Grantee will receive and have access to Confidential Information (as defined below) of the Company and the Portfolio Companies. Recognizing that any disclosure of such information could have serious consequences to one or more of the Company and the Portfolio Companies, the Grantee hereby agrees that, except as provided herein, the Grantee will not under any circumstances (either while employed, engaged, associated or otherwise affiliated with the KKR Group, or at any time after the Termination Date) for any purpose other than in the ordinary course of the performance of the Grantee's duties as an employee, consultant, associate or other affiliated person of the KKR Group, use or divulge, communicate, publish, make available, or otherwise disclose any Confidential Information to any person or entity, including but not limited to any business, firm, governmental body, partnership, corporation, press service or otherwise, other than to (i) any executive or employee of the Company in the ordinary course of the performance of Grantee's duties as an employee, consultant, associate or other affiliated person of the KKR Group; (ii) any person or entity to the extent explicitly authorized by an executive of the Company in the ordinary course of the performance of Grantee's duties as an employee, consultant, associate or other affiliated person of the KKR Group; (iii) any attorney, accountant, consultant or similar service provider retained by the Company who is required to know such information and is obligated to keep such information confidential; or (iv) any person or entity to the extent the law or legal process requires disclosure by the Grantee, provided that, in the case of clause (iv), the Grantee must first give the Partnership or the Designated Service Recipient prompt written notice of any such requirement, disclose no more information than is so required in the opinion of competent legal counsel, and cooperate fully with all efforts by the Company to obtain a protective order or similar confidentiality treatment for such information.

Notwithstanding the foregoing, nothing in this Appendix E shall prohibit the Grantee from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the U.S. Securities and Exchange Commission, or making other disclosures to the extent protected under the whistleblower provisions of federal law or regulation (or comparable laws or regulations that similarly prohibit the impediment of such protected disclosures), and the Grantee shall not be required to advise or seek permission from the Partnership or the Designated Service Recipient prior to making any such report or disclosure; provided, however, that (i) Grantee shall inform such governmental agency or entity that the information Grantee is providing is confidential and (ii) neither the Partnership nor the Designated Service Recipient authorizes the waiver of (or the disclosure of information covered by) the attorney-client privilege or work product protection or any other privilege or protection belonging to the Partnership, the Designated Service Recipient or their Affiliates, to the fullest extent permitted by law.

As used in this Section 2, an “*executive*” of the KKR Group means an employee of the Company with the title of “Member,” “Managing Director,” “Director,” “Principal” or other employee of the Company acting in a managerial or supervisory capacity. “*Confidential Information*” means (a) all confidential, proprietary or non-public information of, or concerning the business, operations, activities, personnel, finances, plans, personal lives, habits, history, clients, investors, or otherwise of the KKR Related Entities or any person who at any time is or was a member, partner, officer, director, other executive, employee or stockholder of any of the foregoing, (b) all confidential, proprietary or non-public information of or concerning any member of a family of any of the individuals referred to in clause (a), whether by birth, adoption or marriage (including but not limited to any of their current or former spouses or any living or deceased relatives), and (c) all confidential, proprietary or non-public information of or concerning any of the clients or investors of the KKR Related Entities or any other person or entity with which or whom any of the KKR Related Entities or their respective clients or investors does business or has a relationship. Confidential Information includes information about the KKR Related Entities relating to or concerning any of their (i) finances, investments, profits, pricing, costs, and accounting, (ii) intellectual property (including but not limited to patents, inventions, discoveries, plans, research and development, processes, formulae, reports, protocols, computer software, databases, documentation, trade secrets, know-how and business methods), (iii) personnel, compensation, recruiting and training, and (iv) any pending or completed settlements, arbitrations, litigation, governmental investigations and similar proceedings. Notwithstanding the foregoing, Confidential Information does not include any portions of the foregoing that the Grantee can demonstrate by sufficient evidence satisfactory to the Company that has been (i) lawfully published in a form generally available to the public prior to any disclosure by the Grantee in breach of this Appendix D or (ii) made legitimately available to the Grantee by a third party without breach of any obligation of confidence owed to the Company or any Portfolio Company.

Without limiting the generality of the foregoing, the Grantee agrees that it will be a breach of this Appendix D to write about, provide, disclose or use in any fashion at any time any Confidential Information that is or becomes part of the basis for, or is used in any way in connection with any part of any book, magazine or newspaper article, any interview or is otherwise published in any media of any kind utilizing any technology now known or created in the future.

Upon termination of the Grantee's employment, engagement, association or other similar affiliation with the KKR Group for any reason, the Grantee hereby agrees to (i) cease and not thereafter commence any and all use of any Confidential Information; (ii) upon the request of the Company promptly deliver to the Company or, at the option of the Company destroy, delete or expunge all originals and copies of any Confidential Information in any form or medium in the Grantee's possession or control (including any of the foregoing stored or located in the Grantee's home, laptop or other computer that is not the property of the Company, its Affiliates or Portfolio Companies); (iii) notify and fully cooperate with the Company regarding the delivery or destruction of any other Confidential Information of which the Grantee is aware; and (iv) upon the request of the Company sign and deliver a statement that the foregoing has been accomplished.

The Grantee acknowledges that he or she is aware that applicable securities laws place certain restrictions on any person who has received from an issuer material, non-public information concerning the issuer with respect to purchasing or selling securities of such issuer or from communicating such information to any other person and further agrees to comply with such securities laws. Without limiting anything in this Appendix D, the Grantee hereby expressly confirms his or her explicit understanding that the Grantee's obligations hereunder are in addition to, and in no way limit, the Grantee's obligations under compliance procedures of the Company including those contained in the Written Policies.

Notwithstanding anything in this Appendix D to the contrary, the Grantee may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of any member of the Company in which the Grantee holds an interest and all materials of any kind (including opinions or other tax analyses) that are provided to the Grantee relating to such tax treatment and tax structure.

3. Notice Period.

The Grantee acknowledges and agrees that the Designated Service Recipient may terminate his or her employment, engagement, association or other similar affiliation with the Designated Service Recipient at any time for any reason or for no reason at all with or without reasons constituting Cause. The Designated Service Recipient or the Grantee, as applicable, shall provide advance written notice (which may be by email) of the termination of the Grantee's employment, engagement, association or other similar affiliation with the Designated Service Recipient at least [●] days prior to actual termination (such [●]-day period, the "Notice Period"); provided, however, that no advance notice shall be required by the Designated Service Recipient and the provisions of this Section 3 shall not be applicable to the Designated Service Recipient if the Grantee's employment, engagement, association or other similar affiliation is terminated by the Designated Service Recipient for reasons constituting Cause or due to any conduct by Grantee that, in the judgment of the Designated Service Recipient in its sole discretion, amounts to gross negligence or reckless or willful misconduct. Notice pursuant to this Section 3 shall be provided by the Grantee to any of the Chief Executive Officers, Presidents, Chief Operating Officers, General Counsel or Chief Human Resources Officer of the KKR Group.

During the Notice Period, the Grantee shall perform his or her regular duties and any transitional responsibilities (including but not limited to helping to transition work, projects, and Client relationships internally to others) as determined and directed by the Designated Service Recipient in its sole discretion, and Grantee shall not be employed, engaged, associated or otherwise similarly affiliated with any business other than the business of the KKR Group; provided, however, the Designated Service Recipient reserves the right to require the Grantee not to be in the offices of the KKR Group, not to undertake all or any of the Grantee's duties or not to contact Clients or Prospective Clients (as defined in Section 5 below), other persons employed, engaged, associated or otherwise similarly affiliated with the KKR Group, or others (or any combination thereof) unless otherwise instructed during all or any part of the Notice Period. During the Notice Period, and except as provided in the next sentence, the Grantee shall continue to receive his or her salary, and the Grantee shall not be entitled to receive or be considered for payment of any other amount for his or her services during the Notice Period (including without limitation any bonus or equity award). In addition, the Designated Service Recipient in its sole discretion may elect to reduce the Notice Period and pay the Grantee his or her salary, but no other amount, for the period from the conclusion of the reduced Notice Period to the end of the original Notice Period, and the Grantee's employment, engagement, association or other similar affiliation with the KKR Group, shall be terminated as of the day immediately following the conclusion of the reduced Notice Period.



4. Non-Compete.

The Grantee hereby agrees that, while employed, engaged, associated or otherwise similarly affiliated with the KKR Group, and in addition during the Non-Compete Period (as defined below), the Grantee will not directly or indirectly set up, be employed or engaged by, hold an office in or provide consulting, advisory or other similar services to or for the benefit of, a Competing Business (i) where the activities or services of the Grantee in relation to the Competing Business are similar or substantially related to any activity that the Grantee engaged in or any service that the Grantee provided, in connection with the Grantee's employment, engagement, association or other similar affiliation with the KKR Group or (ii) that competes with a business for which the Grantee had direct or indirect managerial or supervisory responsibility with the KKR Group, including through the Grantee's position on the Management Committee or similar committee or group, including without limitation the Public Markets & Distribution Management Committee, for one or more businesses of the KKR Group, in each case, at any time during the 12 months preceding the Termination Date.

For the purposes of this Appendix D, a "**Competing Business**" means a business that competes (i) in a Covered Country with any business conducted by the Company on the date on which the Grantee's employment, engagement, association or other similar affiliation with the KKR Group is terminated (the "**Termination Date**") or (ii) in any country with any business that the Company was, on the Termination Date, formally considering conducting. A "**Covered Country**" means the United States, United Kingdom, the Republic of Ireland, France, Hong Kong, China, Japan, the Republic of Korea, Australia, India, United Arab Emirates, Saudi Arabia, Brazil, Canada, Singapore, Spain, Luxembourg or any other country where the Company conducted business on the Termination Date; provided that if the Grantee is located in Japan, the definition of Covered Country shall exclude the phrase "any other country where the Company conducted business on the Termination Date" to the extent unenforceable under applicable law. The "**Non-Compete Period**" for the Grantee shall commence on the Termination Date and shall expire upon the [●] month anniversary of the Termination Date. Notwithstanding the foregoing, if the Grantee's employment, engagement, association or other similar affiliation with the KKR Group, is terminated involuntarily and for reasons not constituting Cause, the Non-Compete Period will expire on the [●] month anniversary of the Termination Date.

Notwithstanding the foregoing, nothing in this Appendix D shall be deemed to prohibit the Grantee from (i) associating with any business whose activities consist principally of making passive investments for the account and benefit of the Grantee or members of the Grantee's immediate family where such business does not, within the knowledge of the Grantee, compete with a business of the KKR Group for specific privately negotiated investment opportunities; (ii) making and holding passive investments in publicly traded securities of a Competing Business where such passive investment does not exceed 5% of the amount of such securities that are outstanding at the time of investment; or (iii) making and holding passive investments in limited partner or similar interests in any investment fund or vehicle with respect to which the Grantee does not exercise control, discretion or influence over investment decisions.

5. Non-Solicitation of Clients and Prospective Clients; Non-Interference.

The Grantee hereby agrees that, while employed, engaged, associated or otherwise similarly affiliated with the KKR Group, and in addition during the Post-Termination Restricted Period (as defined below), the Grantee will not, directly or indirectly, (i) solicit, or assist any other person in soliciting, the business of any Client or Prospective Client for, or on behalf of, a Competing Business; (ii) provide, or assist any other person in providing, for any Client or Prospective Client any services that are substantially similar to those that the Company provided or proposed to be provided to such Client or Prospective Client; or (iii) impede or otherwise interfere with or damage, or attempt to impede or otherwise interfere with or damage, any business relationship or agreement between the Company and any Client or Prospective Client. As used in this Section 5, “*solicit*” means to have any direct or indirect communication inviting, advising, encouraging or requesting any person to take or refrain from taking any action with respect to the giving by such person of business to a Competing Business, regardless of who initiated such communication.

For purposes of this Appendix D, “*Client*” means any person (a) for whom the Company provided services, including any investor in any Fund, any client of the KKR Group’s broker-dealer business, or any Portfolio Company and (b) with whom the Grantee, individuals reporting to the Grantee or any other individuals over whom the Grantee had direct or indirect managerial or supervisory responsibility had any contact or dealings on behalf of, and involving Confidential Information of, the Company during the 12 months prior to the Termination Date; and “*Prospective Client*” means any person with whom (I) the Company has had negotiations or discussions concerning becoming a Client and (II) the Grantee, individuals reporting to the Grantee or any other individuals over whom the Grantee had direct or indirect managerial or supervisory responsibility had any contact or dealings on behalf of, and involving Confidential Information of, the Company during the 12 months prior to the Termination Date.

6. Non-Solicitation of Personnel; No Hire.

The Grantee hereby agrees that, while employed, engaged, associated or otherwise similarly affiliated with the KKR Group, and in addition during the Post-Termination Restricted Period, the Grantee will not, directly or indirectly, solicit, employ, engage or retain, or assist any other person in soliciting, employing, engaging or retaining, any Covered Person. As used in this Section 6, “*solicit*” means to have any direct or indirect communication inviting, advising, encouraging or requesting any Covered Person to terminate his or her employment, engagement, association or other affiliation with the KKR Group or KKR Capstone or recommending or suggesting that a third party take any of the foregoing actions, including by way of identifying such Covered Person to the third party, in each case regardless of who initiated such communication.

For purposes of this Appendix D, a “*Covered Person*” means a person who is or on the Termination Date was either (i) employed or engaged by the KKR Group as an employee or officer or otherwise associated or similarly affiliated with the KKR Group in any position, including as a member or partner, having functions and duties substantially similar to those of an employee or officer; (ii) a Senior Advisor, Industry Advisor or KKR Advisor to the KKR Group; (iii) employed or engaged by KKR Capstone as an employee or officer or otherwise associated or similarly affiliated with KKR Capstone in any position, including as a member or partner, having functions and duties substantially similar to those of an employee or officer; or (iv) a person who provides services exclusively to the Company or any Portfolio Company and has functions and duties that are substantially similar to those of a person listed in sub-clauses (i), (ii) or (iii) above.

7. Post-Termination Restricted Period.

The “***Post-Termination Restricted Period***” for the Grantee shall commence on the Termination Date and shall expire upon the [●] month anniversary of the Termination Date. Notwithstanding the foregoing, if the Grantee’s employment, engagement, association or other similar affiliation with the KKR Group is terminated involuntarily and for reasons not constituting Cause, the Post-Termination Restricted Period will expire on the [●] month anniversary of the Termination Date. To the extent that the Grantee continues to be employed or engaged by, or otherwise associated or similarly affiliated with, the KKR Group, during any “garden leave” or “notice” period in which the Grantee is required to not perform any services for or enter the premises of the Company, and to otherwise comply with all terms and conditions imposed on the Grantee during such “garden leave” or “notice” period, the applicable Post-Termination Restricted Period shall be reduced by the amount of any such “garden leave” or “notice” period in which the Grantee complies with such terms.

8. Intellectual Property; Works Made for Hire

Except as otherwise agreed in writing between the Grantee and the Partnership, the Designated Service Recipient or other member of the KKR Group, as applicable, the Grantee agrees that all work and deliverables that the Grantee prepares, creates, develops, authors, contributes to or improves, either alone or with third parties, during the course of the Grantee’s employment, engagement, association or other similar affiliation with the KKR Group, within the scope of the services provided to or with the use of any of the resources of the KKR Group, including but not limited to notes, drafts, scripts, documents, designs, inventions, data, presentations, research results, developments, reports, processes, programs, spreadsheets and other materials and all rights and intellectual property rights thereunder including but not limited to rights of authorship (collectively, “***Work Product***”), are works-made-for-hire owned exclusively by the KKR Group. The Grantee hereby irrevocably assigns, transfers and conveys, to the maximum extent permitted by law, all right, title and interest that the Grantee may have in such Work Product (and any written records thereof) to the KKR Group (or any of its designees), to the extent ownership of any such rights does not vest originally with the KKR Group. The Grantee acknowledges and agrees that the Units issued pursuant to the Agreement are sufficient compensation for such assignment, transference and conveyance. To the extent the foregoing assignment is deemed to be invalid or unenforceable, Grantee grants the KKR Group, at no additional charge an exclusive, worldwide, irrevocable, royalty-free, perpetual, assignable license under all intellectual property in and to the Work Product.

9. Non-Disparagement.

The Grantee hereby agrees that the Grantee will not at any time during his or her employment, engagement, association or other similar affiliation with the Designated Service Recipient or for [●] years thereafter make any disparaging, defamatory, or derogatory written or oral statements or other communications about or in reference to the Designated Service Recipient, the Partnership or any other member of the KKR Group or KKR Capstone (including their respective businesses or reputations), including but not limited to any of their Clients, Prospective Clients, Portfolio Companies, or Covered Persons; provided that this provision shall not prevent the Grantee from (i) making reports to or testifying before any court, governmental agency, or regulatory body, including the U.S. Securities and Exchange Commission, or pursuant to any legal or regulatory process or proceeding or (ii) engaging in activity protected by applicable law, rule or regulations, including the U.S. National Labor Relations Act.

10. Representations; Warranties; Other Agreements.

The Grantee acknowledges and agrees that the Grantee will derive material financial and other benefits from the Grantee's employment, engagement, association or other similar affiliation with the KKR Group, and that the restrictions contained herein are reasonable in all circumstances and necessary to protect the legitimate business interests of the Company, to have and enjoy the full benefit of its business interests and goodwill. The Grantee further agrees and acknowledges that such restrictions will not unnecessarily or unreasonably restrict or otherwise limit the professional opportunities of the Grantee should his or her employment, engagement, association or other similar affiliation with the KKR Group terminate, that the Grantee is fully aware of the Grantee's obligations under this Appendix D and that the livelihood of the Grantee is not impaired by the Grantee's entry into the covenants contained herein. The Partnership and the Designated Service Recipient shall have the right, exercisable in its sole discretion, to directly or indirectly make a payment to the Grantee or grant other consideration if, and to the extent, necessary to enforce the restrictions contained herein in accordance with any applicable law.

11. Certain Relationships.

The Grantee acknowledges and agrees that the Grantee's compliance with this Appendix D is a material part of the Grantee's arrangements with the Company. Notwithstanding anything to the contrary herein, this Appendix D does not constitute an employment, engagement or other similar agreement between the Grantee and the Company, or any other of the KKR Related Entities (including but not limited to the Partnership), and shall not interfere with or otherwise affect any rights any such person or entity may have to terminate the Grantee's employment, engagement, association or other similar affiliation at any time upon such notice as may be required by law or the terms of any agreement or arrangement with the Grantee.

12. Injunctive Relief; Third Party Beneficiaries.

The Grantee acknowledges and agrees that the remedies of the Partnership and the Designated Service Recipient at law for any breach of this Appendix D would be inadequate and that for any breach of this Appendix D, the Designated Service Recipient may terminate your employment, engagement, association or other similar affiliation with the Company and shall, in addition to any other remedies that may be available to it at law or in equity, or as provided for in this Appendix D, be entitled to an injunction, restraining order or other equitable relief, without the necessity of posting a bond, restraining the Grantee from committing or continuing to commit any violation of this Appendix D. The Grantee further acknowledges and agrees that the Partnership and the Designated Service Recipient shall not be required to prove, or offer proof, that monetary damages for a breach of this Appendix D would be difficult to calculate and that any remedies at law would be inadequate for any breach of this Appendix D. The parties intend, acknowledge, and agree that each member of the KKR Group is a third party beneficiary of this Agreement and is authorized to enforce any provision hereof by delivering a written statement expressing the intent to enforce the provisions hereof to the Grantee or the Designated Service Recipient. The Grantee has executed this Agreement for the benefit of each member of the KKR Group.

13. Amendment; Waiver.

This Appendix D may not be amended, restated, supplemented or otherwise modified other than by an agreement in writing signed by the parties hereto; provided, however, that the Partnership, the KKR Group or the Designated Service Recipient may reduce the scope of, or waive compliance with any part of, any obligation of the Grantee arising under this Appendix D, at any time without any action, consent or agreement of any other party. No failure to exercise and no delay in exercising, on the part of any party, of any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The waiver of any particular right, remedy, power or privilege shall not affect or impair the rights, remedies, powers or privileges of any person with respect to any subsequent default of the same or of a different kind by any party hereunder. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law. No waiver of any provision hereto shall be effective unless it is in writing and signed by the person asserted to have granted such waiver.

14. Assignment.

This Appendix D may not be assigned by any party hereto without the prior written consent of the other party hereto, except that the consent of the Grantee shall be deemed to have been given to the Partnership and the Designated Service Recipient (and the Grantee acknowledges that the Partnership and the Designated Service Recipient shall therefore have the right without further consent) to assign its rights hereunder, in whole or in part, to (i) any member of the KKR Group that becomes a Designated Service Recipient or (ii) any person who is a successor of the Partnership or the Designated Service Recipient by merger, consolidation or purchase of all or substantially all of its assets, in which case such assignee shall be substituted for the Partnership and the Designated Service Recipient hereunder with respect to the provisions so assigned and be bound under this Appendix D and by the terms of the assignment in the same manner as the Partnership and the Designated Service Recipient was bound hereunder. Any purported assignment of this Appendix D in violation of this section shall be null and void.

15. Governing Law.

This Appendix D shall be governed by and construed in accordance with the laws of the State of New York.

16. Resolution of Disputes.

- (a) Subject to paragraphs (b) and (c) below, any and all disputes which cannot be settled amicably, including any ancillary claims of any party, arising out of, relating to or in connection with the validity, negotiation, execution, interpretation, performance, non-performance or termination of this Appendix D (including the validity, scope and enforceability of this arbitration provision) (each a “*Dispute*”) shall be finally settled by arbitration conducted by a single arbitrator in New York, New York in accordance with the then existing Rules of Arbitration of the International Chamber of Commerce (the “*ICC*”). If the parties to the Dispute fail to agree on the selection of an arbitrator within 30 days of the receipt of the request for arbitration, the ICC shall make the appointment. The arbitrator shall be a lawyer and shall conduct the proceedings in the English language. Performance under this Appendix D shall continue if reasonably possible during any arbitration proceedings.

- (b) Prior to filing a Request for Arbitration or an Answer under the Rules of Arbitration of the ICC, as the case may be, the Partnership or the Designated Service Recipient may, in its sole discretion, require all Disputes or any specific Dispute to be heard by a court of law in accordance with paragraph (e) below and, for the purposes of this paragraph (b), each party expressly consents to the application of paragraphs (e) and (f) below to any such suit, action or proceeding. If an arbitration proceeding has already been commenced in connection with a Dispute at the time that the Partnership or the Designated Service Recipient commences such proceedings in accordance with this paragraph (b), such Dispute shall be withdrawn from arbitration.
- (c) Subject to paragraph (b) above, either party may bring an action or special proceeding in any court of law (or, if applicable, equity) for the purpose of compelling a party to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder or enforcing an arbitration award and, for the purposes of this paragraph (c), each party expressly consents to the application of paragraphs (e) and (f) below to any such suit, action or proceeding.
- (d) Except as required by law or as may be reasonably required in connection with judicial proceedings to compel arbitration, to obtain temporary or preliminary judicial relief in aid of arbitration or to confirm or challenge an arbitration award, the arbitration proceedings, including any hearings, shall be confidential, and the parties shall not disclose any awards, any materials in the proceedings created for the purpose of the arbitration or any documents produced by another party in the proceedings not otherwise in the public domain. Judgment on any award rendered by an arbitration tribunal may be entered in any court having jurisdiction thereover.
- (e) EACH PARTY HEREBY IRREVOCABLY SUBMITS AND AGREES TO THE EXCLUSIVE JURISDICTION OF THE COURTS, AND VENUE, LOCATED IN NEW YORK, NEW YORK FOR THE PURPOSE OF ANY SUIT, ACTION OR PROCEEDING BROUGHT IN ACCORDANCE WITH THE PROVISIONS OF PARAGRAPHS (B) OR (C) ABOVE. The parties acknowledge that the forum designated by this paragraph (e) has a reasonable relation to this Appendix D, and to the parties' relationship with one another. The parties hereby waive, to the fullest extent permitted by applicable law, any objection which they now or hereafter may have to personal jurisdiction or to the laying of venue of any suit, action or proceeding brought in any court referred to in the preceding sentence or pursuant to paragraphs (b) or (c) above and such parties agree not to plead or claim the same.
- (f) The parties agree that if a suit, action or proceeding is brought under paragraphs (b) or (c) proof shall not be required that monetary damages for breach of the provisions of this Appendix D would be difficult to calculate and that remedies at law would be inadequate, and they irrevocably appoint the Secretary or General Counsel of the Partnership or the Designated Service Recipient or an officer of the Partnership or the Designated Service Recipient (at the then-current principal business address of the Partnership or the Designated Service Recipient) as such party's agent for service of process in connection with any such action or proceeding and agrees that service of process upon such agent, who shall promptly advise such party of any such service of process, shall be deemed in every respect effective service of process upon the party in any such action or proceeding.

17. Entire Agreement.

This Appendix D contains the entire agreement and understanding among the parties hereto with respect to the subject matter of this Appendix D and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with the Partnership, the Company, or KKR Holdings L.P. with respect to the subject matter of this Appendix D (including but not limited to any prior grant agreement for an equity award under the Plan that contains one or more appendices with respect to the subject matter of this Appendix D) or any Confidentiality and Restrictive Covenant Agreement previously executed with the Partnership, the Company or KKR Holdings L.P. The express terms of this Appendix D control and supersede any course of performance and any usage of the trade inconsistent with any of the terms of this Appendix D.

18. Severability.

Notwithstanding Section 13 or any other provision of this Appendix D to the contrary, any provision of this Appendix D that is prohibited or unenforceable in any jurisdiction (including but not limited to the application, if applicable, of Rule 5.6 of the New York Rules of Professional Conduct (or successor rule)) shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. In such event, the invalid provision shall be partially enforced, reformed or substituted with a valid provision which most closely approximates the intent and the economic effect of the invalid provision to give effect to the provision to the maximum extent permitted in such jurisdiction or in such case. Grantee specifically acknowledges that Grantee has been provided with valuable consideration in exchange for the covenants set forth herein and, accordingly, such partial enforcement or reformation is necessary to avoid frustrating the Company's purpose in awarding the Grantee such consideration.

19. Interpretation.

Notwithstanding anything contained in Article IV of the Agreement, the provisions of Sections 10 through 19 (inclusive) of this Appendix D shall govern with respect to, and shall be applicable only to the interpretation, administration and enforcement of, the provisions of this Appendix D, and shall not govern or otherwise apply to, or have any administrative or interpretive effect on, any other provisions of the remainder of the Agreement or any other of its Appendices.

## APPENDIX E

### KKR & Co. L.P. 2010 EQUITY INCENTIVE PLAN

#### 1. Purpose of the Plan

The KKR & Co. L.P. 2010 Equity Incentive Plan (the “Plan”) is designed to promote the long term financial interests and growth of KKR & Co. L.P., a Delaware limited partnership (the “Partnership”) and its Affiliates by (i) attracting and retaining directors, officers, employees, consultants or other service providers of the Partnership or any of its Affiliates, including but not limited to directors of KKR Management LLC, the Partnership’s general partner (the “General Partner”) and (ii) aligning the interests of such individuals with those of the Partnership and its Affiliates by providing them with equity-based awards based on the common units of limited partner interest in the Partnership (the “Common Units”).

#### 2. Definitions

The following capitalized terms used in the Plan have the respective meanings set forth in this Section:

(a) Act: The Securities Exchange Act of 1934, as amended, or any successor thereto.

(b) Administrator: The Board, or the committee or subcommittee thereof to whom authority to administer the Plan has been delegated pursuant to Section 4 hereof.

(c) Affiliate: With respect to any specified Person, any other Person that directly or indirectly through one or more intermediaries Controls, is Controlled by or is under common control with such specified Person. As used herein, the term “Control” (including the terms “Controlled by” and “under common Control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, as trustee or executor, by contract or otherwise, including the ownership, directly or indirectly, of securities having the power to elect a majority of the board of directors or similar body governing the affairs of such Person.

(d) Award: Individually or collectively, any Option, Unit Appreciation Right, or Other Unit-Based Awards based on or relating to the Common Units issuable under the Plan.

(e) Board: The board of directors of the General Partner.

(f) Change in Control: Except as otherwise set forth in any applicable Award agreement, (i) the occurrence of any Person, other than a Person approved by the General Partner, becoming the general partner of the Partnership, (ii) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation) in one or more series of related transactions of all or substantially all of the combined assets of the Group Partnerships taken as a whole to any Person other than a Permitted Person, (iii) the consummation of any transaction or a series of related transactions (including any merger or consolidation) that results in any Person (other than a Permitted Person) becoming the beneficial owner of a majority of the controlling interests in any one or more Group Partnerships that together hold all or substantially all of the combined assets of the Group Partnerships taken as a whole, or (iv) the occurrence of any other event as determined by the Board to constitute a Change in Control. Solely for the purpose of this definition, the term “person” shall have the meaning given to such term under Section 13(d)(3) of the Act or any successor provision thereto; and for purposes of the Plan, the term “beneficial owner” shall have the meaning given to such term under Rule 13d-3 promulgated under the Act or any successor provision thereto, and the combined assets of the Group Partnerships shall exclude the portion of any such assets that are allocable to holders of any non-controlling interests in any consolidated subsidiaries.



(g) Code: The Internal Revenue Code of 1986, as amended, or any successor thereto.

(h) Effective Date: The date on which the Board adopts the Plan, or such later date as is designated by the Board, provided that in no event shall such date be prior to the date that limited partnership interests of the Partnership become listed and traded on the New York Stock Exchange or The NASDAQ Stock Market.

(i) Employee Exchange Agreement: That certain Exchange Agreement, dated as of July 14, 2010, by and among KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., and KKR Holdings L.P.

(j) Employment: The term “Employment” as used herein shall be deemed to refer to (i) a Participant’s employment if the Participant is an employee of the Partnership or any of its Affiliates, (ii) a Participant’s services as a consultant or partner, if the Participant is consultant to, or partner of, the Partnership or of any of its Affiliates, and (iii) a Participant’s services as a non-employee director, if the Participant is a non-employee member of the Board.

(k) Fair Market Value: Of a Common Unit on any given date means (i) the closing sale price per Common Unit on the New York Stock Exchange or The NASDAQ Stock Market (a “U.S. Exchange”) on that date (or, if no closing sale price is reported, the last reported sale price), (ii) if the Common Units are not listed for trading on a U.S. Exchange, the closing sale price (or, if no closing sale price is reported, the last reported sale price) as reported on that date in composite transactions for the principal national securities exchange registered pursuant to the Act on which the Common Units are listed, (iii) if the Common Units are not so listed on a U.S. Exchange, the last quoted bid price for the Common Units on that date in the over-the-counter market as reported by Pink Sheets LLC or a similar organization, or (iv) if the Common Units are not so quoted by Pink Sheets LLC or a similar organization, the average of the mid-point of the last bid and ask prices for the Common Units on that date from a nationally recognized independent investment banking firm selected by the General Partner for this purpose.

(l) Group Partnerships: KKR Management Holdings L.P., a Delaware limited partnership, and KKR Fund Holdings L.P., a Cayman Island exempted limited partnership, along with any partnership designated in the future as a “Group Partnership” by the Partnership.

(m) Group Partnership Unit: A “Group Partnership Unit” as defined in the Pre-Listing Plan.

- (n) KKR Group: The Group Partnerships, the direct and indirect parents of the Group Partnerships (the “Parents”), any direct or indirect subsidiaries of the Parents or the Group Partnerships, the general partner or similar controlling entities of any investment fund or vehicle that is managed, advised or sponsored by the KKR Group (the “Funds”) and any other entity through which any of the foregoing directly or indirectly conducts its business, but shall exclude any company over which a Fund exercises a significant degree of control as an investor.
- (o) Option: An option to purchase Common Units granted pursuant to Section 6 of the Plan.
- (p) Option Price: The purchase price per Common Unit of an Option, as determined pursuant to Section 6(a) of the Plan.
- (q) Other Unit-Based Awards: Awards granted pursuant to Section 8 of the Plan.
- (r) Participant: A director, officer, employee, consultant or other service provider of the Partnership or of any of its Affiliates, including but not limited to any director of the General Partner, who is selected by the Administrator to participate in the Plan.
- (s) Permitted Person: The term “Permitted Person” means (i) an individual who (a) is an executive of the KKR Group, (b) devotes substantially all of his or her business and professional time to the activities of the KKR Group and (c) did not become an executive of the KKR Group or begin devoting substantially all of his or her business and professional time to the activities of the KKR Group in contemplation of a Change in Control or (ii) any Person in which any one or more such individuals directly or indirectly holds a majority of the controlling interests.
- (t) Person: A ny individual, corporation, partnership, limited partnership, limited liability company, limited company, joint venture, trust, unincorporated or governmental organization or any agency or political subdivision thereof .
- (u) Pre-Listing Award: Any equity-based award (whether an option, unit appreciation right, restricted equity unit, phantom equity unit, or other equity-based award based in whole or in part on the fair market value of any equity unit or otherwise) granted pursuant to the Pre-Listing Plan.
- (v) Pre-Listing Plan: KKR Management Holdings L.P. 2009 Equity Incentive Plan.
- (w) Unit Appreciation Right: A unit appreciation right granted pursuant to Section 7 of the Plan.

### 3. Common Units Subject to the Plan

Subject to Section 9 hereof, the total number of Common Units which shall be available for issuance under the Plan shall be, as of the Effective Date, 15% of the Common Units outstanding as of the Effective Date on a fully converted and diluted basis (the “Initial Plan Amount”), of which all or any portion may be issued as Common Units. Notwithstanding the foregoing, beginning with the first fiscal year of the Partnership occurring after the Effective Date and continuing with each subsequent fiscal year of the Partnership occurring thereafter, the aggregate number of Common Units covered by the Plan will be increased, on the first day of each fiscal year of the Partnership occurring during the term of the Plan, by a number of Common Units equal to the positive difference, if any, of (x) 15% of the aggregate number of Common Units outstanding on the last day of the immediately preceding fiscal year of the Partnership minus (y) the Initial Plan Amount, as such amount may have been increased by this sentence in any prior fiscal year, unless the Administrator should decide to increase the number of Common Units covered by the Plan by a lesser amount on any such date. The issuance of Common Units or the payment of cash upon the exercise of an Award or any Pre-Listing Award or in consideration of the settlement, cancellation or termination of an Award or any Pre-Listing Award shall reduce the total number of Common Units covered by and available for issuance under the Plan, as applicable (with any Awards or Pre-Listing Awards settled in cash reducing the total number of Common Units by the number of Common Units determined by dividing the cash amount to be paid thereunder by the Fair Market Value of one Common Unit on the date of payment), and the issuance of Group Partnership Units in consideration of the settlement, cancellation or termination of any Pre-Listing Award shall reduce the total number of Common Units covered by and available for issuance under the Plan by a number of Common Units equal to the number of Group Partnership Units so issued multiplied by the Exchange Rate (as defined in the Employee Exchange Agreement). Common Units which are subject to Awards which are cancelled, forfeited, terminated or otherwise expired by their terms without the payment of consideration, and Common Units which are used to pay the exercise price of any Award, may be granted again subject to Awards under the Plan. For the avoidance of doubt, Common Units which are subject to Awards other than Options or Unit Appreciation Rights which are withheld to pay tax withholding obligations will be deemed not to have been delivered and will be available for further Awards under the Plan.

For purposes of this Section 3, the number of Common Units that, as of a particular date, will be considered to be “covered by” the Plan will be equal to the sum of (i) the number of Common Units available for issuance pursuant to the Plan but which are not subject to an outstanding Award or Pre-Listing Award as of such date, (ii) the number of Common Units subject to outstanding Awards or Pre-Listing Awards as of such date and (iii) the number of Group Partnership Units subject to outstanding Pre-Listing Awards as of such date multiplied by the Exchange Rate (as defined in the Employee Exchange Agreement) as in effect on such date. For purposes of this Section 3, (A) an Option or Unit Appreciation Right that has been granted under the Plan or the Pre-Listing Plan will be considered to be an “outstanding” Award or Pre-Listing Award, as applicable, until it is exercised or cancelled, forfeited, terminated or otherwise expires by its terms, (B) a Common Unit that has been granted as an Award under the Plan that is subject to vesting conditions will be considered an “outstanding” Award until the vesting conditions have been satisfied or the Award otherwise terminates or expires unvested by its terms, (C) a Group Partnership Unit that has been granted as a Pre-Listing Award under the Pre-Listing Plan that is subject to vesting conditions will be considered an “outstanding” Pre-Listing Award until the vesting conditions have been satisfied or the Pre-Listing Award otherwise terminates or expires unvested by its terms and (D) any Award or Pre-Listing Award other than an Option, Unit Appreciation Right, Common Unit or Group Partnership Unit that is subject to vesting conditions will be considered to be an “outstanding” Award or Pre-Listing Award, as applicable, until it has been settled.

#### **4. Administration**

(a) Administration and Delegation. The Plan shall be administered by the Administrator. The Administrator may delegate the authority to grant Awards under the Plan to any employee or group of employees of the Partnership or of any Affiliate of the Partnership; provided that such delegation and grants are consistent with applicable law and guidelines established by the Board from time to time. The Administrator may delegate the day-to-day administration of the Plan to any employee or group of employees of the Partnership or the General Partner or any of their respective Affiliates or a nationally recognized third-party stock plan administrator.

(b) Substitution of Prior Awards. Awards may, in the discretion of the Administrator, be made under the Plan in assumption of, or in substitution for, outstanding awards previously granted by the Partnership, any Affiliate of the Partnership or any entity acquired by the Partnership or with which the Partnership combines. The number of Common Units underlying such substitute awards shall be counted against the aggregate number of Common Units available for Awards under the Plan.

(c) Interpretation; Corrections; Final and Binding Decisions. The Administrator is authorized to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, and to make any other determinations that it deems necessary or desirable for the administration of the Plan. The Administrator may correct any defect or supply any omission or reconcile any inconsistency in the Plan or Award agreement in the manner and to the extent the Administrator deems necessary or desirable, without the consent of any Participant. Any decision of the Administrator in the interpretation and administration of the Plan, as described herein, shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned (including, but not limited to, Participants and their beneficiaries and successors).

(d) Establishment of Award Terms. The Administrator shall have the full power and authority to establish the terms and conditions of any Award consistent with the provisions of the Plan and to waive any such terms and conditions at any time (including, without limitation, accelerating or waiving any vesting conditions).

(e) Payment of Taxes Due. The Administrator shall require payment of any amount it may determine to be necessary to withhold for federal, state, local or other taxes as a result of the exercise, grant or vesting of an Award. To the extent that such withholding arises in connection with the settlement of an Award with Common Units, the Administrator may, in its sole discretion, cause such payments to be funded by reducing the Common Units delivered upon settlement by an amount of Common Units having a Fair Market Value equal to the amount of payments that would then be due (and if an Award is settled in cash, the Administrator may withhold cash in respect to such taxes due). The Administrator shall establish the manner in which any such tax obligation may be satisfied by the Participant.

#### **5. Limitations**

No Award may be granted under the Plan after the tenth anniversary of the Effective Date, but Awards theretofore granted may extend beyond that date.

#### **6. Terms and Conditions of Options**

Options granted under the Plan shall be non-qualified options for federal income tax purposes, and shall be subject to the foregoing and the following terms and conditions and to such other terms and conditions, not inconsistent therewith, as the Administrator shall determine:

(a) Option Price. The Option Price per Common Unit shall be determined by the Administrator, provided that, solely for the purposes of an Option granted under the Plan to a Participant who is a U.S. taxpayer, in no event will the Option Price be less than 100% of the Fair Market Value on the date an Option is granted.

(b) Exercisability. Options granted under the Plan shall be exercisable at such time and upon such terms and conditions as may be determined by the Administrator, but in no event shall an Option be exercisable more than ten years after the date it is granted.

(c) Exercise of Options.

(i) Except as otherwise provided in the Plan or in an Award agreement, an Option may be exercised for all, or from time to time any part, of the Common Units for which it is then exercisable. For purposes of this Section 6 of the Plan, the exercise date of an Option shall be the later of the date a notice of exercise is received by the Partnership and, if applicable, the date payment is received by the Partnership pursuant to clauses (A), (B), (C) or (D) in the following sentence.

(ii) The Option Price for the Common Units as to which an Option is exercised shall be paid to the Partnership, and in the manner designated by the Administrator, pursuant to one or more of the following methods: (A) in cash or its equivalent (e.g., by personal check); (B) in Common Units having a Fair Market Value equal to the aggregate Option Price for the Common Units being purchased and satisfying such other requirements as may be imposed by the Administrator; provided that such Common Units have been held by the Participant for such period as may be established from time to time by the Administrator in order to avoid adverse accounting treatment applying generally accepted accounting principles; (C) partly in cash and partly in such Common Units; (D) if there is a public market for the Common Units at such time, through the delivery of irrevocable instructions to a broker to sell Common Units obtained upon the exercise of the Option and to deliver promptly to the Partnership an amount out of the proceeds of such sale equal to the aggregate Option Price for the Common Units being purchased, or (E) to the extent permitted by the Administrator, through net settlement in Common Units.

(iii) To the extent compliant with applicable laws, no Participant shall have any rights to distributions or other rights of a holder with respect to Common Units subject to an Option until the Participant has given written notice of exercise of the Option, paid in full the Option Price for such Common Units and, if applicable, has satisfied any other conditions imposed by the Administrator pursuant to the Plan.

(d) Attestation. Wherever in this Plan or any agreement evidencing an Award a Participant is permitted to pay the Option Price of an Option or taxes relating to the exercise of an Option by delivering Common Units, the Participant may, subject to procedures satisfactory to the Administrator, satisfy such delivery requirement by presenting proof of beneficial ownership of such Common Units, in which case the Partnership shall treat the Option as exercised without further payment and/or shall withhold such number of Common Units from the Common Units acquired by the exercise of the Option, as appropriate.

## 7. Terms and Conditions of Unit Appreciation Rights

(a) Grants. The Administrator may grant (i) a Unit Appreciation Right independent of an Option or (ii) a Unit Appreciation Right in connection with an Option, or a portion thereof. A Unit Appreciation Right granted pursuant to clause (ii) of the preceding sentence (A) may be granted at the time the related Option is granted or at any time prior to the exercise or cancellation of the related Option, (B) shall cover the same number of Common Units covered by an Option (or such lesser number of Common Units as the Administrator may determine) and (C) shall be subject to the same terms and conditions as such Option except for such additional limitations as are contemplated by this Section 7 (or such additional limitations as may be included in an Award agreement).

(b) Exercise Price. The exercise price per Common Unit of a Unit Appreciation Right shall be an amount determined by the Administrator; provided, however, that in the case of a Unit Appreciation Right granted in conjunction with an Option, or a portion thereof, the exercise price may not be less than the Option Price of the related Option; provided, further that, solely for the purposes of a Unit Appreciation Right granted under the Plan to a Participant who is a U.S. taxpayer, in the case of a Unit Appreciation Right that was not granted in conjunction with an Option, the exercise price per Unit Appreciation Right shall not be less than 100% of the Fair Market Value on the date the Unit Appreciation Right is granted.

(c) Terms of Grant: Each Unit Appreciation Right granted independent of an Option shall entitle a Participant upon exercise to an amount equal to (i) the excess of (A) the Fair Market Value on the exercise date of one Common Unit over (B) the exercise price per Common Unit, times (ii) the number of Common Units covered by the Unit Appreciation Right. Each Unit Appreciation Right granted in conjunction with an Option, or a portion thereof, shall entitle a Participant to surrender to the Partnership the unexercised Option, or any portion thereof, and to receive from the Partnership in exchange therefore an amount equal to (i) the excess of (A) the Fair Market Value on the exercise date of one Common Unit over (B) the Option Price per Common Unit, times (ii) the number of Common Units covered by the Option, or portion thereof, which is surrendered. Payment shall be made in Common Units or in cash, or partly in Common Units and partly in cash (any such Common Units valued at such Fair Market Value), all as shall be determined by the Administrator.

(d) Exercisability: Unit Appreciation Rights may be exercised from time to time upon actual receipt by the Partnership of written notice of exercise stating the number of Common Units with respect to which the Unit Appreciation Right is being exercised. The date a notice of exercise is received by the Partnership shall be the exercise date. The Administrator, in its sole discretion, may determine that no fractional Common Units will be issued in payment for Unit Appreciation Rights, but instead cash will be paid for the fractional Common Units and the number of Common Units to be delivered will be rounded downward to the next whole Common Unit.

(e) Limitations. The Administrator may impose, in its discretion, such conditions upon the exercisability of Unit Appreciation Rights as it may deem fit, but in no event shall a Unit Appreciation Right be exercisable more than ten years after the date it is granted.

## 8. Other Unit-Based Awards

The Administrator, in its sole discretion, may grant or sell Awards of Common Units, restricted Common Units, deferred restricted Common Units, phantom restricted Common Units or other Common Unit-based awards based in whole or in part on the Fair Market Value of the Common Units (“Other Unit-Based Awards”). Such Other Unit-Based Awards shall be in such form, and dependent on such conditions, as the Administrator shall determine, including, without limitation, the right to receive, or vest with respect to, one or more Common Units (or the equivalent cash value of such Common Units) upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. Other Unit-Based Awards may be granted alone or in addition to any other Awards granted under the Plan. Subject to the provisions of the Plan, the Administrator shall determine to whom and when Other Unit-Based Awards will be made, the number of Common Units to be awarded under (or otherwise related to) such Other Unit-Based Awards; whether such Other Unit-Based Awards shall be settled in cash, Common Units, or other assets or a combination of cash, Common Units and other assets; and all other terms and conditions of such Awards (including, without limitation, the vesting provisions thereof and provisions ensuring that all Common Units so awarded and issued shall be fully paid and non-assessable).

## 9. Adjustments Upon Certain Events

Notwithstanding any other provisions in the Plan to the contrary, the following provisions shall apply to all Awards granted under the Plan:

(a) Equity Restructurings. In the event of any extraordinary Common Unit distribution or split, recapitalization, rights offering, split-up or spin-off or any other event that constitutes an “equity restructuring” (as defined under Financial Accounting Standards Board (FASB) Accounting Standards Codification 718) with respect to Common Units, the Administrator shall, in the manner determined appropriate or desirable by the Administrator and without liability to any person, adjust any or all of (i) the number of Common Units or other securities of the Partnership (or number and kind of other securities or property) with respect to which Awards may be granted under the Plan, and (ii) the terms of outstanding Awards, including, but not limited to (A) the number of Common Units or other securities of the Partnership (or number and kind of other securities or property) subject to outstanding Awards or to which outstanding Awards relate, (B) the Option Price or exercise price of any Option or Unit Appreciation Right and (C) any performance targets or other applicable terms.

(b) Mergers, Reorganizations and Other Corporate Transactions. In the event of any reorganization, merger, consolidation, combination, repurchase or exchange of Common Units or other securities of the Partnership, issuance of warrants or other rights to purchase Common Units or other securities of the Partnership, or other similar corporate transaction or event that affects the Common Units such that an adjustment is determined by the Administrator in its discretion to be appropriate or desirable, the Administrator in its sole discretion and without liability to any person shall make such substitution or adjustment, if any, as it deems to be equitable as to (i) the number of Common Units or other securities of the Partnership (or number and kind of other securities or property) with respect to which Awards may be granted under the Plan, and (ii) the terms of any outstanding Award, including (A) the number of Common Units or other securities of the Partnership (or number and kind of other securities or property) subject to outstanding Awards or to which outstanding Awards relate, (B) the Option Price or exercise price of any Option or Unit Appreciation Right and (C) any performance targets or other applicable terms.

(c) Change in Control. In the event of a Change in Control after the Effective Date, (i) if determined by the Administrator in the applicable Award agreement or otherwise, any outstanding Awards then held by Participants which are unexercisable or otherwise unvested or subject to lapse restrictions shall automatically be deemed exercisable or otherwise vested or no longer subject to lapse restrictions, as the case may be, as of immediately prior to such Change in Control and (ii) the Administrator may (subject to Sections 16 and 18), but shall not be obligated to: (A) accelerate, vest or cause the restrictions to lapse with respect to all or any portion of an Award; (B) cancel such Awards for fair value (as determined in the sole discretion of the Administrator) which, in the case of Options and Unit Appreciation Rights, may equal the excess, if any, of value of the consideration to be paid in the Change in Control transaction to holders of the same number of Common Units subject to such Options or Unit Appreciation Rights (or, if no consideration is paid in any such transaction, the Fair Market Value of the Common Units subject to such Options or Unit Appreciation Rights) over the aggregate exercise price of such Options or Unit Appreciation Rights; (C) provide that any Options or Unit Appreciation Right having an exercise price per Common Unit that is greater than the per Common Unit value of the consideration to be paid in the Change in Control transaction to a holder of a Common Unit shall be cancelled without payment of any consideration therefor; (D) provide for the issuance of substitute Awards that will substantially preserve the otherwise applicable terms of any affected Awards previously granted hereunder as determined by the Administrator in its sole discretion; or (E) provide that for a period of at least 15 days prior to the Change in Control, such Options shall be exercisable as to all shares subject thereto and that upon the occurrence of the Change in Control, such Options shall terminate and be of no further force and effect.

#### **10. No Right to Employment or Awards**

The granting of an Award under the Plan shall impose no obligation on the Partnership or any Affiliate to continue the Employment of a Participant and shall not lessen or affect the Partnership's or Affiliate's right to terminate the Employment of such Participant. No Participant or other Person shall have any claim to be granted any Award (including as a result of recurring prior Award), and there is no obligation for uniformity of treatment of Participants, or holders or beneficiaries of Awards. No Award shall constitute compensation for purposes of determining any benefits under any benefit plan. The terms and conditions of Awards and the Administrator's determinations and interpretations with respect thereto need not be the same with respect to each Participant (whether or not such Participants are similarly situated).

#### **11. Successors and Assigns**

The Plan shall be binding on all successors and assigns of the Partnership and a Participant, including without limitation, the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

#### **12. Nontransferability of Awards**

Unless otherwise determined or approved by the Administrator, an Award shall not be transferable or assignable by the Participant otherwise than by will or by the laws of descent and distribution. Any transfer or assignment in violation of the prior sentence shall be null and void. An Award exercisable after the death of a Participant may be exercised by the legatees, personal representatives or distributees of the Participant.

#### **13. Amendments or Termination**

The Board may amend, alter or discontinue the Plan or any outstanding Award, but no amendment, alteration or discontinuation shall be made, without the consent of a Participant, if such action would materially diminish any of the rights of the Participant under any Award theretofore granted to such Participant under the Plan; provided, however, that the Administrator may without the Participant's consent (a) amend the Plan or any outstanding Award in such manner as it deems necessary to permit the granting of Awards meeting the requirements of the Code or other applicable laws (including, without limitation, to avoid adverse tax consequences to the Partnership or to Participants as provided in Section 14 and Section 18 below), and (b) amend any outstanding Awards in a manner that is not adverse (other than in a *de minimis* manner) to a Participant, except as otherwise may be permitted pursuant to Section 9 hereof or as is otherwise contemplated pursuant to the terms of the Award, without the Participant's consent.



**14. International Participants**

With respect to Participants who reside or work outside the United States of America, the Administrator may, in its sole discretion, amend the terms of the Plan or Awards with respect to such Participants in order to conform such terms with the requirements of local law or to obtain more favorable tax or other treatment for a Participant, the Partnership or an Affiliate.

**15. Choice of Law**

The Plan shall be governed by and construed in accordance with the law of the State of New York without giving effect to any otherwise governing principles of conflicts of law that would apply the laws of another jurisdiction.

**16. Other Laws; Restrictions on Transfer of Common Units**

The Administrator may refuse to issue or transfer any Common Units or other consideration under an Award if, acting in its sole discretion, it determines that the issuance or transfer of such Common Units or such other consideration might violate any applicable law or regulation or entitle the Partnership to recover the same under Section 16(b) of the Act, as amended, and any payment tendered to the Partnership by a Participant, other holder or beneficiary in connection with the exercise of such Award shall be promptly refunded to the relevant Participant, holder or beneficiary. Without limiting the generality of the foregoing, no Award granted hereunder shall be construed as an offer to sell securities of the Partnership, and no such offer shall be outstanding, unless and until the Administrator in its sole discretion has determined that any such offer, if made, would be in compliance with all applicable requirements of the United States federal and any other applicable securities laws.

**17. Effectiveness of the Plan**

The Plan shall be effective as of the Effective Date.

**18. Section 409A**

To the extent applicable, this Plan and Awards issued hereunder shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretative guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding other provisions of the Plan or any Award agreements issued thereunder, no Award shall be granted, deferred, accelerated, extended, paid out or modified under this Plan in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon a Participant. In the event that it is reasonably determined by the Administrator that, as a result of Section 409A of the Code, payments in respect of any Award under the Plan may not be made at the time contemplated by the terms of the Plan or the relevant Award agreement, as the case may be, without causing the Participant holding such Award to be subject to taxation under Section 409A of the Code, consistent with the provisions of Section 13(a) above, the Partnership may take whatever actions the Administrator determines necessary or appropriate to comply with, or exempt the Plan and Award agreement from the requirements of Section 409A of the Code and related Department of Treasury guidance and other interpretive materials as may be issued after the Effective Date including, without limitation, (a) adopting such amendments to the Plan and Awards and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Administrator determines necessary or appropriate to preserve the intended tax treatment of the benefits provided by the Plan and Awards hereunder and/or (b) taking such other actions as the Administrator determines necessary or appropriate to avoid the imposition of an additional tax under Section 409A of the Code, which action may include, but is not limited to, delaying payment to a Participant who is a “specified employee” within the meaning of Section 409A of the Code until the first day following the six-month period beginning on the date of the Participant’s termination of Employment . The Partnership shall use commercially reasonable efforts to implement the provisions of this Section 18 in good faith; provided that neither the Partnership, the Administrator nor any employee, director or representative of the Partnership or of any of its Affiliates shall have any liability to Participants with respect to this Section 18 .



**PARTICIPANT CONSENT**

Pursuant to provisions of this grant agreement between me and KKR & Co. L.P. (the “Company”) and/or other parties thereto, and as a condition of receiving such grant agreement, I hereby authorize Fidelity Stock Plan Services, LLC and its affiliates (including, but not limited to Fidelity Brokerage Services LLC, National Financial Services LLC, and Fidelity Personal Trust Company, FSB) (“Fidelity”) (i) to act upon the directions of Company or its designee direction to restrict my ability to sell, transfer or to take other actions with respect to certain Company equity that I may hold, and (ii) to act the directions of the Company or its designee, pursuant to provisions of the Company’s plans and this grant agreement requiring my forfeiture of Company equity if I violate certain restrictive covenants, to transfer in kind Company equity held by Fidelity on my behalf to the Company or its designee.

Participant Name: **Participant Name**

Participant Signature: **Electronic Signature**

Date: **Acceptance Date**

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PUBLIC COMPANY HOLDINGS UNIT AWARD AGREEMENT  
OF  
KKR & CO. L.P.  
*(Executive Officers)*

CONFIDENTIAL

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**PUBLIC COMPANY HOLDINGS UNIT AWARD AGREEMENT  
OF  
KKR & CO L.P.**

This **PUBLIC COMPANY HOLDINGS UNIT AWARD AGREEMENT** (this “**Agreement**”) of **KKR & CO L.P.** (the “**Partnership**”) is made by and between the Partnership and the undersigned (the “**Grantee**”). Capitalized terms used herein and not otherwise defined herein or in the KKR & Co. L.P. 2010 Equity Incentive Plan, as amended from time to time (the “**Plan**”), shall be as defined in Appendix A attached hereto and the Plan is hereby attached as Appendix E and incorporated by reference herein.

**RECITALS**

**WHEREAS**, the general partner of the Partnership has determined it is in the best interests of the Partnership to provide the Grantee with this Agreement pursuant to and in accordance with the terms of the Plan.

**NOW, THEREFORE**, in consideration of the mutual promises and agreements herein made and intending to be legally bound hereby, the parties hereto agree to the following:

**ARTICLE I  
GRANT OF PUBLIC COMPANY HOLDINGS UNITS**

**Section 1.1. Grant of Public Company Holdings Units; Conditions of Grant**

The Partnership hereby grants to the Grantee, effective as of the Grant Date specified on the REU Grant Certificate attached hereto as Appendix B (the “**Grant Date**”), the number of “public company holdings units”, which are restricted equity units set forth in the REU Grant Certificate attached hereto, subject to the terms and conditions of this Agreement. Each restricted equity unit that is granted pursuant to this Agreement represents the right to receive delivery of one Common Unit, subject to any adjustment pursuant to Section 9 of the Plan (each such restricted equity unit, an “**REU**”). Notwithstanding the foregoing, the grant of REUs hereunder is conditioned upon the Grantee’s agreement to the covenants and obligations contained in the Confidentiality and Restrictive Covenant Obligations attached hereto as Appendix D incorporated herein by reference.

**Section 1.2. REUs and Agreement Subject to Plan; Administrator**

This Agreement and the grant of REUs provided for herein shall be subject to the provisions of the Plan, except that if there are any express differences or inconsistencies between the provisions of the Plan and this Agreement, the provisions of this Agreement shall govern. For the avoidance of doubt, the Partnership may delegate to any employee of the KKR Group its duties and powers hereunder, and any reference to the “Administrator” contained herein shall be deemed to include any such delegate.

**ARTICLE II**  
**VESTING AND SETTLEMENT OF REUS**

**Section 2.1. Vesting of REUs**

- (a) The following vesting provisions shall apply to the REUs:
- (i) Subject to the Grantee's continued Employment through the Service Vesting Date or Service Vesting Dates, as applicable, as specified in the REU Grant Certificate attached hereto, the REUs shall become vested on such date or dates, as applicable, as to the percentage(s) set forth in such REU Grant Certificate.
  - (ii) If, prior to the date the REUs are vested as provided in Section 2.1(a)(i) above or otherwise terminate and are forfeited pursuant to Section 2.1(b) and (c) below: (A) the Grantee's Employment terminates due to the Grantee's Retirement, if applicable, then all Retirement REUs shall, in the discretion of the Administrator, be fully vested as a result thereof; (B) the Grantee dies or experiences a Disability, then all unvested REUs shall be vested as a result thereof, provided that if the Grantee is not an employee of the KKR Group, then any vesting of unvested REUs described in this clause (B) shall be in the discretion of the Administrator; or (C) there occurs a Change in Control prior to any termination of the Grantee's Employment, then all or any portion of any unvested REUs may, in the discretion of the Administrator, be vested as a result thereof. Notwithstanding the foregoing, if the Partnership receives an opinion of counsel that there has been a legal judgment and/or legal development in the Grantee's jurisdiction that would likely result in the favorable treatment applicable to the Retirement REUs pursuant to this Section 2.1(a)(ii) being deemed unlawful and/or discriminatory, then the Partnership will not apply the favorable treatment at the time the Grantee's Employment terminates due to the Grantee's Retirement under clause (A) above, and the REUs will be treated as set forth in Section 2.1(a)(i), 2.1(b), 2.1(c) or the other provisions of this Section 2.1(a)(ii), as applicable.
  - (iii) All REUs that become vested under this Section 2.1(a) are eligible to be Settled pursuant to Section 2.2 of this Agreement.
- (b) If the Grantee's Employment terminates for any reason other than due to the Grantee's death, Disability or Retirement, each as provided for in Section 2.1(a) above, all then unvested REUs (including any REUs that are not Retirement REUs) shall immediately terminate and be forfeited without consideration, and no Common Units shall be delivered hereunder.
- (c) The Grantee's right to vest in the REUs under the Plan, if any, will terminate effective as of the date that the Grantee is no longer actively providing services (even if still considered employed or engaged under local Law) and will not be extended by any notice period mandated under local Law (e.g., active Employment would not include a period of "garden leave" or similar period pursuant to local Law) except as may be otherwise agreed in writing by the Partnership or the Designated Service Recipient with the Grantee; the Administrator shall have the exclusive discretion to determine when the Grantee is no longer actively employed or engaged for purposes of the REUs.

**Section 2.2. Settlement of REUs**

- (a) To the extent that (i) an REU granted hereunder becomes vested pursuant to Section 2.1(a) above and (ii) the related Service Vesting Date has also occurred, then with respect to such percentage of REUs set forth next to the applicable Service Vesting Date on the REU Grant Certificate, such REU shall be Settled as soon as administratively practicable on or following the applicable Service Vesting Date for such REU; provided that the Administrator may determine that such Settlement may instead occur on or as soon as administratively practicable after the first day of the next permissible trading window of Common Units that opens for employees of the KKR Group to sell Common Units (provided that in any event such Settlement shall not be later than the time permitted under Section 409A, if applicable). For the avoidance of doubt, the Settlement of any REUs that become vested pursuant to Section 2.1(a)(ii) above shall not be accelerated, such that, with respect to any such REUs, only that percentage of such REUs that would otherwise have become vested on each applicable Service Vesting Date as set forth on the REU Grant Certificate pursuant to Section 2.1(a)(i) shall be Settled at each such Service Vesting Date in accordance with the foregoing sentence. The date on which any REU is to be Settled hereunder is referred to as a “ **Delivery Date.** ” The Settlement of each REU shall be effected in accordance with, and subject to the provisions of, Section 2.2(b) below.
- (b) On any Delivery Date, each vested REU that is then being Settled shall be cancelled in exchange for the Partnership delivering to the Grantee either (i) the number of Common Units equal to the number of REUs that are to be Settled on such Delivery Date pursuant to Section 2.2(a) above or (ii) an amount of cash, denominated in U.S. dollars, equal to the Fair Market Value of the foregoing number of Common Units (a “ **Cash Payment** ”). The Administrator may elect in its sole discretion whether to Settle the REUs in Common Units or by a Cash Payment, and in the case of the Cash Payment, whether to have the Cash Payment delivered by the member of the KKR Group that employs or engages the Grantee or to which the Grantee otherwise is rendering services (the “ **Designated Service Recipient** ”).
- (c) Subject to the provisions of this Article II relating to the number of REUs that are to be Settled on any applicable Delivery Date and solely to the extent permitted under Section 409A, if applicable, the Partnership may impose such other conditions and procedures in relation to the Settlement of REUs as it may reasonably determine. In addition to the foregoing and notwithstanding anything else in this Agreement, the Administrator may require that any or all of the Common Units that may be delivered to the Grantee under this Section 2.2 that the Grantee intends to sell, from time to time, may only be sold through a coordinated sales program as defined by the Administrator.
- (d) Any of the foregoing payments or deliveries shall in all instances be subject to Sections 4.3 and 4.5 below, as applicable.



**Section 2.3. No Distribution Payments**

The REUs granted to the Grantee hereunder do not include the right to receive any distribution payments.

**ARTICLE III  
RESTRICTIONS ON TRANSFERS AND OTHER LIMITATIONS**

**Section 3.1. Transfer Restrictions on REUs**

- (a) The Grantee may not Transfer all or any portion of the Grantee's REUs to any Other Holder (including to any Family Related Holder) without the prior written consent of the Administrator, which consent may be given or withheld, or made subject to such conditions (including the receipt of such legal or tax opinions and other documents that the Partnership may require) as are determined by the Administrator, in its sole discretion.
- (b) Any Transfer of REUs by the Grantee to Other Holders permitted by the Administrator pursuant to Section 3.1(a) shall be made in accordance with Section 3.4.
- (c) Any purported Transfer of REUs that is not in accordance with this Section 3.1 is null and void.

**Section 3.2. Confidentiality and Restrictive Covenants**

The Grantee acknowledges and agrees that Grantee is bound by and will comply with the Confidentiality and Restrictive Covenant Obligations contained in Appendix D, which obligations are incorporated by reference herein, and any other agreements that the Grantee has entered into with the Designated Service Recipient, the Partnership, KKR Holdings L.P., KKR Associates Holdings L.P., or any other member of the KKR Group, with respect to the Grantee's obligation to keep confidential the nonpublic, confidential or proprietary information of the KKR Group and its Affiliates and any restrictive covenants concerning the Grantee's obligations not to compete with the KKR Group or solicit its clients or employees after termination of Employment), as such agreements may be amended from time to time. If the Grantee is a limited partner of KKR Holdings L.P. or KKR Associates Holdings L.P., the Grantee further acknowledges and agrees that references to a Confidentiality and Restrictive Covenant Agreement in the limited partnership agreements of KKR Holdings L.P. and KKR Associates Holdings L.P. shall be deemed to include and also refer to the Confidentiality and Restrictive Covenant Obligations contained in Appendix D hereto.

**Section 3.3. Post-Settlement Transfer Restrictions on Common Units**

The provisions of this Section 3.3 shall or shall not be applicable to the REUs granted to the Grantee hereunder as indicated on the REU Grant Certificate.

- (a) The Grantee may not Transfer all or any portion of the Grantee's Transfer Restricted Common Unit (as defined below) (including to any Family Related Holder) without the prior written consent of the Administrator, which consent may be given or withheld, or made subject to such conditions (including the receipt of such legal or tax opinions and other documents that the Partnership may require) as are determined by the Administrator, in its sole discretion. For the avoidance of doubt, Transfer Restricted Common Units may only be held in an account with an institution, and subject to terms and conditions, which have been approved by the Administrator from time to time. Any Transfer of Transfer Restricted Common Units by the Grantee to Other Holders permitted by the Administrator pursuant to Section 3.3(a) shall be made in accordance with Section 3.4.

- (b) A “ **Transfer Restricted Common Unit** ” refers to all Common Units delivered upon Settlement of a vested REU until (i) the first anniversary of the Service Vesting Date related thereto, in the case of 50% of such Common Units and (ii) the second anniversary of such Service Vesting Date, in the case of the other 50% of such Common Units.
- (c) If the Grantee breaches in any significant or intentional manner, as determined by the Administrator in its sole discretion, any of the Grantee’s covenants as stated in the Confidentiality and Restrictive Covenant Obligations contained in Appendix D, the Administrator, in its sole discretion, may direct that the Grantee forfeit all or a portion of the Transfer Restricted Common Units held by the Grantee in an amount determined by the Administrator in its sole discretion. The Grantee hereby consents and agrees to immediately surrender and deliver such Transfer Restricted Common Units to the Partnership, without the payment of any consideration, receipt of any further notice or fulfillment of any other condition.
- (d) If for any reason the Grantee’s Employment is terminated for Cause, unless otherwise determined by the Administrator in writing, all Transfer Restricted Common Units held by the Grantee shall automatically be forfeited by the Grantee without payment of any consideration. The Grantee hereby consents and agrees to immediately surrender and deliver such Transfer Restricted Common Units to the Partnership, without the payment of any consideration, receipt of any further notice or fulfillment of any other condition.
- (e) Any forfeiture of Transfer Restricted Common Units contemplated by Section 3.3(c) or Section 3.3(d) shall require no additional procedures on the part of the Partnership or its Affiliates. The Grantee hereby acknowledges that the Administrator may take any and all actions to reflect the forfeiture of Transfer Restricted Common Units hereunder, including but not limited to the delivery of a written notice to the institution contemplated in Section 3.3(a) that holds the Transfer Restricted Common Units, and agrees to take any further action to memorialize such forfeiture as the Administrator may require.
- (f) The Administrator may, from time to time, waive the provisions of this Section 3.3, subject to the imposition of any conditions or further requirements, as determined by the Administrator in its sole discretion. Without limiting the foregoing, (i) the Administrator may impose equivalent transfer or forfeiture restrictions on the Grantee’s other equity, if any, held in KKR Holdings, L.P., the Partnership or any of their respective Affiliates (or any of their respective equity incentive plans) to the extent that the provisions of this Section 3.3 are waived, and (ii) the Grantee hereby consents in advance to the imposition of such equivalent transfer or forfeiture restrictions for purposes of the governing documents of Grantee’s other equity, if any, held in KKR Holdings, L.P., the Partnership or any of their respective Affiliates (or any of their respective equity incentive plans) to the extent the Administrator waives the application of this Section 3.3 to the Transfer Restricted Common Units.

- (g) For the avoidance of doubt, the provisions of this Section 3.3 also apply in the event the Grantee receives a Cash Payment in Settlement of a vested REU on a Delivery Date as provided in Section 2.2(b).
- (h) Any purported Transfer of Transfer Restricted Common Units that is not in accordance with this Section 3.3 is null and void.

**Section 3.4. Transfers to Other Holders**

- (a) Transfers of REUs or Transfer Restricted Common Units by the Grantee to Other Holders are not permitted unless the Administrator provides its prior written consent pursuant Section 3.1 or Section 3.3. Prior to a Transfer of any REUs or Transfer Restricted Common Units to any Other Holder, the Other Holder must consent in writing to be bound by this Agreement as an Other Holder and deliver such consent to the Administrator.
- (b) If an REU or Transfer Restricted Common Unit is held by an Other Holder, such Other Holder shall be bound by this Agreement in the same manner and to the same extent as the Grantee is bound hereby (or would be bound hereby had the Grantee continued to hold such REU or Transfer Restricted Common Unit). Any Transfer to an Other Holder must be undertaken in compliance with Section 3.1(a). For the avoidance of doubt, any vesting requirement of Section 2.1 above that applies to an REU or transfer or forfeiture restrictions that are applicable to Transfer Restricted Common Units (including those Transfer Restricted Common Units delivered upon Settlement of a Transferred REU) held by an Other Holder shall be satisfied or deemed to be satisfied under this Article III only to the extent that such vesting requirement or transfer or forfeiture restrictions, as applicable, would otherwise have been satisfied if the REU or Transfer Restricted Common Unit had not been Transferred by the Grantee, and any REU and Transfer Restricted Common Unit, as applicable, that is held by an Other Holder shall cease to be held by such Other Holder under this Article III if the REU or Transfer Restricted Common Unit, as applicable, would have then ceased to be held by the Grantee if the REU or Transfer Restricted Common Unit had not been Transferred by the Grantee to such Other Holder.
- (c) In the event of a property settlement or separation agreement between the Grantee and his or her spouse, the Grantee agrees that he or she shall use reasonable efforts to retain all of his or her REUs and Transfer Restricted Common Units and shall reimburse his or her spouse for any interest he or she may have under this Agreement out of funds, assets or proceeds separate and distinct from his or her interest under this Agreement.

**Section 3.5. Minimum Retained Ownership Requirement**

The provisions of this Section 3.5 shall or shall not be applicable to the REUs granted to the Grantee hereunder as indicated on the REU Grant Certificate.

- (a) For so long as the Grantee retains his or her Employment, the Grantee (collectively with all Family Related Holders who become Other Holders, if applicable) must continuously hold an aggregate number of Common Unit Equivalents that is at least equal to fifteen percent (15%) of the cumulative amount of (x) all REUs granted to the Grantee under this Agreement and (y) all other REUs designated as “public company holdings units” that have been or are hereafter granted to the Grantee under the Plan, in each case that have become vested pursuant to Section 2.1(a) (or similar provision in any other “public company holdings units” grant agreement), prior to any net Settlement permitted by Section 4.5.
- (b) “ **Common Unit Equivalents** ” means any combination of: (i) REUs that are or become vested pursuant to Section 2.1 of this Agreement and Common Units delivered upon Settlement of any such REUs (even if they are Transfer Restricted Common Units) and (ii) REUs designated as “public company holdings units” granted to the Grantee under the Plan that are or become vested pursuant to a provision similar to Section 2.1 of this Agreement and Common Units delivered upon Settlement of any such REUs (even if a provision similar to the transfer restrictions on Transfer Restricted Common Units has not yet been satisfied).
- (c) The Administrator may, from time to time, waive the provisions of this Section 3.5, subject to the imposition of any conditions or further requirements, as determined by the Administrator in its sole discretion. Without limiting the foregoing, (i) the Administrator may impose equivalent transfer restrictions on the Grantee’s other equity, if any, held in KKR Holdings, L.P., the Partnership or any of their respective Affiliates (or any of their respective equity incentive plans) to the extent that the provisions of this Section 3.5 are waived, and (ii) the Grantee hereby consents in advance to the imposition of such equivalent transfer restrictions for purposes of the governing documents of Grantee’s other equity, if any, held in KKR Holdings, L.P., the Partnership or any of their respective Affiliates (or any of their respective equity incentive plans) to the extent the Administrator waives the application of this Section 3.5 to the Common Unit Equivalents.
- (d) Any purported Transfer of any Common Units that would result in a violation of this Section 3.5 is null and void. Notwithstanding anything to the contrary contained in this Agreement (including, without limitation, Section 4.7) this Section 3.5 shall survive any termination of this Agreement.

**ARTICLE IV  
MISCELLANEOUS**

**Section 4.1. Governing Law**

This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, United States of America, without giving effect to any otherwise governing principles of conflicts of law that would apply the Laws of another jurisdiction.

**Section 4.2. Arbitration**

- (a) Any and all disputes which cannot be settled amicably, including any ancillary claims of any party, arising out of, relating to or in connection with the validity, negotiation, execution, interpretation, performance or non-performance of this Agreement (including the validity, scope and enforceability of this arbitration provision) shall be finally settled by arbitration conducted by a single arbitrator in New York, New York in accordance with the then-existing Rules of Arbitration of the International Chamber of Commerce. If the parties to the dispute fail to agree on the selection of an arbitrator within 30 days of the receipt of the request for arbitration, the International Chamber of Commerce shall make the appointment. The arbitrator shall be a lawyer and shall conduct the proceedings in the English language. Performance under this Agreement shall continue if reasonably possible during any arbitration proceedings. Except as required by Law or as may be reasonably required in connection with ancillary judicial proceedings to compel arbitration, to obtain temporary or preliminary judicial relief in aid of arbitration, or to confirm or challenge an arbitration award, the arbitration proceedings, including any hearings, shall be confidential, and the parties shall not disclose any awards, any materials in the proceedings created for the purpose of the arbitration, or any documents produced by another party in the proceedings not otherwise in the public domain. Judgment on any award rendered by an arbitration tribunal may be entered in any court having jurisdiction thereover.
- (b) Notwithstanding the provisions of Section 4.2(a), the Partnership may bring an action or special proceeding in any court of competent jurisdiction for the purpose of compelling the Grantee to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder, or enforcing an arbitration award and, for the purposes of this clause (b), the Grantee (i) expressly consents to the application of Section 4.2(c) below to any such action or proceeding, (ii) agrees that proof shall not be required that monetary damages for breach of the provisions of this Agreement would be difficult to calculate and that remedies at law would be inadequate, and (iii) irrevocably appoints the Secretary or General Counsel of the Partnership (or any officer of the Partnership) at the address identified for the Partnership as set forth in Section 4.6 below as such Grantee's agent for service of process in connection with any such action or proceeding and agrees that service of process upon such agent, who shall promptly advise such Grantee of any such service of process, shall be deemed in every respect effective service of process upon the Grantee in any such action or proceeding.
- (c) EACH PARTY HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE U.S. FEDERAL AND STATE COURTS LOCATED IN NEW YORK, NEW YORK FOR THE PURPOSE OF ANY JUDICIAL PROCEEDING BROUGHT IN ACCORDANCE WITH THE PROVISIONS OF THIS SECTION 4.2, OR ANY JUDICIAL PROCEEDING ANCILLARY TO AN ARBITRATION OR CONTEMPLATED ARBITRATION ARISING OUT OF OR RELATING TO OR CONCERNING THIS AGREEMENT. Such ancillary judicial proceedings include any suit, action or proceeding to compel arbitration, to obtain temporary or preliminary judicial relief in aid of arbitration, or to confirm or challenge an arbitration award. The parties acknowledge that the forums designated by this clause (c) have a reasonable relation to this Agreement and to the parties' relationship with one another. The parties hereby waive, to the fullest extent permitted by applicable Law, any objection which they now or hereafter may have to personal jurisdiction or to the laying of venue of any such ancillary suit, action or proceeding referred to in this Section 4.2 brought in any court referenced therein and such parties agree not to plead or claim the same.

**Section 4.3. Remedies; Recoupment; Right to Set-Off**

- (a) The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive its right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by Law or under the terms of any other applicable agreement.
- (b) To the extent required or advisable, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules promulgated thereunder and any other similar Laws including but not limited to the European Directives 2011/61/EU, 2013/36/EU and 2014/91/EU, the Administrator may specify in any other document or a policy to be incorporated into this Agreement by reference, that the Grantee's rights, payments, and benefits with respect to REUs awarded hereunder and/or Common Units delivered to the Grantee in respect of REUs awarded hereunder shall be subject to reduction, cancellation, forfeiture or recoupment.
- (c) The Administrator may set-off any amounts due under this Agreement or otherwise against any amounts which may be owed to the Partnership or its Affiliates by the Grantee under this Agreement, any other relationship or otherwise. The Grantee hereby expressly authorizes the Partnership and its Affiliates to take any and all actions on the Grantee's behalf (including, without limitation, payment, credit and satisfaction of amounts owed) in connection with the set-off of any amounts owed to the Partnership or its Affiliates or otherwise.

**Section 4.4. Amendments and Waivers**

- (a) This Agreement (including the Definitions contained in Appendix A attached hereto, the REU Grant Certificate attached as Appendix B hereto, the Additional Terms and Conditions attached as Appendix C hereto, the Confidentiality and Restrictive Covenant Obligations attached as Appendix D hereto, and any other provisions as may be required to be appended to this Agreement under applicable local Law) may be amended, supplemented, waived or modified only in accordance with Section 4(c) of the Plan or Section 13 of the Plan, as applicable, or as may be required for purposes of compliance or enforceability with applicable local Law; provided, however, that the REU Grant Certificate shall be deemed amended from time to time to reflect any adjustments provided for under the Plan.
- (b) No failure or delay by any party in exercising any right, power or privilege hereunder (other than a failure or delay beyond a period of time specified herein) shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

#### Section 4.5. Withholding

Regardless of any action the Partnership or the Designated Service Recipient takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to the Grantee's participation in the Plan and legally applicable to the Grantee (" **Tax-Related Items** "), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and may exceed the amount actually withheld by the Partnership or the Designated Service Recipient. The Grantee further acknowledges that the Partnership and/or the Designated Service Recipient (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the REUs, including, but not limited to, the grant, vesting or Settlement of the REUs, the delivery of Common Units or a Cash Payment upon Settlement of the REUs, the lapse of any restrictions imposed on the Grantee's Transfer Restricted Common Units, the subsequent sale of Common Units acquired under the Plan and the receipt of any distributions; and (2) do not commit to and are under no obligation to structure the terms of the REUs or any aspect of the REUs to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result. Further, if the Grantee has become subject to tax in more than one jurisdiction, the Grantee acknowledges that the Partnership and/or the Designated Service Recipient (or the Affiliate formerly employing, engaging or retaining the Grantee, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Grantee will pay or make adequate arrangements satisfactory to the Partnership and/or the Designated Service Recipient to satisfy all Tax-Related Items. In this regard, the Grantee authorizes the Partnership and/or the Designated Service Recipient, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:

- (a) withholding from the Cash Payment, the Grantee's wages or other cash compensation paid to the Grantee by the Partnership and/or the Designated Service Recipient; or
- (b) withholding from proceeds of the sale of Common Units delivered upon Settlement of the REUs either through a voluntary sale or through a mandatory sale arranged by the Partnership (on the Grantee's behalf pursuant to this authorization); or
- (c) withholding in Common Units to be delivered upon Settlement of the REUs.

To avoid negative accounting treatment, the Partnership may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding in Common Units, for tax purposes, the Grantee is deemed to have been issued the full number of Common Units subject to the Settled Common Units, notwithstanding that a number of the Common Units are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Grantee's participation in the Plan.

Finally, the Grantee shall pay to the Partnership or the Designated Service Recipient any amount of Tax-Related Items that the Partnership or the Designated Service Recipient may be required to withhold or account for as a result of the Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Partnership may refuse to issue or deliver the Common Units, the Cash Payment or the proceeds of the sale of Common Units, if the Grantee fails to comply with the Grantee's obligations in connection with the Tax-Related Items.

**Section 4.6. Notices**

All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by courier service, by fax or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified for purposes of notice given in accordance with this Section 4.6):

- (a) If to the Partnership, to:

KKR & Co. L.P.  
9 West 57th Street, Suite 4200  
New York, New York 10019  
U.S.A.  
Attention: Chief Financial Officer

- (b) If to the Grantee, to the most recent address for the Grantee in the books and records of the Partnership or the Designated Service Recipient.

**Section 4.7. Entire Agreement; Termination of Agreement; Survival**

- (a) This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings, whether oral or written, pertaining thereto. The Grantee acknowledges that the grant of REUs provided for under this Agreement is in full satisfaction of any and all grants of equity or equity-based awards that representatives of the Partnership or its Affiliates, on or prior to the date hereof, may have informed the Grantee that such Grantee is entitled to receive.
- (b) This Agreement shall terminate when the Grantee and all Other Holders cease to hold any of the REUs or Transfer Restricted Common Units that have been granted or delivered, as applicable, hereunder. Notwithstanding anything to the contrary herein, this Article IV shall survive any termination of this Agreement.

**Section 4.8. Severability**

If any term or other provision of this Agreement is held to be invalid, illegal or incapable of being enforced by any rule of Law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions is not affected in any manner materially adverse to any party. Upon a determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.



**Section 4.9. Binding Effect**

This Agreement shall be binding upon and inure to the benefit of all of the parties and, to the extent permitted by this Agreement, their successors, executors, administrators, heirs, legal representatives and assigns.

**Section 4.10. Appendices**

Appendices A, B, C and D constitute part of this Agreement. Notwithstanding the provisions of this Article IV, the provisions of Sections 10 through 19 (inclusive) of Appendix D shall govern solely with respect to, and shall be applicable only to the interpretation, administration and enforcement of, the provisions of Appendix D, but not to any other provisions of this Agreement or any other of its Appendices, including but not limited to Sections 3.2 and 3.3(c) of this Agreement. For the further avoidance of doubt, and without limiting the foregoing sentence, Sections 3.2 and 3.3(c) of this Agreement shall only be governed by, and shall only be subject to administration and enforcement under, the provisions of this Article IV, and shall not be governed by or subject to interpretation, administration or enforcement under any of Sections 10 through 19 (inclusive) of Appendix D.

**Section 4.11. Further Assurances**

The Grantee shall perform all other acts and execute and deliver all other documents as may be necessary or appropriate to carry out the purposes and intent of this Agreement.

**Section 4.12. Interpretation; Defined Terms; Section 409A; Employment with Designated Service Recipient; Headings**

- (a) Throughout this Agreement, nouns, pronouns and verbs shall be construed as masculine, feminine, neuter, singular or plural, whichever shall be applicable. Unless otherwise specified, all references herein to “Articles,” “Sections” and clauses shall refer to corresponding provisions of this Agreement. The word “including” is not meant to be exclusive, but rather shall mean “including without limitation” wherever used in this Agreement. Reference to “hereto”, “herein” and similar words is to this entire Agreement (including any Appendices) and not a particular sentence or section of this Agreement. All references to “date” and “time” shall mean the applicable date (other than a Saturday or Sunday or any day on which the Federal Reserve Bank of New York is closed or any day on which banks in the city of New York, New York are required to close, in which case such date refers to the next occurring date that is not described in this parenthetical) or time in New York, New York.

- (b) This Section 4.12(b) applies to Grantees who are U.S. tax residents (such as, a U.S. citizen, greencard holder or a U.S. tax resident under the substantial presence test) to the extent applicable. All references to any “separation from service” or termination of the Employment of, or the services to be provided by, the Grantee, shall be deemed to refer to a “separation from service” within the meaning of Section 409A, if applicable. Notwithstanding anything herein to the contrary, (i) if at the time of the Grantee’s termination of Employment the Grantee is a “specified employee” as defined in Section 409A of the Code and the deferral of the commencement of any payments or delivery of Common Units otherwise payable or provided hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A, then the Partnership will defer the commencement of the payment of any such payments or delivery hereunder (without any reduction in such payments or delivery of Common Units ultimately paid or provided to the Grantee) until the date that is six months following the Grantee’s termination of Employment (or the earliest date as is permitted under Section 409A) and (ii) if any other payments or other deliveries due to the Grantee hereunder could cause the application of an accelerated or additional tax under Section 409A, such payments or other deliveries shall be deferred if deferral will make such payment or other delivery compliant under Section 409A, or otherwise such payment or other delivery shall be restructured, to the extent possible, in a manner, determined by the Administrator, that does not cause such an accelerated or additional tax. The Partnership shall use commercially reasonable efforts to implement the provisions of this Section 4.12(b) in good faith; provided that none of the Partnership, the General Partner, the Administrator nor any of the Partnership’s, KKR Group’s employees, directors or representatives shall have any liability to the Grantee with respect to this Section 4.12(b).
- (c) For the avoidance of doubt, any references to the Employment of the Grantee in this Agreement refer solely to the Employment of the Grantee by the Designated Service Recipient or any other member of the KKR Group. The grant of REUs under this Agreement in no way implies any Employment relationship with the General Partner, the Partnership or with any other member of the KKR Group, other than the Designated Service Recipient with which a formal Employment relationship is currently in effect with the Grantee, or any other member of the KKR Group with which a formal Employment relationship is currently in effect with the Grantee. If the Grantee changes Employment from the Designated Service Recipient as of the Grant Date to another member of the KKR Group, references to Designated Service Recipient hereunder shall refer to such other member of the KKR Group with which the Grantee has Employment.
- (d) The headings and subheadings in this Agreement are included for convenience and identification only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof.

#### **Section 4.13. Counterparts**

This Agreement may be executed and delivered (including by facsimile transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed and delivered shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Copies of executed counterparts transmitted by telecopy or other electronic transmission service shall be considered original executed counterparts for purposes of this Agreement.

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IN WITNESS WHEREOF , the Partnership has executed this Agreement as of the date specified under the signature of the Grantee.

**KKR & CO. L.P.**

By: KKR MANAGEMENT LLC,  
its general partner

By: \_\_\_\_\_

**IN WITNESS WHEREOF** , the undersigned Grantee has caused this counterpart signature page to this Agreement to be duly executed as of the date specified under the signature of the Grantee.

**“GRANTEE”**

**Electronic Signature**

Name: **Participant Name**

Dated: **Grant Date**

## APPENDIX A DEFINITIONS

In addition the defined terms set forth in the Plan, the following terms shall have the following meanings for purposes of the Agreement:

“ **Cause** ” means, with respect to the Grantee, the occurrence or existence of any of the following as determined fairly on an informed basis and in good faith by the Administrator: (i) any act of fraud, misappropriation, dishonesty, embezzlement or similar conduct by the Grantee against any member of the KKR Group (including the Partnership), KKR Holdings L.P., KKR Associates Holdings L.P., a Fund, or a Portfolio Company, (ii) a Regulatory Violation that has a material adverse effect on (x) the business of any member of the KKR Group or (y) the ability of the Grantee to function as an employee, associate or in any similar capacity (including consultant) with respect to the KKR Group, taking into account the services required of the Grantee and the nature of the business of the KKR Group, or (iii) a material breach by the Grantee of a material provision of any Written Policies or the deliberate failure by the Grantee to perform the Grantee’s duties to the KKR Group, *provided that* in the case of this clause (iii), the Grantee has been given written notice of such breach or failure within 45 days of the KKR Group becoming aware of such breach or failure and, where such breach or failure is curable, the Grantee has failed to cure such breach or failure within (A) 15 days of receiving notice thereof or (B) such longer period of time, not to exceed 30 days, as may be reasonably necessary to cure such breach or failure provided that the Grantee is then working diligently to cure such breach or failure. If such breach or failure is not capable of being cured, the notice given to the Grantee may contain a date of termination that is earlier than 15 days after the date of such notice.

“ **Disability** ” means, as to any Person, such Person’s inability to perform in all material respects such Person’s duties and responsibilities to the KKR Group by reason of a physical or mental disability or infirmity which inability is reasonably expected to be permanent and has continued (i) for a period of six consecutive months or (ii) such shorter period as the Administrator may reasonably determine in good faith.

“ **Employment** ” means the Grantee’s employment or engagement (including any similar association determined by the Administrator to constitute employment or engagement for purposes of this Agreement) with (x) the Designated Service Recipient or any other member of the KKR Group or (y) any consultant or service provider that provides services to any member of the KKR Group; provided that in the case of clause (y), service provided as a consultant or service provider must be approved by the Administrator in order to qualify as “Employment” hereunder.

“ **Family Related Holder** ” means, in respect of the Grantee, any of the following: (i) such Grantee’s spouse, parents, parents-in-law, children, siblings and siblings-in-law, descendants of siblings, and grandchildren, (ii) any trust or other personal or estate planning vehicle established by such Grantee, (iii) any charitable organization established by such Grantee and (iv) any successor-in-interest to such Grantee, including but not limited to a conservator, executor or other personal representative.

“ **Group Partnerships** ” means KKR Management Holdings L.P., a Delaware limited partnership, KKR Fund Holdings L.P., a Cayman Island exempted limited partnership, and KKR International Holdings L.P., a Cayman Island exempted limited partnership, along with any partnership designated in the future as a “Group Partnership” by the Partnership.

“ **KKR Capstone** ” means (i) KKR Capstone Americas LLC, KKR Capstone EMEA LLP, KKR Capstone EMEA (International) LLP, KKR Capstone Asia Limited and any other “Capstone” branded entity that provides similar consulting services to the KKR Group and Portfolio Companies and (ii) the direct and indirect parents and subsidiaries of the foregoing.

“ **KKR Group** ” means the Group Partnerships, the direct and indirect parents of the Group Partnerships (the “ **Parents** ”), any direct or indirect subsidiaries of the Parents or the Group Partnerships, the general partner or similar controlling entities of any investment fund, account or vehicle that is managed, advised or sponsored by the KKR Group (the “ **Funds** ”) and any other entity through which any of the foregoing directly or indirectly conducts its business, but shall exclude Portfolio Companies.

“ **Law** ” means any statute, law, ordinance, regulation, rule, code, executive order, injunction, judgment, decree or other order issued or promulgated by any national, supranational, state, federal, provincial, local or municipal government or any administrative or regulatory body with authority therefrom with jurisdiction over the Partnership or any Participant, as the case may be.

“ **Other Holder** ” means any Person that holds an REU, other than the Grantee.

“ **Portfolio Company** ” means a company over which a Fund exercises a significant degree of control as an investor.

“ **Regulatory Violation** ” means, with respect to the Grantee (i) a conviction of the Grantee based on a trial or by an accepted plea of guilt or *nolo contendere* of any felony or misdemeanor crime involving moral turpitude, false statements, misleading omissions, forgery, wrongful taking, embezzlement, extortion or bribery, (ii) a final determination by any court of competent jurisdiction or governmental regulatory body (or an admission by the Grantee in any settlement agreement) that the Grantee has violated any U.S. federal or state or comparable non-U.S. securities laws, rules or regulations or (iii) a final determination by self-regulatory organization having authority with respect to U.S. federal or state or comparable non-U.S. securities laws, rules or regulations (or an admission by the Grantee in any settlement agreement) that the Grantee has violated the written rules of such self-regulatory organization that are applicable to any member of the KKR Group.

“ **Retirement** ” means the resignation by the Grantee of the Grantee’s Employment with the KKR Group (other than for Cause), on or after the date that the Grantee’s age, plus the Grantee’s years of Employment with the KKR Group equals at least 80; *provided that* such date shall be no earlier than December 31, 2012.

“ **Retirement REUs** ” means, with respect to any Grantee whose Employment terminates due to Retirement, any REUs with a Service Vesting Date that would, if the Grantee’s Employment were not so terminated, occur within two years after the date of such termination due to Retirement.

“ **REU Grant Certificate** ” means the REU Grant Certificate delivered to the Grantee and attached to this Agreement, as the same may be modified pursuant to Section 4.4(a) of the Agreement.

“ **Section 409A** ” means Section 409A of the U.S. Internal Revenue Code of 1986, as the same may be amended from time to time, and the applicable regulations, including temporary regulations, promulgated under such Section, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

“ **Service Vesting Date** ” means, with respect to any REU, the date set forth in the REU Grant Certificate as the “Service Vesting Date.”

“ **Settle** ”, “ **Settled** ” or “ **Settlement** ” means the discharge of the Partnership’s obligations in respect of an REU through the delivery to the Grantee of (i) Common Units or (ii) a Cash Payment, in each case in accordance with Article II.

“ **Transfer** ” or “ **Transferred** ” means with respect to any REU or Common Unit, any (i) sale, assignment, transfer or other disposition thereof or any interests therein or rights attached thereto, whether voluntarily or by operation of Law, or (ii) creation or placement of any mortgage, claim, lien, encumbrance, conditional sales or other title retention agreement, right of first refusal, preemptive right, pledge, option, charge, security interest or other similar interest, easement, judgment or imperfection of title of any nature whatsoever.

“ **Written Policies** ” means the written policies of the KKR Group included in its employee manual, code of ethics and confidential information and information barrier policies and procedures and other documents relating to the Grantee's Employment, association or other similar affiliation with the KKR Group.

APPENDIX B

REU GRANT CERTIFICATE

Grantee Name: **Participant Name**

Grant Date: **Grant Date**

Number of REUs: **Number of Awards Granted**

Service Vesting Date: The following sets forth each applicable Service Vesting Date upon which the REUs granted hereunder shall become vested, subject to the Grantee's continued Employment through each such date:

Percentage of REUs that Become Vested on Applicable Service Vesting Date	Applicable Service Vesting Date
[●]%	[●]
[●]%	[●]
[●]%	[●]
[●]%	[●]
[●]%	[●]

Vesting and Settlement of the REUs is subject to all terms and conditions contained in the Agreement to which this REU Grant Certificate is attached. Notwithstanding the foregoing:

The post-settlement transfer restrictions contained in Section 3.3 of the Agreement  shall /  shall not be applicable to the REUs (and any resulting Common Units) granted under this REU Grant Certificate.

The minimum retained ownership requirements contained in Section 3.5 of the Agreement  shall /  shall not be applicable to the REUs (and any resulting Common Units) granted under this REU Grant Certificate.



## APPENDIX C

### ADDITIONAL TERMS AND CONDITIONS

The terms and conditions in this Appendix C supplement the provisions of the Agreement, unless otherwise indicated herein. Capitalized terms contained in this Appendix C and not defined herein shall have the same meaning as such terms are defined in the Agreement into which this Appendix C is incorporated by reference therein and to which this Appendix C is attached, or the Plan, as applicable.

#### 1. Data Privacy

*The Grantee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Grantee's personal data as described in this Agreement and any other Award materials ("Data") by and among, as applicable, the Designated Service Recipient, the Partnership and its Affiliates for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan.*

*The Grantee understands that the Partnership and the Designated Service Recipient may hold certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number (e.g. resident registration number), salary, nationality, job title, any Common Units or directorships held in the Partnership, details of all REUs or any other entitlement to Common Units awarded, canceled, exercised, vested, unvested or outstanding in the Grantee's favor, for the exclusive purpose of implementing, administering and managing the Plan.*

*The Grantee understands that Data will be transferred to any third parties assisting the Partnership with the implementation, administration and management of the Plan. The Grantee understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than the Grantee's country. The Grantee understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. The Grantee authorizes the Partnership, its subsidiaries, the Designated Service Recipient and any other possible recipients which may assist the Partnership (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan. The Grantee understands that Data will be held only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan. The Grantee understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, the Grantee understands that he or she is providing the consents herein on a purely voluntary basis. If the Grantee does not consent, or if the Grantee later seeks to revoke his or her consent, the Grantee's employment status or service and career with the Designated Service Recipient will not be affected; the only consequence of refusing or withdrawing the Grantee's consent is that the Partnership would not be able to grant him or her REUs or other awards or administer or maintain such awards. Therefore, the Grantee understands that refusing or withdrawing his or her consent may affect the Grantee's ability to participate in the Plan. For more information on the consequences of the Grantee's refusal to consent or withdrawal of consent, the Grantee understands that he or she may contact his or her local human resources representative.*

## 2. Nature of Grant

In accepting the Award, the Grantee acknowledges, understands and agrees that:

- (a) the Plan is established voluntarily by the Partnership, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Partnership at any time;
- (b) the grant of the REUs is voluntary and occasional and does not create any contractual or other right to receive future grants, or benefits in lieu of REUs, even if REUs have been granted in the past;
- (c) all decisions with respect to future grants of REUs, if any, will be at the sole discretion of the Partnership;
- (d) the Grantee's participation in the Plan shall not create a right to further Employment with the Designated Service Recipient and shall not interfere with the ability of the Designated Service Recipient to terminate the Grantee's Employment or service relationship (if any) at any time;
- (e) the Grantee is voluntarily participating in the Plan;
- (f) the REUs and the Common Units subject to the REUs, and the income and value of same, are extraordinary items, which are outside the scope of the Grantee's Employment or service contract, if any;
- (g) the REUs and the Common Units subject to the REUs, and the income and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;
- (h) the grant of REUs and the Grantee's participation in the Plan will not be interpreted to form an Employment or service contract or relationship with the Partnership, the Designated Service Recipient or any Affiliate;
- (i) the future value of the underlying Common Units is unknown, indeterminable and cannot be predicted with certainty;
- (j) no claim or entitlement to compensation or damages shall arise from forfeiture of the REUs resulting from termination of the Grantee's Employment (for any reason whatsoever and whether or not in breach of local labor laws and whether or not later found to be invalid), and in consideration of the grant of REUs, the Grantee agrees not to institute any claim against the Partnership, the Designated Service Recipient or any Affiliate;
- (k) unless otherwise agreed with the Partnership in writing, the REUs and the Common Units subject to the REUs, and the income and value of same, are not granted as consideration for, or in connection with, the service the Grantee may provide as a director of the Designated Service Recipient, the Partnership or any Affiliate;

- (l) subject to Section 9 of the Plan, the REUs and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability; and
- (m) the following provisions apply only if the Grantee is providing services outside the United States:
  - (i) the REUs and the Common Units subject to the REUs, and the income and value of same, are not part of normal or expected compensation or salary for any purpose;
  - (ii) the REUs and the Common Units subject to the REUs, and the income and value of same, are not intended to replace any pension rights or compensation; and
  - (iii) neither the Designated Service Recipient, the Partnership nor any Affiliate shall be liable for any foreign exchange rate fluctuation between the Grantee's local currency and the United States Dollar that may affect the value of the REUs or of any amounts due to the Grantee pursuant to the vesting of the REUs or the subsequent sale of any Common Units acquired upon vesting.

**3. No Advice Regarding Award**

The Partnership is not providing any tax, legal or financial advice, nor is the Partnership making any recommendations regarding the Grantee's participation in the Plan, or the Grantee's acquisition or sale of the underlying Common Units. The Grantee should consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

**4. Language**

If the Grantee has received the Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

**5. Electronic Delivery and Acceptance**

The Partnership may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Partnership or a third party designated by the Partnership.

**6. Restrictions on Trading in Securities**

In addition to any policies and procedures which govern Grantee's ability to trade in Common Units as well as other securities of the Partnership set forth in the Partnership's trading window policy, Grantee may be subject to additional securities trading and market abuse laws in his or her country of residence. These laws may affect Grantee's ability to acquire or dispose of Common Units or rights to Common Units (e.g., REUs) under the Plan, particularly during such times as the Grantee is considered to have access to material nonpublic information concerning the Partnership (as defined by the Laws of the Grantee's country). Any restrictions under these Laws or regulations are separate from and in addition to any policies and procedures set forth by the Partnership. The Grantee is responsible for ensuring compliance with any applicable restrictions and should consult his or her personal legal advisor on this matter.

**7. Foreign Asset / Account, Exchange Control Reporting**

Depending upon the country to which Laws the Grantee is subject, the Grantee may have certain exchange control, foreign asset and/or account reporting requirements that may affect the Grantee's ability to acquire or hold Common Units under the Plan or cash received from participating in the Plan (including from any sale proceeds arising from the sale of Common Units) in the Grantee's Fidelity brokerage account or a bank or other brokerage account outside the Grantee's country of residence. The Grantee's country may require that he or she report such accounts, assets or transactions to the applicable authorities in the Grantee's country. The Grantee also may be required to repatriate sale proceeds or other funds received as a result of his or her participation in the Plan to his or her country through a designated bank or broker and/or within a certain time after receipt. The Grantee is responsible for knowledge of and compliance with any such regulations and should speak with his or her own personal tax, legal and financial advisors regarding same.

## APPENDIX D

### Confidentiality and Restrictive Covenant Obligations

A. Capitalized terms contained in this Appendix D and not defined herein shall have the same meaning as such terms are defined in the Agreement into which this Appendix D is incorporated by reference therein and to which this Appendix D is attached, or the Plan, as applicable. Further, for the purposes of this Appendix D, the “Company” shall refer to the KKR Group;

B. In connection with the Grantee’s employment, engagement, association or other similar affiliation with an entity of the KKR Group, the Grantee is being issued one or more REUs pursuant to the Agreement to which this Appendix D is attached;

C. The Grantee acknowledges and agrees that the Grantee will receive financial benefits from the KKR Group’s business through their participation in the value of the REUs;

D. The Grantee further acknowledges and agrees that (i) during the course of the Grantee’s employment, engagement, association or other similar affiliation with the KKR Group, the Grantee will receive and have access to confidential information of the KKR Group and the Portfolio Companies (collectively, the “KKR Related Entities”) and have influence over and the opportunity to develop relationships with Clients, Prospective Clients, Portfolio Companies and partners, members, employees and associates of the Company; and (ii) such confidential information and relationships are extremely valuable assets in which the KKR Group has invested, and will continue to invest, substantial time, effort and expense in developing and protecting;

E. The Grantee acknowledges and agrees that (i) the REUs will materially benefit the Grantee; (ii) it is essential to protect the business interests and goodwill of the Company and that the Company be protected by the restrictive covenants and confidentiality undertaking set forth herein; (iii) it is a condition precedent to the Grantee receiving REUs that the Grantee agree to be bound by the restrictive covenants and confidentiality undertaking contained herein; and (iv) the KKR Group would suffer significant and irreparable harm from a violation by the Grantee of the confidentiality undertaking set forth herein as well as the restrictive covenants set forth herein for a period of time after the termination of the Grantee’s employment, engagement, association or other similar affiliation with the KKR Group; and

F. This Appendix D is made in part for the benefit of the KKR Group and the Designated Service Recipient and the parties intend, acknowledge, and agree that the KKR Group and the Designated Service Recipient are third party beneficiaries of this Appendix D and any one of them is authorized to waive compliance with any provision hereof by delivering a written statement clearly expressing the intent to waive such compliance to the Grantee and a duly authorized representative of the KKR Group or Designated Service Recipient.

NOW, THEREFORE, to provide the Company with reasonable protection of its interests and goodwill and in consideration for (i) the REUs and any other consideration that the Grantee will receive in connection with and as a result of the Grantee’s employment, engagement, association or other similar affiliation with the KKR Group; (ii) the material financial and other benefits that the Grantee will derive from such REUs and other consideration (if any); and (iii) other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Grantee hereby agrees to the following restrictions:

1. Outside Business Activities.

The Grantee acknowledges that, during the course of the Grantee's employment, engagement, association or other similar affiliation with the KKR Group, the Grantee will be subject to the Written Policies. The Written Policies include restrictions that limit the ability of the Grantee to engage in outside business and other activities without the prior approval of the Company. If the Grantee has an employment, engagement or other similar contract with the KKR Group, the Grantee may be subject to similar restrictions under that agreement. The Grantee hereby agrees that, during the Grantee's employment, engagement, association or other similar affiliation with the KKR Group, the Grantee will comply with all such restrictions that are from time to time in effect which are applicable to the Grantee.

2. Confidentiality Undertaking.

The Grantee acknowledges that, during the course of the Grantee's employment, engagement, association or other similar affiliation with the KKR Group, the Grantee will receive and have access to Confidential Information (as defined below) of the Company and the Portfolio Companies. Recognizing that any disclosure of such information could have serious consequences to one or more of the Company and the Portfolio Companies, the Grantee hereby agrees that, except as provided herein, the Grantee will not under any circumstances (either while employed, engaged, associated or otherwise affiliated with the KKR Group, or at any time after the Termination Date) for any purpose other than in the ordinary course of the performance of the Grantee's duties as an employee, consultant, associate or other affiliated person of the KKR Group, use or divulge, communicate, publish, make available, or otherwise disclose any Confidential Information to any person or entity, including but not limited to any business, firm, governmental body, partnership, corporation, press service or otherwise, other than to (i) any executive or employee of the Company in the ordinary course of the performance of Grantee's duties as an employee, consultant, associate or other affiliated person of the KKR Group; (ii) any person or entity to the extent explicitly authorized by an executive of the Company in the ordinary course of the performance of Grantee's duties as an employee, consultant, associate or other affiliated person of the KKR Group; (iii) any attorney, accountant, consultant or similar service provider retained by the Company who is required to know such information and is obligated to keep such information confidential; or (iv) any person or entity to the extent the law or legal process requires disclosure by the Grantee, provided that, in the case of clause (iv), the Grantee must first give the Partnership or the Designated Service Recipient prompt written notice of any such requirement, disclose no more information than is so required in the opinion of competent legal counsel, and cooperate fully with all efforts by the Company to obtain a protective order or similar confidentiality treatment for such information.

Notwithstanding the foregoing, nothing in this Appendix E shall prohibit the Grantee from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the U.S. Securities and Exchange Commission, or making other disclosures to the extent protected under the whistleblower provisions of federal law or regulation (or comparable laws or regulations that similarly prohibit the impediment of such protected disclosures), and the Grantee shall not be required to advise or seek permission from the Partnership or the Designated Service Recipient prior to making any such report or disclosure; provided, however, that (i) Grantee shall inform such governmental agency or entity that the information Grantee is providing is confidential and (ii) neither the Partnership nor the Designated Service Recipient authorizes the waiver of (or the disclosure of information covered by) the attorney-client privilege or work product protection or any other privilege or protection belonging to the Partnership, the Designated Service Recipient or their Affiliates, to the fullest extent permitted by law.

As used in this Section 2, an “*executive*” of the KKR Group means an employee of the Company with the title of “Member,” “Managing Director,” “Director,” “Principal” or other employee of the Company acting in a managerial or supervisory capacity. “*Confidential Information*” means (a) all confidential, proprietary or non-public information of, or concerning the business, operations, activities, personnel, finances, plans, personal lives, habits, history, clients, investors, or otherwise of the KKR Related Entities or any person who at any time is or was a member, partner, officer, director, other executive, employee or stockholder of any of the foregoing, (b) all confidential, proprietary or non-public information of or concerning any member of a family of any of the individuals referred to in clause (a), whether by birth, adoption or marriage (including but not limited to any of their current or former spouses or any living or deceased relatives), and (c) all confidential, proprietary or non-public information of or concerning any of the clients or investors of the KKR Related Entities or any other person or entity with which or whom any of the KKR Related Entities or their respective clients or investors does business or has a relationship. Confidential Information includes information about the KKR Related Entities relating to or concerning any of their (i) finances, investments, profits, pricing, costs, and accounting, (ii) intellectual property (including but not limited to patents, inventions, discoveries, plans, research and development, processes, formulae, reports, protocols, computer software, databases, documentation, trade secrets, know-how and business methods), (iii) personnel, compensation, recruiting and training, and (iv) any pending or completed settlements, arbitrations, litigation, governmental investigations and similar proceedings. Notwithstanding the foregoing, Confidential Information does not include any portions of the foregoing that the Grantee can demonstrate by sufficient evidence satisfactory to the Company that has been (i) lawfully published in a form generally available to the public prior to any disclosure by the Grantee in breach of this Appendix D or (ii) made legitimately available to the Grantee by a third party without breach of any obligation of confidence owed to the Company or any Portfolio Company.

Without limiting the generality of the foregoing, the Grantee agrees that it will be a breach of this Appendix D to write about, provide, disclose or use in any fashion at any time any Confidential Information that is or becomes part of the basis for, or is used in any way in connection with any part of any book, magazine or newspaper article, any interview or is otherwise published in any media of any kind utilizing any technology now known or created in the future.

Upon termination of the Grantee's employment, engagement, association or other similar affiliation with the KKR Group for any reason, the Grantee hereby agrees to (i) cease and not thereafter commence any and all use of any Confidential Information; (ii) upon the request of the Company promptly deliver to the Company or, at the option of the Company destroy, delete or expunge all originals and copies of any Confidential Information in any form or medium in the Grantee's possession or control (including any of the foregoing stored or located in the Grantee's home, laptop or other computer that is not the property of the Company, its Affiliates or Portfolio Companies); (iii) notify and fully cooperate with the Company regarding the delivery or destruction of any other Confidential Information of which the Grantee is aware; and (iv) upon the request of the Company sign and deliver a statement that the foregoing has been accomplished.

The Grantee acknowledges that he or she is aware that applicable securities laws place certain restrictions on any person who has received from an issuer material, non-public information concerning the issuer with respect to purchasing or selling securities of such issuer or from communicating such information to any other person and further agrees to comply with such securities laws. Without limiting anything in this Appendix D, the Grantee hereby expressly confirms his or her explicit understanding that the Grantee's obligations hereunder are in addition to, and in no way limit, the Grantee's obligations under compliance procedures of the Company including those contained in the Written Policies.

Notwithstanding anything in this Appendix D to the contrary, the Grantee may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of any member of the Company in which the Grantee holds an interest and all materials of any kind (including opinions or other tax analyses) that are provided to the Grantee relating to such tax treatment and tax structure.

3. Notice Period.

The Grantee acknowledges and agrees that the Designated Service Recipient may terminate his or her employment, engagement, association or other similar affiliation with the Designated Service Recipient at any time for any reason or for no reason at all with or without reasons constituting Cause. The Designated Service Recipient or the Grantee, as applicable, shall provide advance written notice (which may be by email) of the termination of the Grantee's employment, engagement, association or other similar affiliation with the Designated Service Recipient at least [●] days prior to actual termination (such [●]-day period, the "***Notice Period***"); provided, however, that no advance notice shall be required by the Designated Service Recipient and the provisions of this Section 3 shall not be applicable to the Designated Service Recipient if the Grantee's employment, engagement, association or other similar affiliation is terminated by the Designated Service Recipient for reasons constituting Cause or due to any conduct by Grantee that, in the judgment of the Designated Service Recipient in its sole discretion, amounts to gross negligence or reckless or willful misconduct. Notice pursuant to this Section 3 shall be provided by the Grantee to any of the Chief Executive Officers, Presidents, Chief Operating Officers, General Counsel or Chief Human Resources Officer of the KKR Group.

During the Notice Period, the Grantee shall perform his or her regular duties and any transitional responsibilities (including but not limited to helping to transition work, projects, and Client relationships internally to others) as determined and directed by the Designated Service Recipient in its sole discretion, and Grantee shall not be employed, engaged, associated or otherwise similarly affiliated with any business other than the business of the KKR Group; provided, however, the Designated Service Recipient reserves the right to require the Grantee not to be in the offices of the KKR Group, not to undertake all or any of the Grantee's duties or not to contact Clients or Prospective Clients (as defined in Section 5 below), other persons employed, engaged, associated or otherwise similarly affiliated with the KKR Group, or others (or any combination thereof) unless otherwise instructed during all or any part of the Notice Period. During the Notice Period, and except as provided in the next sentence, the Grantee shall continue to receive his or her salary, and the Grantee shall not be entitled to receive or be considered for payment of any other amount for his or her services during the Notice Period (including without limitation any bonus or equity award). In addition, the Designated Service Recipient in its sole discretion may elect to reduce the Notice Period and pay the Grantee his or her salary, but no other amount, for the period from the conclusion of the reduced Notice Period to the end of the original Notice Period, and the Grantee's employment, engagement, association or other similar affiliation with the KKR Group, shall be terminated as of the day immediately following the conclusion of the reduced Notice Period.



4. Non-Compete.

The Grantee hereby agrees that, while employed, engaged, associated or otherwise similarly affiliated with the KKR Group, and in addition during the Non-Compete Period (as defined below), the Grantee will not directly or indirectly set up, be employed or engaged by, hold an office in or provide consulting, advisory or other similar services to or for the benefit of, a Competing Business (i) where the activities or services of the Grantee in relation to the Competing Business are similar or substantially related to any activity that the Grantee engaged in or any service that the Grantee provided, in connection with the Grantee's employment, engagement, association or other similar affiliation with the KKR Group or (ii) that competes with a business for which the Grantee had direct or indirect managerial or supervisory responsibility with the KKR Group, including through the Grantee's position on the Management Committee or similar committee or group, including without limitation the Public Markets & Distribution Management Committee, for one or more businesses of the KKR Group, in each case, at any time during the 12 months preceding the Termination Date.

For the purposes of this Appendix D, a "***Competing Business***" means a business that competes (i) in a Covered Country with any business conducted by the Company on the date on which the Grantee's employment, engagement, association or other similar affiliation with the KKR Group is terminated (the "***Termination Date***") or (ii) in any country with any business that the Company was, on the Termination Date, formally considering conducting. A "***Covered Country***" means the United States, United Kingdom, the Republic of Ireland, France, Hong Kong, China, Japan, the Republic of Korea, Australia, India, United Arab Emirates, Saudi Arabia, Brazil, Canada, Singapore, Spain, Luxembourg or any other country where the Company conducted business on the Termination Date; provided that if the Grantee is located in Japan, the definition of Covered Country shall exclude the phrase "any other country where the Company conducted business on the Termination Date" to the extent unenforceable under applicable law. The "***Non-Compete Period***" for the Grantee shall commence on the Termination Date and shall expire upon the [●] month anniversary of the Termination Date. Notwithstanding the foregoing, if the Grantee's employment, engagement, association or other similar affiliation with the KKR Group, is terminated involuntarily and for reasons not constituting Cause, the Non-Compete Period will expire on the [●] month anniversary of the Termination Date.

Notwithstanding the foregoing, nothing in this Appendix D shall be deemed to prohibit the Grantee from (i) associating with any business whose activities consist principally of making passive investments for the account and benefit of the Grantee or members of the Grantee's immediate family where such business does not, within the knowledge of the Grantee, compete with a business of the KKR Group for specific privately negotiated investment opportunities; (ii) making and holding passive investments in publicly traded securities of a Competing Business where such passive investment does not exceed 5% of the amount of such securities that are outstanding at the time of investment; or (iii) making and holding passive investments in limited partner or similar interests in any investment fund or vehicle with respect to which the Grantee does not exercise control, discretion or influence over investment decisions.

5. Non-Solicitation of Clients and Prospective Clients; Non-Interference.

The Grantee hereby agrees that, while employed, engaged, associated or otherwise similarly affiliated with the KKR Group, and in addition during the Post-Termination Restricted Period (as defined below), the Grantee will not, directly or indirectly, (i) solicit, or assist any other person in soliciting, the business of any Client or Prospective Client for, or on behalf of, a Competing Business; (ii) provide, or assist any other person in providing, for any Client or Prospective Client any services that are substantially similar to those that the Company provided or proposed to be provided to such Client or Prospective Client; or (iii) impede or otherwise interfere with or damage, or attempt to impede or otherwise interfere with or damage, any business relationship or agreement between the Company and any Client or Prospective Client. As used in this Section 5, “*solicit*” means to have any direct or indirect communication inviting, advising, encouraging or requesting any person to take or refrain from taking any action with respect to the giving by such person of business to a Competing Business, regardless of who initiated such communication.

For purposes of this Appendix D, “*Client*” means any person (a) for whom the Company provided services, including any investor in any Fund, any client of the KKR Group’s broker-dealer business, or any Portfolio Company and (b) with whom the Grantee, individuals reporting to the Grantee or any other individuals over whom the Grantee had direct or indirect managerial or supervisory responsibility had any contact or dealings on behalf of, and involving Confidential Information of, the Company during the 12 months prior to the Termination Date; and “*Prospective Client*” means any person with whom (I) the Company has had negotiations or discussions concerning becoming a Client and (II) the Grantee, individuals reporting to the Grantee or any other individuals over whom the Grantee had direct or indirect managerial or supervisory responsibility had any contact or dealings on behalf of, and involving Confidential Information of, the Company during the 12 months prior to the Termination Date.

6. Non-Solicitation of Personnel; No Hire.

The Grantee hereby agrees that, while employed, engaged, associated or otherwise similarly affiliated with the KKR Group, and in addition during the Post-Termination Restricted Period, the Grantee will not, directly or indirectly, solicit, employ, engage or retain, or assist any other person in soliciting, employing, engaging or retaining, any Covered Person. As used in this Section 6, “*solicit*” means to have any direct or indirect communication inviting, advising, encouraging or requesting any Covered Person to terminate his or her employment, engagement, association or other affiliation with the KKR Group or KKR Capstone or recommending or suggesting that a third party take any of the foregoing actions, including by way of identifying such Covered Person to the third party, in each case regardless of who initiated such communication.

For purposes of this Appendix D, a “*Covered Person*” means a person who is or on the Termination Date was either (i) employed or engaged by the KKR Group as an employee or officer or otherwise associated or similarly affiliated with the KKR Group in any position, including as a member or partner, having functions and duties substantially similar to those of an employee or officer; (ii) a Senior Advisor, Industry Advisor or KKR Advisor to the KKR Group; (iii) employed or engaged by KKR Capstone as an employee or officer or otherwise associated or similarly affiliated with KKR Capstone in any position, including as a member or partner, having functions and duties substantially similar to those of an employee or officer; or (iv) a person who provides services exclusively to the Company or any Portfolio Company and has functions and duties that are substantially similar to those of a person listed in sub-clauses (i), (ii) or (iii) above.

7. Post-Termination Restricted Period.

The “ ***Post-Termination Restricted Period*** ” for the Grantee shall commence on the Termination Date and shall expire upon the [●] month anniversary of the Termination Date. Notwithstanding the foregoing, if the Grantee’s employment, engagement, association or other similar affiliation with the KKR Group is terminated involuntarily and for reasons not constituting Cause, the Post-Termination Restricted Period will expire on the [●] month anniversary of the Termination Date. To the extent that the Grantee continues to be employed or engaged by, or otherwise associated or similarly affiliated with, the KKR Group, during any “garden leave” or “notice” period in which the Grantee is required to not perform any services for or enter the premises of the Company, and to otherwise comply with all terms and conditions imposed on the Grantee during such “garden leave” or “notice” period, the applicable Post-Termination Restricted Period shall be reduced by the amount of any such “garden leave” or “notice” period in which the Grantee complies with such terms.

8. Intellectual Property; Works Made for Hire

Except as otherwise agreed in writing between the Grantee and the Partnership, the Designated Service Recipient or other member of the KKR Group, as applicable, the Grantee agrees that all work and deliverables that the Grantee prepares, creates, develops, authors, contributes to or improves, either alone or with third parties, during the course of the Grantee’s employment, engagement, association or other similar affiliation with the KKR Group, within the scope of the services provided to or with the use of any of the resources of the KKR Group, including but not limited to notes, drafts, scripts, documents, designs, inventions, data, presentations, research results, developments, reports, processes, programs, spreadsheets and other materials and all rights and intellectual property rights thereunder including but not limited to rights of authorship (collectively, “ ***Work Product*** ”), are works-made-for-hire owned exclusively by the KKR Group. The Grantee hereby irrevocably assigns, transfers and conveys, to the maximum extent permitted by law, all right, title and interest that the Grantee may have in such Work Product (and any written records thereof) to the KKR Group (or any of its designees), to the extent ownership of any such rights does not vest originally with the KKR Group. The Grantee acknowledges and agrees that the Units issued pursuant to the Agreement are sufficient compensation for such assignment, transference and conveyance. To the extent the foregoing assignment is deemed to be invalid or unenforceable, Grantee grants the KKR Group, at no additional charge an exclusive, worldwide, irrevocable, royalty-free, perpetual, assignable license under all intellectual property in and to the Work Product.

9. Non-Disparagement.

The Grantee hereby agrees that the Grantee will not at any time during his or her employment, engagement, association or other similar affiliation with the Designated Service Recipient or for [●] years thereafter make any disparaging, defamatory, or derogatory written or oral statements or other communications about or in reference to the Designated Service Recipient, the Partnership or any other member of the KKR Group or KKR Capstone (including their respective businesses or reputations), including but not limited to any of their Clients, Prospective Clients, Portfolio Companies, or Covered Persons; provided that this provision shall not prevent the Grantee from (i) making reports to or testifying before any court, governmental agency, or regulatory body, including the U.S. Securities and Exchange Commission, or pursuant to any legal or regulatory process or proceeding or (ii) engaging in activity protected by applicable law, rule or regulations, including the U.S. National Labor Relations Act.

10. Representations; Warranties; Other Agreements.

The Grantee acknowledges and agrees that the Grantee will derive material financial and other benefits from the Grantee's employment, engagement, association or other similar affiliation with the KKR Group, and that the restrictions contained herein are reasonable in all circumstances and necessary to protect the legitimate business interests of the Company, to have and enjoy the full benefit of its business interests and goodwill. The Grantee further agrees and acknowledges that such restrictions will not unnecessarily or unreasonably restrict or otherwise limit the professional opportunities of the Grantee should his or her employment, engagement, association or other similar affiliation with the KKR Group terminate, that the Grantee is fully aware of the Grantee's obligations under this Appendix D and that the livelihood of the Grantee is not impaired by the Grantee's entry into the covenants contained herein. The Partnership and the Designated Service Recipient shall have the right, exercisable in its sole discretion, to directly or indirectly make a payment to the Grantee or grant other consideration if, and to the extent, necessary to enforce the restrictions contained herein in accordance with any applicable law.

11. Certain Relationships.

The Grantee acknowledges and agrees that the Grantee's compliance with this Appendix D is a material part of the Grantee's arrangements with the Company. Notwithstanding anything to the contrary herein, this Appendix D does not constitute an employment, engagement or other similar agreement between the Grantee and the Company, or any other of the KKR Related Entities (including but not limited to the Partnership), and shall not interfere with or otherwise affect any rights any such person or entity may have to terminate the Grantee's employment, engagement, association or other similar affiliation at any time upon such notice as may be required by law or the terms of any agreement or arrangement with the Grantee.

12. Injunctive Relief; Third Party Beneficiaries.

The Grantee acknowledges and agrees that the remedies of the Partnership and the Designated Service Recipient at law for any breach of this Appendix D would be inadequate and that for any breach of this Appendix D, the Designated Service Recipient may terminate your employment, engagement, association or other similar affiliation with the Company and shall, in addition to any other remedies that may be available to it at law or in equity, or as provided for in this Appendix D, be entitled to an injunction, restraining order or other equitable relief, without the necessity of posting a bond, restraining the Grantee from committing or continuing to commit any violation of this Appendix D. The Grantee further acknowledges and agrees that the Partnership and the Designated Service Recipient shall not be required to prove, or offer proof, that monetary damages for a breach of this Appendix D would be difficult to calculate and that any remedies at law would be inadequate for any breach of this Appendix D. The parties intend, acknowledge, and agree that each member of the KKR Group is a third party beneficiary of this Agreement and is authorized to enforce any provision hereof by delivering a written statement expressing the intent to enforce the provisions hereof to the Grantee or the Designated Service Recipient. The Grantee has executed this Agreement for the benefit of each member of the KKR Group.

13. Amendment; Waiver.

This Appendix D may not be amended, restated, supplemented or otherwise modified other than by an agreement in writing signed by the parties hereto; provided, however, that the Partnership, the KKR Group or the Designated Service Recipient may reduce the scope of, or waive compliance with any part of, any obligation of the Grantee arising under this Appendix D, at any time without any action, consent or agreement of any other party. No failure to exercise and no delay in exercising, on the part of any party, of any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The waiver of any particular right, remedy, power or privilege shall not affect or impair the rights, remedies, powers or privileges of any person with respect to any subsequent default of the same or of a different kind by any party hereunder. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law. No waiver of any provision hereto shall be effective unless it is in writing and signed by the person asserted to have granted such waiver.

14. Assignment.

This Appendix D may not be assigned by any party hereto without the prior written consent of the other party hereto, except that the consent of the Grantee shall be deemed to have been given to the Partnership and the Designated Service Recipient (and the Grantee acknowledges that the Partnership and the Designated Service Recipient shall therefore have the right without further consent) to assign its rights hereunder, in whole or in part, to (i) any member of the KKR Group that becomes a Designated Service Recipient or (ii) any person who is a successor of the Partnership or the Designated Service Recipient by merger, consolidation or purchase of all or substantially all of its assets, in which case such assignee shall be substituted for the Partnership and the Designated Service Recipient hereunder with respect to the provisions so assigned and be bound under this Appendix D and by the terms of the assignment in the same manner as the Partnership and the Designated Service Recipient was bound hereunder. Any purported assignment of this Appendix D in violation of this section shall be null and void.

15. Governing Law.

This Appendix D shall be governed by and construed in accordance with the laws of the State of New York.

16. Resolution of Disputes.

- (a) Subject to paragraphs (b) and (c) below, any and all disputes which cannot be settled amicably, including any ancillary claims of any party, arising out of, relating to or in connection with the validity, negotiation, execution, interpretation, performance, non performance or termination of this Appendix D (including the validity, scope and enforceability of this arbitration provision) (each a “*Dispute*”) shall be finally settled by arbitration conducted by a single arbitrator in New York, New York in accordance with the then existing Rules of Arbitration of the International Chamber of Commerce (the “*ICC*”). If the parties to the Dispute fail to agree on the selection of an arbitrator within 30 days of the receipt of the request for arbitration, the ICC shall make the appointment. The arbitrator shall be a lawyer and shall conduct the proceedings in the English language. Performance under this Appendix D shall continue if reasonably possible during any arbitration proceedings.

- (b) Prior to filing a Request for Arbitration or an Answer under the Rules of Arbitration of the ICC, as the case may be, the Partnership or the Designated Service Recipient may, in its sole discretion, require all Disputes or any specific Dispute to be heard by a court of law in accordance with paragraph (e) below and, for the purposes of this paragraph (b), each party expressly consents to the application of paragraphs (e) and (f) below to any such suit, action or proceeding. If an arbitration proceeding has already been commenced in connection with a Dispute at the time that the Partnership or the Designated Service Recipient commences such proceedings in accordance with this paragraph (b), such Dispute shall be withdrawn from arbitration.
- (c) Subject to paragraph (b) above, either party may bring an action or special proceeding in any court of law (or, if applicable, equity) for the purpose of compelling a party to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder or enforcing an arbitration award and, for the purposes of this paragraph (c), each party expressly consents to the application of paragraphs (e) and (f) below to any such suit, action or proceeding.
- (d) Except as required by law or as may be reasonably required in connection with judicial proceedings to compel arbitration, to obtain temporary or preliminary judicial relief in aid of arbitration or to confirm or challenge an arbitration award, the arbitration proceedings, including any hearings, shall be confidential, and the parties shall not disclose any awards, any materials in the proceedings created for the purpose of the arbitration or any documents produced by another party in the proceedings not otherwise in the public domain. Judgment on any award rendered by an arbitration tribunal may be entered in any court having jurisdiction thereover.
- (e) EACH PARTY HEREBY IRREVOCABLY SUBMITS AND AGREES TO THE EXCLUSIVE JURISDICTION OF THE COURTS, AND VENUE, LOCATED IN NEW YORK, NEW YORK FOR THE PURPOSE OF ANY SUIT, ACTION OR PROCEEDING BROUGHT IN ACCORDANCE WITH THE PROVISIONS OF PARAGRAPHS (B) OR (C) ABOVE. The parties acknowledge that the forum designated by this paragraph (e) has a reasonable relation to this Appendix D, and to the parties' relationship with one another. The parties hereby waive, to the fullest extent permitted by applicable law, any objection which they now or hereafter may have to personal jurisdiction or to the laying of venue of any suit, action or proceeding brought in any court referred to in the preceding sentence or pursuant to paragraphs (b) or (c) above and such parties agree not to plead or claim the same.
- (f) The parties agree that if a suit, action or proceeding is brought under paragraphs (b) or (c) proof shall not be required that monetary damages for breach of the provisions of this Appendix D would be difficult to calculate and that remedies at law would be inadequate, and they irrevocably appoint the Secretary or General Counsel of the Partnership or the Designated Service Recipient or an officer of the Partnership or the Designated Service Recipient (at the then-current principal business address of the Partnership or the Designated Service Recipient) as such party's agent for service of process in connection with any such action or proceeding and agrees that service of process upon such agent, who shall promptly advise such party of any such service of process, shall be deemed in every respect effective service of process upon the party in any such action or proceeding.

17. Entire Agreement.

This Appendix D contains the entire agreement and understanding among the parties hereto with respect to the subject matter of this Appendix D and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with the Partnership, the Company, or KKR Holdings L.P. with respect to the subject matter of this Appendix D (including but not limited to any prior grant agreement for an equity award under the Plan that contains one or more appendices with respect to the subject matter of this Appendix D) or any Confidentiality and Restrictive Covenant Agreement previously executed with the Partnership, the Company or KKR Holdings L.P. The express terms of this Appendix D control and supersede any course of performance and any usage of the trade inconsistent with any of the terms of this Appendix D.

18. Severability.

Notwithstanding Section 13 or any other provision of this Appendix D to the contrary, any provision of this Appendix D that is prohibited or unenforceable in any jurisdiction (including but not limited to the application, if applicable, of Rule 5.6 of the New York Rules of Professional Conduct (or successor rule)) shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. In such event, the invalid provision shall be partially enforced, reformed or substituted with a valid provision which most closely approximates the intent and the economic effect of the invalid provision to give effect to the provision to the maximum extent permitted in such jurisdiction or in such case. Grantee specifically acknowledges that Grantee has been provided with valuable consideration in exchange for the covenants set forth herein and, accordingly, such partial enforcement or reformation is necessary to avoid frustrating the Company's purpose in awarding the Grantee such consideration.

19. Interpretation.

Notwithstanding anything contained in Article IV of the Agreement, the provisions of Sections 10 through 19 (inclusive) of this Appendix D shall govern with respect to, and shall be applicable only to the interpretation, administration and enforcement of, the provisions of this Appendix D, and shall not govern or otherwise apply to, or have any administrative or interpretive effect on, any other provisions of the remainder of the Agreement or any other of its Appendices.

## APPENDIX E

### KKR & Co. L.P. 2010 EQUITY INCENTIVE PLAN

#### 1. Purpose of the Plan

The KKR & Co. L.P. 2010 Equity Incentive Plan (the “Plan”) is designed to promote the long term financial interests and growth of KKR & Co. L.P., a Delaware limited partnership (the “Partnership”) and its Affiliates by (i) attracting and retaining directors, officers, employees, consultants or other service providers of the Partnership or any of its Affiliates, including but not limited to directors of KKR Management LLC, the Partnership’s general partner (the “General Partner”) and (ii) aligning the interests of such individuals with those of the Partnership and its Affiliates by providing them with equity-based awards based on the common units of limited partner interest in the Partnership (the “Common Units”).

#### 2. Definitions

The following capitalized terms used in the Plan have the respective meanings set forth in this Section:

- (a) Act: The Securities Exchange Act of 1934, as amended, or any successor thereto.
- (b) Administrator: The Board, or the committee or subcommittee thereof to whom authority to administer the Plan has been delegated pursuant to Section 4 hereof.
- (c) Affiliate: With respect to any specified Person, any other Person that directly or indirectly through one or more intermediaries Controls, is Controlled by or is under common control with such specified Person. As used herein, the term “Control” (including the terms “Controlled by” and “under common Control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, as trustee or executor, by contract or otherwise, including the ownership, directly or indirectly, of securities having the power to elect a majority of the board of directors or similar body governing the affairs of such Person.
- (d) Award: Individually or collectively, any Option, Unit Appreciation Right, or Other Unit-Based Awards based on or relating to the Common Units issuable under the Plan.
- (e) Board: The board of directors of the General Partner.
- (f) Change in Control: Except as otherwise set forth in any applicable Award agreement, (i) the occurrence of any Person, other than a Person approved by the General Partner, becoming the general partner of the Partnership, (ii) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation) in one or more series of related transactions of all or substantially all of the combined assets of the Group Partnerships taken as a whole to any Person other than a Permitted Person, (iii) the consummation of any transaction or a series of related transactions (including any merger or consolidation) that results in any Person (other than a Permitted Person) becoming the beneficial owner of a majority of the controlling interests in any one or more Group Partnerships that together hold all or substantially all of the combined assets of the Group Partnerships taken as a whole, or (iv) the occurrence of any other event as determined by the Board to constitute a Change in Control. Solely for the purpose of this definition, the term “person” shall have the meaning given to such term under Section 13(d)(3) of the Act or any successor provision thereto; and for purposes of the Plan, the term “beneficial owner” shall have the meaning given to such term under Rule 13d-3 promulgated under the Act or any successor provision thereto, and the combined assets of the Group Partnerships shall exclude the portion of any such assets that are allocable to holders of any non-controlling interests in any consolidated subsidiaries.



- (g) Code: The Internal Revenue Code of 1986, as amended, or any successor thereto.
- (h) Effective Date: The date on which the Board adopts the Plan, or such later date as is designated by the Board, provided that in no event shall such date be prior to the date that limited partnership interests of the Partnership become listed and traded on the New York Stock Exchange or The NASDAQ Stock Market.
- (i) Employee Exchange Agreement: That certain Exchange Agreement, dated as of July 14, 2010, by and among KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., and KKR Holdings L.P.
- (j) Employment: The term “Employment” as used herein shall be deemed to refer to (i) a Participant’s employment if the Participant is an employee of the Partnership or any of its Affiliates, (ii) a Participant’s services as a consultant or partner, if the Participant is consultant to, or partner of, the Partnership or of any of its Affiliates, and (iii) a Participant’s services as a non-employee director, if the Participant is a non-employee member of the Board.
- (k) Fair Market Value: Of a Common Unit on any given date means (i) the closing sale price per Common Unit on the New York Stock Exchange or The NASDAQ Stock Market (a “U.S. Exchange”) on that date (or, if no closing sale price is reported, the last reported sale price), (ii) if the Common Units are not listed for trading on a U.S. Exchange, the closing sale price (or, if no closing sale price is reported, the last reported sale price) as reported on that date in composite transactions for the principal national securities exchange registered pursuant to the Act on which the Common Units are listed, (iii) if the Common Units are not so listed on a U.S. Exchange, the last quoted bid price for the Common Units on that date in the over-the-counter market as reported by Pink Sheets LLC or a similar organization, or (iv) if the Common Units are not so quoted by Pink Sheets LLC or a similar organization, the average of the mid-point of the last bid and ask prices for the Common Units on that date from a nationally recognized independent investment banking firm selected by the General Partner for this purpose.
- (l) Group Partnerships: KKR Management Holdings L.P., a Delaware limited partnership, and KKR Fund Holdings L.P., a Cayman Island exempted limited partnership, along with any partnership designated in the future as a “Group Partnership” by the Partnership.
- (m) Group Partnership Unit: A “Group Partnership Unit” as defined in the Pre-Listing Plan.

- (n) KKR Group: The Group Partnerships, the direct and indirect parents of the Group Partnerships (the “Parents”), any direct or indirect subsidiaries of the Parents or the Group Partnerships, the general partner or similar controlling entities of any investment fund or vehicle that is managed, advised or sponsored by the KKR Group (the “Funds”) and any other entity through which any of the foregoing directly or indirectly conducts its business, but shall exclude any company over which a Fund exercises a significant degree of control as an investor.
- (o) Option: An option to purchase Common Units granted pursuant to Section 6 of the Plan.
- (p) Option Price: The purchase price per Common Unit of an Option, as determined pursuant to Section 6(a) of the Plan.
- (q) Other Unit-Based Awards: Awards granted pursuant to Section 8 of the Plan.
- (r) Participant: A director, officer, employee, consultant or other service provider of the Partnership or of any of its Affiliates, including but not limited to any director of the General Partner, who is selected by the Administrator to participate in the Plan.
- (s) Permitted Person: The term “Permitted Person” means (i) an individual who (a) is an executive of the KKR Group, (b) devotes substantially all of his or her business and professional time to the activities of the KKR Group and (c) did not become an executive of the KKR Group or begin devoting substantially all of his or her business and professional time to the activities of the KKR Group in contemplation of a Change in Control or (ii) any Person in which any one or more such individuals directly or indirectly holds a majority of the controlling interests.
- (t) Person: Any individual, corporation, partnership, limited partnership, limited liability company, limited company, joint venture, trust, unincorporated or governmental organization or any agency or political subdivision thereof .
- (u) Pre-Listing Award: Any equity-based award (whether an option, unit appreciation right, restricted equity unit, phantom equity unit, or other equity-based award based in whole or in part on the fair market value of any equity unit or otherwise) granted pursuant to the Pre-Listing Plan.
- (v) Pre-Listing Plan: KKR Management Holdings L.P. 2009 Equity Incentive Plan.
- (w) Unit Appreciation Right: A unit appreciation right granted pursuant to Section 7 of the Plan.

### 3. Common Units Subject to the Plan

Subject to Section 9 hereof, the total number of Common Units which shall be available for issuance under the Plan shall be, as of the Effective Date, 15% of the Common Units outstanding as of the Effective Date on a fully converted and diluted basis (the “Initial Plan Amount”), of which all or any portion may be issued as Common Units. Notwithstanding the foregoing, beginning with the first fiscal year of the Partnership occurring after the Effective Date and continuing with each subsequent fiscal year of the Partnership occurring thereafter, the aggregate number of Common Units covered by the Plan will be increased, on the first day of each fiscal year of the Partnership occurring during the term of the Plan, by a number of Common Units equal to the positive difference, if any, of (x) 15% of the aggregate number of Common Units outstanding on the last day of the immediately preceding fiscal year of the Partnership minus (y) the Initial Plan Amount, as such amount may have been increased by this sentence in any prior fiscal year, unless the Administrator should decide to increase the number of Common Units covered by the Plan by a lesser amount on any such date. The issuance of Common Units or the payment of cash upon the exercise of an Award or any Pre-Listing Award or in consideration of the settlement, cancellation or termination of an Award or any Pre-Listing Award shall reduce the total number of Common Units covered by and available for issuance under the Plan, as applicable (with any Awards or Pre-Listing Awards settled in cash reducing the total number of Common Units by the number of Common Units determined by dividing the cash amount to be paid thereunder by the Fair Market Value of one Common Unit on the date of payment), and the issuance of Group Partnership Units in consideration of the settlement, cancellation or termination of any Pre-Listing Award shall reduce the total number of Common Units covered by and available for issuance under the Plan by a number of Common Units equal to the number of Group Partnership Units so issued multiplied by the Exchange Rate (as defined in the Employee Exchange Agreement). Common Units which are subject to Awards which are cancelled, forfeited, terminated or otherwise expired by their terms without the payment of consideration, and Common Units which are used to pay the exercise price of any Award, may be granted again subject to Awards under the Plan. For the avoidance of doubt, Common Units which are subject to Awards other than Options or Unit Appreciation Rights which are withheld to pay tax withholding obligations will be deemed not to have been delivered and will be available for further Awards under the Plan.

For purposes of this Section 3, the number of Common Units that, as of a particular date, will be considered to be “covered by” the Plan will be equal to the sum of (i) the number of Common Units available for issuance pursuant to the Plan but which are not subject to an outstanding Award or Pre-Listing Award as of such date, (ii) the number of Common Units subject to outstanding Awards or Pre-Listing Awards as of such date and (iii) the number of Group Partnership Units subject to outstanding Pre-Listing Awards as of such date multiplied by the Exchange Rate (as defined in the Employee Exchange Agreement) as in effect on such date. For purposes of this Section 3, (A) an Option or Unit Appreciation Right that has been granted under the Plan or the Pre-Listing Plan will be considered to be an “outstanding” Award or Pre-Listing Award, as applicable, until it is exercised or cancelled, forfeited, terminated or otherwise expires by its terms, (B) a Common Unit that has been granted as an Award under the Plan that is subject to vesting conditions will be considered an “outstanding” Award until the vesting conditions have been satisfied or the Award otherwise terminates or expires unvested by its terms, (C) a Group Partnership Unit that has been granted as a Pre-Listing Award under the Pre-Listing Plan that is subject to vesting conditions will be considered an “outstanding” Pre-Listing Award until the vesting conditions have been satisfied or the Pre-Listing Award otherwise terminates or expires unvested by its terms and (D) any Award or Pre-Listing Award other than an Option, Unit Appreciation Right, Common Unit or Group Partnership Unit that is subject to vesting conditions will be considered to be an “outstanding” Award or Pre-Listing Award, as applicable, until it has been settled.

### 4. Administration

(a) Administration and Delegation. The Plan shall be administered by the Administrator. The Administrator may delegate the authority to grant Awards under the Plan to any employee or group of employees of the Partnership or of any Affiliate of the Partnership; provided that such delegation and grants are consistent with applicable law and guidelines established by the Board from time to time. The Administrator may delegate the day-to-day administration of the Plan to any employee or group of employees of the Partnership or the General Partner or any of their respective Affiliates or a nationally recognized third-party stock plan administrator.

(b) Substitution of Prior Awards. Awards may, in the discretion of the Administrator, be made under the Plan in assumption of, or in substitution for, outstanding awards previously granted by the Partnership, any Affiliate of the Partnership or any entity acquired by the Partnership or with which the Partnership combines. The number of Common Units underlying such substitute awards shall be counted against the aggregate number of Common Units available for Awards under the Plan.

(c) Interpretation; Corrections; Final and Binding Decisions. The Administrator is authorized to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, and to make any other determinations that it deems necessary or desirable for the administration of the Plan. The Administrator may correct any defect or supply any omission or reconcile any inconsistency in the Plan or Award agreement in the manner and to the extent the Administrator deems necessary or desirable, without the consent of any Participant. Any decision of the Administrator in the interpretation and administration of the Plan, as described herein, shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned (including, but not limited to, Participants and their beneficiaries and successors).

(d) Establishment of Award Terms. The Administrator shall have the full power and authority to establish the terms and conditions of any Award consistent with the provisions of the Plan and to waive any such terms and conditions at any time (including, without limitation, accelerating or waiving any vesting conditions).

(e) Payment of Taxes Due. The Administrator shall require payment of any amount it may determine to be necessary to withhold for federal, state, local or other taxes as a result of the exercise, grant or vesting of an Award. To the extent that such withholding arises in connection with the settlement of an Award with Common Units, the Administrator may, in its sole discretion, cause such payments to be funded by reducing the Common Units delivered upon settlement by an amount of Common Units having a Fair Market Value equal to the amount of payments that would then be due (and if an Award is settled in cash, the Administrator may withhold cash in respect to such taxes due). The Administrator shall establish the manner in which any such tax obligation may be satisfied by the Participant.

## **5. Limitations**

No Award may be granted under the Plan after the tenth anniversary of the Effective Date, but Awards theretofore granted may extend beyond that date.

## **6. Terms and Conditions of Options**

Options granted under the Plan shall be non-qualified options for federal income tax purposes, and shall be subject to the foregoing and the following terms and conditions and to such other terms and conditions, not inconsistent therewith, as the Administrator shall determine:

(a) Option Price. The Option Price per Common Unit shall be determined by the Administrator, provided that, solely for the purposes of an Option granted under the Plan to a Participant who is a U.S. taxpayer, in no event will the Option Price be less than 100% of the Fair Market Value on the date an Option is granted.

(b) Exercisability. Options granted under the Plan shall be exercisable at such time and upon such terms and conditions as may be determined by the Administrator, but in no event shall an Option be exercisable more than ten years after the date it is granted.

(c) Exercise of Options.

(i) Except as otherwise provided in the Plan or in an Award agreement, an Option may be exercised for all, or from time to time any part, of the Common Units for which it is then exercisable. For purposes of this Section 6 of the Plan, the exercise date of an Option shall be the later of the date a notice of exercise is received by the Partnership and, if applicable, the date payment is received by the Partnership pursuant to clauses (A), (B), (C) or (D) in the following sentence.

(ii) The Option Price for the Common Units as to which an Option is exercised shall be paid to the Partnership, and in the manner designated by the Administrator, pursuant to one or more of the following methods: (A) in cash or its equivalent (e.g., by personal check); (B) in Common Units having a Fair Market Value equal to the aggregate Option Price for the Common Units being purchased and satisfying such other requirements as may be imposed by the Administrator; provided that such Common Units have been held by the Participant for such period as may be established from time to time by the Administrator in order to avoid adverse accounting treatment applying generally accepted accounting principles; (C) partly in cash and partly in such Common Units; (D) if there is a public market for the Common Units at such time, through the delivery of irrevocable instructions to a broker to sell Common Units obtained upon the exercise of the Option and to deliver promptly to the Partnership an amount out of the proceeds of such sale equal to the aggregate Option Price for the Common Units being purchased, or (E) to the extent permitted by the Administrator, through net settlement in Common Units.

(iii) To the extent compliant with applicable laws, no Participant shall have any rights to distributions or other rights of a holder with respect to Common Units subject to an Option until the Participant has given written notice of exercise of the Option, paid in full the Option Price for such Common Units and, if applicable, has satisfied any other conditions imposed by the Administrator pursuant to the Plan.

(d) Attestation. Wherever in this Plan or any agreement evidencing an Award a Participant is permitted to pay the Option Price of an Option or taxes relating to the exercise of an Option by delivering Common Units, the Participant may, subject to procedures satisfactory to the Administrator, satisfy such delivery requirement by presenting proof of beneficial ownership of such Common Units, in which case the Partnership shall treat the Option as exercised without further payment and/or shall withhold such number of Common Units from the Common Units acquired by the exercise of the Option, as appropriate.

**7. Terms and Conditions of Unit Appreciation Rights**

(a) Grants. The Administrator may grant (i) a Unit Appreciation Right independent of an Option or (ii) a Unit Appreciation Right in connection with an Option, or a portion thereof. A Unit Appreciation Right granted pursuant to clause (ii) of the preceding sentence (A) may be granted at the time the related Option is granted or at any time prior to the exercise or cancellation of the related Option, (B) shall cover the same number of Common Units covered by an Option (or such lesser number of Common Units as the Administrator may determine) and (C) shall be subject to the same terms and conditions as such Option except for such additional limitations as are contemplated by this Section 7 (or such additional limitations as may be included in an Award agreement).

(b) Exercise Price. The exercise price per Common Unit of a Unit Appreciation Right shall be an amount determined by the Administrator; provided, however, that in the case of a Unit Appreciation Right granted in conjunction with an Option, or a portion thereof, the exercise price may not be less than the Option Price of the related Option; provided, further that, solely for the purposes of a Unit Appreciation Right granted under the Plan to a Participant who is a U.S. taxpayer, in the case of a Unit Appreciation Right that was not granted in conjunction with an Option, the exercise price per Unit Appreciation Right shall not be less than 100% of the Fair Market Value on the date the Unit Appreciation Right is granted.

(c) Terms of Grant: Each Unit Appreciation Right granted independent of an Option shall entitle a Participant upon exercise to an amount equal to (i) the excess of (A) the Fair Market Value on the exercise date of one Common Unit over (B) the exercise price per Common Unit, times (ii) the number of Common Units covered by the Unit Appreciation Right. Each Unit Appreciation Right granted in conjunction with an Option, or a portion thereof, shall entitle a Participant to surrender to the Partnership the unexercised Option, or any portion thereof, and to receive from the Partnership in exchange therefore an amount equal to (i) the excess of (A) the Fair Market Value on the exercise date of one Common Unit over (B) the Option Price per Common Unit, times (ii) the number of Common Units covered by the Option, or portion thereof, which is surrendered. Payment shall be made in Common Units or in cash, or partly in Common Units and partly in cash (any such Common Units valued at such Fair Market Value), all as shall be determined by the Administrator.

(d) Exercisability: Unit Appreciation Rights may be exercised from time to time upon actual receipt by the Partnership of written notice of exercise stating the number of Common Units with respect to which the Unit Appreciation Right is being exercised. The date a notice of exercise is received by the Partnership shall be the exercise date. The Administrator, in its sole discretion, may determine that no fractional Common Units will be issued in payment for Unit Appreciation Rights, but instead cash will be paid for the fractional Common Units and the number of Common Units to be delivered will be rounded downward to the next whole Common Unit.

(e) Limitations. The Administrator may impose, in its discretion, such conditions upon the exercisability of Unit Appreciation Rights as it may deem fit, but in no event shall a Unit Appreciation Right be exercisable more than ten years after the date it is granted.

## 8. Other Unit-Based Awards

The Administrator, in its sole discretion, may grant or sell Awards of Common Units, restricted Common Units, deferred restricted Common Units, phantom restricted Common Units or other Common Unit-based awards based in whole or in part on the Fair Market Value of the Common Units (“Other Unit-Based Awards”). Such Other Unit-Based Awards shall be in such form, and dependent on such conditions, as the Administrator shall determine, including, without limitation, the right to receive, or vest with respect to, one or more Common Units (or the equivalent cash value of such Common Units) upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. Other Unit-Based Awards may be granted alone or in addition to any other Awards granted under the Plan. Subject to the provisions of the Plan, the Administrator shall determine to whom and when Other Unit-Based Awards will be made, the number of Common Units to be awarded under (or otherwise related to) such Other Unit-Based Awards; whether such Other Unit-Based Awards shall be settled in cash, Common Units, or other assets or a combination of cash, Common Units and other assets; and all other terms and conditions of such Awards (including, without limitation, the vesting provisions thereof and provisions ensuring that all Common Units so awarded and issued shall be fully paid and non-assessable).

## 9. Adjustments Upon Certain Events

Notwithstanding any other provisions in the Plan to the contrary, the following provisions shall apply to all Awards granted under the Plan:

(a) Equity Restructurings. In the event of any extraordinary Common Unit distribution or split, recapitalization, rights offering, split-up or spin-off or any other event that constitutes an “equity restructuring” (as defined under Financial Accounting Standards Board (FASB) Accounting Standards Codification 718) with respect to Common Units, the Administrator shall, in the manner determined appropriate or desirable by the Administrator and without liability to any person, adjust any or all of (i) the number of Common Units or other securities of the Partnership (or number and kind of other securities or property) with respect to which Awards may be granted under the Plan, and (ii) the terms of outstanding Awards, including, but not limited to (A) the number of Common Units or other securities of the Partnership (or number and kind of other securities or property) subject to outstanding Awards or to which outstanding Awards relate, (B) the Option Price or exercise price of any Option or Unit Appreciation Right and (C) any performance targets or other applicable terms.

(b) Mergers, Reorganizations and Other Corporate Transactions. In the event of any reorganization, merger, consolidation, combination, repurchase or exchange of Common Units or other securities of the Partnership, issuance of warrants or other rights to purchase Common Units or other securities of the Partnership, or other similar corporate transaction or event that affects the Common Units such that an adjustment is determined by the Administrator in its discretion to be appropriate or desirable, the Administrator in its sole discretion and without liability to any person shall make such substitution or adjustment, if any, as it deems to be equitable as to (i) the number of Common Units or other securities of the Partnership (or number and kind of other securities or property) with respect to which Awards may be granted under the Plan, and (ii) the terms of any outstanding Award, including (A) the number of Common Units or other securities of the Partnership (or number and kind of other securities or property) subject to outstanding Awards or to which outstanding Awards relate, (B) the Option Price or exercise price of any Option or Unit Appreciation Right and (C) any performance targets or other applicable terms.

(c) Change in Control. In the event of a Change in Control after the Effective Date, (i) if determined by the Administrator in the applicable Award agreement or otherwise, any outstanding Awards then held by Participants which are unexercisable or otherwise unvested or subject to lapse restrictions shall automatically be deemed exercisable or otherwise vested or no longer subject to lapse restrictions, as the case may be, as of immediately prior to such Change in Control and (ii) the Administrator may (subject to Sections 16 and 18), but shall not be obligated to: (A) accelerate, vest or cause the restrictions to lapse with respect to all or any portion of an Award; (B) cancel such Awards for fair value (as determined in the sole discretion of the Administrator) which, in the case of Options and Unit Appreciation Rights, may equal the excess, if any, of value of the consideration to be paid in the Change in Control transaction to holders of the same number of Common Units subject to such Options or Unit Appreciation Rights (or, if no consideration is paid in any such transaction, the Fair Market Value of the Common Units subject to such Options or Unit Appreciation Rights) over the aggregate exercise price of such Options or Unit Appreciation Rights; (C) provide that any Options or Unit Appreciation Right having an exercise price per Common Unit that is greater than the per Common Unit value of the consideration to be paid in the Change in Control transaction to a holder of a Common Unit shall be cancelled without payment of any consideration therefor; (D) provide for the issuance of substitute Awards that will substantially preserve the otherwise applicable terms of any affected Awards previously granted hereunder as determined by the Administrator in its sole discretion; or (E) provide that for a period of at least 15 days prior to the Change in Control, such Options shall be exercisable as to all shares subject thereto and that upon the occurrence of the Change in Control, such Options shall terminate and be of no further force and effect.

**10. No Right to Employment or Awards**

The granting of an Award under the Plan shall impose no obligation on the Partnership or any Affiliate to continue the Employment of a Participant and shall not lessen or affect the Partnership's or Affiliate's right to terminate the Employment of such Participant. No Participant or other Person shall have any claim to be granted any Award (including as a result of recurring prior Award), and there is no obligation for uniformity of treatment of Participants, or holders or beneficiaries of Awards. No Award shall constitute compensation for purposes of determining any benefits under any benefit plan. The terms and conditions of Awards and the Administrator's determinations and interpretations with respect thereto need not be the same with respect to each Participant (whether or not such Participants are similarly situated).

**11. Successors and Assigns**

The Plan shall be binding on all successors and assigns of the Partnership and a Participant, including without limitation, the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

**12. Nontransferability of Awards**

Unless otherwise determined or approved by the Administrator, an Award shall not be transferable or assignable by the Participant otherwise than by will or by the laws of descent and distribution. Any transfer or assignment in violation of the prior sentence shall be null and void. An Award exercisable after the death of a Participant may be exercised by the legatees, personal representatives or distributees of the Participant.



**13. Amendments or Termination**

The Board may amend, alter or discontinue the Plan or any outstanding Award, but no amendment, alteration or discontinuation shall be made, without the consent of a Participant, if such action would materially diminish any of the rights of the Participant under any Award theretofore granted to such Participant under the Plan; provided, however, that the Administrator may without the Participant's consent (a) amend the Plan or any outstanding Award in such manner as it deems necessary to permit the granting of Awards meeting the requirements of the Code or other applicable laws (including, without limitation, to avoid adverse tax consequences to the Partnership or to Participants as provided in Section 14 and Section 18 below), and (b) amend any outstanding Awards in a manner that is not adverse (other than in a *de minimis* manner) to a Participant, except as otherwise may be permitted pursuant to Section 9 hereof or as is otherwise contemplated pursuant to the terms of the Award, without the Participant's consent.

**14. International Participants**

With respect to Participants who reside or work outside the United States of America, the Administrator may, in its sole discretion, amend the terms of the Plan or Awards with respect to such Participants in order to conform such terms with the requirements of local law or to obtain more favorable tax or other treatment for a Participant, the Partnership or an Affiliate.

**15. Choice of Law**

The Plan shall be governed by and construed in accordance with the law of the State of New York without giving effect to any otherwise governing principles of conflicts of law that would apply the laws of another jurisdiction.

**16. Other Laws; Restrictions on Transfer of Common Units**

The Administrator may refuse to issue or transfer any Common Units or other consideration under an Award if, acting in its sole discretion, it determines that the issuance or transfer of such Common Units or such other consideration might violate any applicable law or regulation or entitle the Partnership to recover the same under Section 16(b) of the Act, as amended, and any payment tendered to the Partnership by a Participant, other holder or beneficiary in connection with the exercise of such Award shall be promptly refunded to the relevant Participant, holder or beneficiary. Without limiting the generality of the foregoing, no Award granted hereunder shall be construed as an offer to sell securities of the Partnership, and no such offer shall be outstanding, unless and until the Administrator in its sole discretion has determined that any such offer, if made, would be in compliance with all applicable requirements of the United States federal and any other applicable securities laws.

**17. Effectiveness of the Plan**

The Plan shall be effective as of the Effective Date.

**18. Section 409A**

To the extent applicable, this Plan and Awards issued hereunder shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretative guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding other provisions of the Plan or any Award agreements issued thereunder, no Award shall be granted, deferred, accelerated, extended, paid out or modified under this Plan in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon a Participant. In the event that it is reasonably determined by the Administrator that, as a result of Section 409A of the Code, payments in respect of any Award under the Plan may not be made at the time contemplated by the terms of the Plan or the relevant Award agreement, as the case may be, without causing the Participant holding such Award to be subject to taxation under Section 409A of the Code, consistent with the provisions of Section 13(a) above, the Partnership may take whatever actions the Administrator determines necessary or appropriate to comply with, or exempt the Plan and Award agreement from the requirements of Section 409A of the Code and related Department of Treasury guidance and other interpretive materials as may be issued after the Effective Date including, without limitation, (a) adopting such amendments to the Plan and Awards and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Administrator determines necessary or appropriate to preserve the intended tax treatment of the benefits provided by the Plan and Awards hereunder and/or (b) taking such other actions as the Administrator determines necessary or appropriate to avoid the imposition of an additional tax under Section 409A of the Code, which action may include, but is not limited to, delaying payment to a Participant who is a “specified employee” within the meaning of Section 409A of the Code until the first day following the six-month period beginning on the date of the Participant’s termination of Employment . The Partnership shall use commercially reasonable efforts to implement the provisions of this Section 18 in good faith; provided that neither the Partnership, the Administrator nor any employee, director or representative of the Partnership or of any of its Affiliates shall have any liability to Participants with respect to this Section 18 .



**PARTICIPANT CONSENT**

Pursuant to provisions of this grant agreement between me and KKR & Co. L.P. (the “Company”) and/or other parties thereto, and as a condition of receiving such grant agreement, I hereby authorize Fidelity Stock Plan Services, LLC and its affiliates (including, but not limited to Fidelity Brokerage Services LLC, National Financial Services LLC, and Fidelity Personal Trust Company, FSB) (“Fidelity”) (i) to act upon the directions of Company or its designee direction to restrict my ability to sell, transfer or to take other actions with respect to certain Company equity that I may hold, and (ii) to act the directions of the Company or its designee, pursuant to provisions of the Company’s plans and this grant agreement requiring my forfeiture of Company equity if I violate certain restrictive covenants, to transfer in kind Company equity held by Fidelity on my behalf to the Company or its designee.

Participant Name: **Participant Name**

Participant Signature: **Electronic Signature**

Date: **Acceptance Date**

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The following is a list of the subsidiaries of KKR & Co. L.P. as of December 31, 2017.

**Subsidiaries of the Registrant**

<u>Name</u>	<u>Jurisdiction</u>
9W Halo Parent LLC	Delaware
Allstar Co-Invest GP LLC	Delaware
ASF Walter Co-Invest GP Limited	Cayman Islands
Aurora Holding GP L.P.	Delaware
Aurora Holding GP LLC	Delaware
Avoca Capital Jersey Unlimited	Jersey
Avoca Capital Property Unlimited Company	Ireland
Avoca Capital Unlimited Company	Ireland
Avoca Securities Investments Unlimited Company	Ireland
CH Co-Investors GP Limited	Cayman Islands
Citrus Restaurant Investor LLC	Delaware
Colt Admiral A Holding GP LLC	Delaware
Colt Admiral A Holding L.P.	Delaware
Colt Drilling Aggregator LLC	Delaware
Colt Real Asset Holdings GP LLC	Delaware
Colt Real Asset Holdings L.P.	Delaware
CPS (US) LLC	Delaware
CPS Associates (US) L.P.	Delaware
CPS Associates L.P.	Cayman Islands
CPS GP Limited	Cayman Islands
Dorms Asia Real Estate (GP) Pte. Ltd.	Singapore
Dorms Asia Real Estate LP	Singapore
Dorms Pte. Ltd.	Singapore
Echo Holdings GP Limited	Cayman Islands
EIGF TE GP Resource Investors GP LLC	Delaware
Fan Co-Invest GP Limited	Cayman Islands
Fan Investors GP Limited	Cayman Islands
Fan Investors L.P.	Cayman Islands
Fan Investors Limited	Cayman Islands
Fortune Creek Co-Invest GP Limited	Cayman Islands
GDG Co-Invest GP LLC	Delaware
GEG Holdings S.à r.l.	Luxembourg
Helios Co-Invest GP Limited	Cayman Islands
KAM Advisors LLC	Delaware
KAM Credit Advisors LLC	Delaware
KAM Fund Advisors LLC	Delaware
KAM Funds GP Limited	Cayman Islands
Kappa Holdings Ltd.	Cayman Islands
KFH III Holdings Ltd.	Cayman Islands
KFH Real Asset Holdings L.P.	Delaware

Name	Jurisdiction
KFH Royalties GP LLC	Delaware
KFH Royalties II GP LLC	Delaware
KFH Royalties II LLC	Delaware
KFH Royalties L.P.	Delaware
KFH Royalties LLC	Delaware
KFN Bellemeade Feeder LLC	Delaware
KFN Birch 2 Feeder LLC	Delaware
KFN Birch Feeder LLC	Delaware
KFN Broadway Feeder LLC	Delaware
KFN BTS Feeder LLC	Delaware
KFN CC Portfolio Feeder LLC	Delaware
KFN Colonie Feeder LLC	Delaware
KFN HG Hotel Feeder LLC	Delaware
KFN HHV Feeder LLC	Delaware
KFN Midland Feeder LLC	Delaware
KFN Osprey Feeder LLC	Delaware
KFN PEI IX, LLC	Delaware
KFN PEI XI, LLC	Delaware
KFN Pelican 1 Feeder LLC	Delaware
KFN Rad Philly Feeder LLC	Delaware
KFN Sullivan Feeder LLC	Delaware
KFN WTC Oahu Feeder LLC	Delaware
KFN YTC Feeder LLC	Delaware
KKR (Cayman) Limited	Cayman Islands
KKR 2006 AIV GP LLC	Delaware
KKR 2006 AIV Limited	Cayman Islands
KKR 2006 GP (Energy II) LLC	Delaware
KKR 2006 GP LLC	Delaware
KKR 2006 Limited	Cayman Islands
KKR 8 NA Limited	Cayman Islands
KKR Account Adviser (Mauritius), Ltd.	Mauritius
KKR AHI GP LLC	Delaware
KKR AHI Investors L.P.	Delaware
KKR Alternative Assets L.P.	Delaware
KKR Alternative Assets Limited	Cayman Islands
KKR Alternative Assets LLC	Delaware
KKR Alternative Investment Management Unlimited Company	Ireland
KKR Americas XII AIV GP LLC	Delaware
KKR Americas XII EEA Limited	Cayman Islands
KKR Americas XII EEA LLC	Delaware
KKR Americas XII Limited	Cayman Islands
KKR AMG Co-Invest GP LLC	Delaware
KKR ARC India Private Limited	India
KKR Ark Holdings Pte. Ltd.	Singapore
KKR ASF Walter PE Limited	Cayman Islands

Name	Jurisdiction
KKR Asia II Japan AIV Limited	Cayman Islands
KKR Asia II Limited	Cayman Islands
KKR Asia III Delaware AIV LLC	Delaware
KKR Asia III Holdings Limited	Cayman Islands
KKR Asia III Japan AIV (Cayman) Limited	Cayman Islands
KKR Asia III Japan AIV Limited	Hong Kong
KKR Asia III S.à r.l.	Luxembourg
KKR Asia Limited	Hong Kong
KKR Asia Limited	Cayman Islands
KKR Asia LLC	Delaware
KKR Asian Fund (Ireland) GP Limited	Ireland
KKR Asset Management (International) Partners LLP	Delaware
KKR Asset Management Ltd	England & Wales
KKR Associates 2006 (Overseas) AIV L.P.	Cayman Islands
KKR Associates 2006 (Overseas), Limited Partnership	Cayman Islands
KKR Associates 2006 AIV L.P.	Delaware
KKR Associates 2006 L.P.	Delaware
KKR Associates 8 NA L.P.	Cayman Islands
KKR Associates Americas XII AIV L.P.	Delaware
KKR Associates Americas XII L.P.	Cayman Islands
KKR Associates ASF Walter PE L.P.	Cayman Islands
KKR Associates Asia (Japan) L.P.	Cayman Islands
KKR Associates Asia II Japan AIV L.P.	Cayman Islands
KKR Associates Asia II L.P.	Cayman Islands
KKR Associates Asia III Delaware AIV L.P.	Delaware
KKR Associates Asia III Japan AIV L.P.	Cayman Islands
KKR Associates Asia III SCSp	Luxembourg
KKR Associates Asia L.P.	Cayman Islands
KKR Associates CDP PE L.P.	Cayman Islands
KKR Associates China Growth L.P.	Cayman Islands
KKR Associates CIS Global L.P.	Cayman Islands
KKR Associates Credit Select L.P.	Cayman Islands
KKR Associates CS I L.P.	Cayman Islands
KKR Associates CS II L.P.	Cayman Islands
KKR Associates CS III L.P.	Cayman Islands
KKR Associates CS IX L.P.	Cayman Islands
KKR Associates CS V L.P.	Delaware
KKR Associates CS VIII L.P.	Cayman Islands
KKR Associates CS X L.P.	Cayman Islands
KKR Associates Custom Equity Opportunities (AIV) L.P.	Cayman Islands
KKR Associates Custom Equity Opportunities L.P.	Cayman Islands
KKR Associates E2 L.P.	Cayman Islands
KKR Associates EIGF AIV L.P.	Delaware
KKR Associates EIGF L.P.	Delaware
KKR Associates EIGF TE AIV L.P.	Delaware

Name	Jurisdiction
KKR Associates EIGF TE L.P.	Delaware
KKR Associates Europe, Limited Partnership	Alberta
KKR Associates Europe II, Limited Partnership	Alberta
KKR Associates Europe III, Limited Partnership	Cayman Islands
KKR Associates Europe IV L.P.	Cayman Islands
KKR Associates Europe V SCSp	Luxembourg
KKR Associates GFIP L.P.	Cayman Islands
KKR Associates Global Credit Opportunities GP L.P.	Cayman Islands
KKR Associates HCSG AIV L.P.	Delaware
KKR Associates HCSG L.P.	Delaware
KKR Associates Infrastructure (AIV) L.P.	Delaware
KKR Associates Infrastructure II AIV L.P.	Delaware
KKR Associates Infrastructure II L.P.	Cayman Islands
KKR Associates Infrastructure III SCSp	Luxembourg
KKR Associates Infrastructure L.P.	Cayman Islands
KKR Associates IUH L.P.	Delaware
KKR Associates Lending Europe L.P.	Cayman Islands
KKR Associates Lending II L.P.	Delaware
KKR Associates Lending III L.P.	Delaware
KKR Associates Lending L.P.	Delaware
KKR Associates LR Energy L.P.	Cayman Islands
KKR Associates Mezzanine I L.P.	Delaware
KKR Associates Millennium (Overseas), Limited Partnership	Alberta
KKR Associates Millennium L.P.	Delaware
KKR Associates Milton Strategic L.P.	Cayman Islands
KKR Associates NGT AIV L.P.	Delaware
KKR Associates NGT L.P.	Cayman Islands
KKR Associates North America XI AIV L.P.	Delaware
KKR Associates North America XI L.P.	Cayman Islands
KKR Associates NR I L.P.	Delaware
KKR Associates NR II L.P.	Delaware
KKR Associates NZSF L.P.	Cayman Islands
KKR Associates PCOP II (Offshore) L.P.	Cayman Islands
KKR Associates PCOP II L.P.	Delaware
KKR Associates PIP L.P.	Delaware
KKR Associates Principal Opportunities (Domestic) L.P.	Cayman Islands
KKR Associates Principal Opportunities (Offshore) L.P.	Cayman Islands
KKR Associates Principal Opportunities AIV (Domestic) L.P.	Cayman Islands
KKR Associates Principal Opportunities AIV (Offshore) L.P.	Cayman Islands
KKR Associates RCP Europe SCSp	Luxembourg
KKR Associates RECOI L.P.	Cayman Islands
KKR Associates RECOP (AIV) Ltd.	Cayman Islands
KKR Associates RECOP Ltd.	Cayman Islands
KKR Associates REPA AIV-3 L.P.	Delaware
KKR Associates REPA AIV-4 L.P.	Delaware

Name	Jurisdiction
KKR Associates REPA AIV-5 L.P.	Cayman Islands
KKR Associates REPA II L.P.	Delaware
KKR Associates REPA L.P.	Delaware
KKR Associates REPE L.P.	Cayman Islands
KKR Associates Revolving Credit Partners L.P.	Cayman Islands
KKR Associates SA Co-Invest L.P.	Cayman Islands
KKR Associates SA Master L.P.	Cayman Islands
KKR Associates Shanda L.P.	Cayman Islands
KKR Associates SMRS L.P.	Delaware
KKR Associates Special Situations (Domestic) II L.P.	Cayman Islands
KKR Associates Special Situations (Domestic) L.P.	Cayman Islands
KKR Associates Special Situations (EEA) II Limited	Cayman Islands
KKR Associates Special Situations (Offshore) II L.P.	Cayman Islands
KKR Associates Special Situations (Offshore) L.P.	Cayman Islands
KKR Associates SPN L.P.	Cayman Islands
KKR Associates TFO L.P.	Cayman Islands
KKR Associates TV SPN L.P.	Cayman Islands
KKR Athena Holdings GP LLC	Delaware
KKR Atlanta Co-Invest GP Limited	Cayman Islands
KKR Australia Investment Management Pty Limited	Australia
KKR Australia Pty Limited	Australia
KKR Biosimilar GP LLC	Delaware
KKR Blue Co-Invest GP Limited	Cayman Islands
KKR Brazil Aggregator GP LLC	Delaware
KKR Brazil LLC	Delaware
KKR Brickman Co-Invest GP LLC	Delaware
KKR Byzantium Infrastructure Co-Invest GP Limited	Cayman Islands
KKR Canada LLC	Delaware
KKR Canada ULC	Nova Scotia
KKR Capital Management LLC	Delaware
KKR Capital Markets Asia Limited	Hong Kong
KKR Capital Markets Holdings GP LLC	Delaware
KKR Capital Markets Holdings L.P.	Delaware
KKR Capital Markets India Private Limited	India
KKR Capital Markets Japan Holdings LLC	Delaware
KKR Capital Markets Japan Ltd.	Japan
KKR Capital Markets Limited	England & Wales
KKR Capital Markets LLC	Delaware
KKR CC Co-Invest GP LLC	Delaware
KKR CDP PE Limited	Cayman Islands
KKR Cementos GP S.à r.l.	Luxembourg
KKR Central Park Leasing Aggregator GP LLC	Delaware
KKR China Growth Limited	Cayman Islands
KKR Chrome Investors GP, LLC	Delaware
KKR CIS Global Limited	Cayman Islands



Name	Jurisdiction
KKR CK Co-Invest GP Limited	Cayman Islands
KKR Co G.P S.à r.l.	Luxembourg
KKR Co L.P S.à r.l.	Luxembourg
KKR Core Investors GP Limited	Cayman Islands
KKR Corporate Lending (CA) LLC	Delaware
KKR Corporate Lending (Cayman) Limited	Cayman Islands
KKR Corporate Lending (TN) LLC	Delaware
KKR Corporate Lending (UK) LLC	Delaware
KKR Corporate Lending LLC	Delaware
KKR CP Partners GP Limited	Cayman Islands
KKR Credit Advisors (EMEA) LLP	England & Wales
KKR Credit Advisors (Hong Kong) Limited	Hong Kong
KKR Credit Advisors (Ireland) Unlimited Company	Ireland
KKR Credit Advisors (UK) LLP	England & Wales
KKR Credit Advisors (US) LLC	Delaware
KKR Credit Fund Advisors LLC	Delaware
KKR Credit Relative Value GP L.P.	Cayman Islands
KKR Credit Select Limited	Cayman Islands
KKR CRV GP Limited	Cayman Islands
KKR CS Advisors I LLC	Delaware
KKR CS I Limited	Cayman Islands
KKR CS II Limited	Cayman Islands
KKR CS III Limited	Cayman Islands
KKR CS IX Limited	Cayman Islands
KKR CS V LLC	Delaware
KKR CS VIII Investor LLC	Delaware
KKR CS VIII Limited	Cayman Islands
KKR CS X Limited	Cayman Islands
KKR Custom Equity Opportunities (AIV) Limited	Cayman Islands
KKR Custom Equity Opportunities Limited	Cayman Islands
KKR Cyprus Holdings LLC	Delaware
KKR DBFH LLC	Delaware
KKR DBMH LLC	Delaware
KKR de Mexico, S.C.	Mexico
KKR Diversified Private Markets GP Holdings Limited	Cayman Islands
KKR do Brasil Gestão de Investimentos e Participações Ltda.	Brazil
KKR E2 Limited	Cayman Islands
KKR Eagle Aggregator GP Limited	Cayman Islands
KKR Eagle Asset Financing LLC	Delaware
KKR Eagle Co-Invest GP Limited	Cayman Islands
KKR EIGF AIV LLC	Delaware
KKR EIGF Feeder GP Limited	Cayman Islands
KKR EIGF LLC	Delaware
KKR Element Co-Invest GP LLC	Delaware
KKR EnerGas Aggregator GP Limited	Cayman Islands

Name	Jurisdiction
KKR Energy HF Stake II Limited	Cayman Islands
KKR Energy HF Stake III Limited	Cayman Islands
KKR Energy HF Stake Limited	Cayman Islands
KKR Energy Investors Blocker GP Limited	Cayman Islands
KKR Engage Investors GP LLC	Delaware
KKR Europe II Limited	Cayman Islands
KKR Europe III Limited	Cayman Islands
KKR Europe IV EEA Limited	Cayman Islands
KKR Europe IV EEA LLC	Delaware
KKR Europe IV Investments GP Limited	Cayman Islands
KKR Europe IV Limited	Cayman Islands
KKR Europe Limited	Cayman Islands
KKR Europe V Holdings Limited	Cayman Islands
KKR Europe V S.à r.l.	Luxembourg
KKR European Fund IV Investments L.P.	Cayman Islands
KKR European Infrastructure Limited	Cayman Islands
KKR European Infrastructure LLC	Delaware
KKR Evergreen Co-Invest GP Limited	Cayman Islands
KKR FH Investment Limited	Cayman Islands
KKR FI Advisors Cayman Ltd.	Cayman Islands
KKR FI Advisors LLC	Delaware
KKR Finance LLC	Delaware
KKR Financial Advisors II, LLC	Delaware
KKR Financial Advisors IV LLC	Delaware
KKR Financial Advisors LLC	Delaware
KKR Financial Holdings II, LLC	Delaware
KKR Financial Holdings II, Ltd.	Cayman Islands
KKR Financial Holdings III, LLC	Delaware
KKR Financial Holdings III, Ltd.	Cayman Islands
KKR Financial Holdings LLC	Delaware
KKR Financial Holdings, Inc.	Delaware
KKR Financial Holdings, Ltd.	Cayman Islands
KKR Financial Management LLC	Delaware
KKR Fund Holdings GP Limited	Cayman Islands
KKR Fund Holdings L.P.	Cayman Islands
KKR Gaudi Investors LLC	Delaware
KKR Genetic Disorder GP LLC	Delaware
KKR GFIP Limited	Cayman Islands
KKR Glory (KPE) Limited	Cayman Islands
KKR GMO GP Limited	Cayman Islands
KKR GMO II Holdings L.P.	Cayman Islands
KKR GMO II Holdings Limited	Cayman Islands
KKR GMO II US Holdings LLC	Delaware
KKR Greek Aggregator GP Limited	Cayman Islands
KKR Group Finance Co. II LLC	Delaware

Name	Jurisdiction
KKR Group Finance Co. III LLC	Delaware
KKR Group Finance Co. IV LLC	Delaware
KKR Group Finance Co. LLC	Delaware
KKR Group Holdings Corp.	Delaware
KKR Group Holdings L.P.	Cayman Islands
KKR Group Limited	Cayman Islands
KKR Gym GP Limited	Cayman Islands
KKR Harbourview Holdings Pty Ltd	Australia
KKR HCSG GP AIV LLC	Delaware
KKR HCSG GP LLC	Delaware
KKR Heford AIV GP LLC	Delaware
KKR HF LP Limited	Cayman Islands
KKR Holdings Mauritius, Ltd.	Mauritius
KKR HY LLC	Delaware
KKR IFI GP L.P.	Cayman Islands
KKR IFI Limited	Cayman Islands
KKR ILP LLC	Delaware
KKR India Advisors Private Limited	India
KKR India Finance Holdings LLC	Delaware
KKR India Financial Investments Pte. Ltd.	Singapore
KKR India Financial Services Private Limited	India
KKR India LLC	Delaware
KKR India Reconstruction Pte. Ltd.	Singapore
KKR Indigo Co-Invest GP LLC	Delaware
KKR Infrastructure (AIV) GP LLC	Delaware
KKR Infrastructure II AIV GP LLC	Delaware
KKR Infrastructure II EEA Limited	Cayman Islands
KKR Infrastructure II EEA LLC	Delaware
KKR Infrastructure II Limited	Cayman Islands
KKR Infrastructure III Holdings Limited	Cayman Islands
KKR Infrastructure III S.à r.l.	Luxembourg
KKR Infrastructure Limited	Cayman Islands
KKR International Holdings L.P.	Cayman Islands
KKR Investment Advisory (Shanghai) LLC	China
KKR Investment Advisory (Zhuhai Hengqin) Company Limited	China
KKR Investment Consultancy (Beijing) Company Limited	China
KKR Investment Holdings I (Mauritius), Ltd.	Mauritius
KKR Investment Management LLC	Delaware
KKR Investments LLC	Delaware
KKR Irish Holdings SPC Limited	Cayman Islands
KKR Irish Parent S.à r.l.	Luxembourg
KKR IUH LLC	Delaware
KKR Japan Limited	Japan
KKR Korea Limited Liability Corporation	Korea, Republic of
KKR KPE LLC	Delaware

Name	Jurisdiction
KKR Landmark Partners GP AIV LLC	Delaware
KKR Landmark Partners GP Limited	Cayman Islands
KKR Latin America LLC	Delaware
KKR Lending Europe GP Limited	Cayman Islands
KKR Lending Europe GP LLP	Guernsey
KKR Lending Europe Limited	Cayman Islands
KKR Lending GP LLC	Delaware
KKR Lending II GP LLC	Delaware
KKR Lending III GP LLC	Delaware
KKR Loan Administration Services LLC	Delaware
KKR LR Energy Limited	Cayman Islands
KKR Luxembourg S.à r.l.	Luxembourg
KKR Mackellar Partners GP Limited	Cayman Islands
KKR Magnitude GP LLC	Delaware
KKR Management Co Holdings LLC	Delaware
KKR Management Holdings Corp.	Delaware
KKR Management Holdings L.P.	Delaware
KKR Matterhorn Co-Invest GP Limited	Cayman Islands
KKR Mauritius PE Investments I, Ltd.	Mauritius
KKR Maven GP Limited	Cayman Islands
KKR Maven I SLP Limited	Cayman Islands
KKR Maven II SLP Limited	Cayman Islands
KKR MENA Holdings LLC	Delaware
KKR MENA Limited	Dubai International Financial Centre
KKR Mexico LLC	Delaware
KKR Mezzanine GP LLC	Delaware
KKR Mezzanine I Advisors LLC	Delaware
KKR Mezzanine Offshore Feeder I GP Limited	Cayman Islands
KKR Millennium GP LLC	Delaware
KKR Millennium Limited	Cayman Islands
KKR Milton Strategic Limited	Cayman Islands
KKR Nautilus Aggregator Limited	Cayman Islands
KKR Next Gen Tech Growth AIV LLC	Delaware
KKR Next Gen Tech Growth Limited	Cayman Islands
KKR NGT EEA Limited	Cayman Islands
KKR NGT EEA LLC	Delaware
KKR Noah GP Associates Limited	Cayman Islands
KKR North America Fund XI Brazil GP LLC	Delaware
KKR North America XI AIV GP LLC	Delaware
KKR North America XI Limited	Cayman Islands
KKR NR I LLC	Delaware
KKR NR II LLC	Delaware
KKR NR Investors I-A GP LLC	Delaware
KKR NZSF Limited	Cayman Islands
KKR Olive Co-Invest GP LLC	Delaware

Name	Jurisdiction
KKR Oracle Co-Invest GP LLC	Delaware
KKR Pacer Holdings GP Limited	Cayman Islands
KKR Pacer Holdings L.P.	Cayman Islands
KKR Par Holdings Ltd.	Cayman Islands
KKR Partners IV GP LLC	Delaware
KKR PCOP II (EEA) Limited	Cayman Islands
KKR PCOP II (EEA) LLC	Delaware
KKR PCOP II (Offshore) Limited	Cayman Islands
KKR PCOP II GP LLC	Delaware
KKR PEI Associates, L.P.	Guernsey
KKR PEI GP Limited	Cayman Islands
KKR PEI Investments, L.P.	Guernsey
KKR PEI Opportunities GP, Ltd.	Cayman Islands
KKR PEI Opportunities, L.P.	Cayman Islands
KKR PEI Securities Holdings, Ltd.	Cayman Islands
KKR Phoenix Co-Invest GP Limited	Cayman Islands
KKR Phorm Investors GP LLC	Delaware
KKR PIP GP LLC	Delaware
KKR Platinum Co-Invest Blocker Parent GP LLC	Delaware
KKR Platinum Co-Invest GP LLC	Delaware
KKR Point Investments LLC	Delaware
KKR Principal Opportunities (Domestic) Limited	Cayman Islands
KKR Principal Opportunities (Offshore) Limited	Cayman Islands
KKR Principal Opportunities AIV (Domestic) Limited	Cayman Islands
KKR Principal Opportunities AIV (Offshore) Limited	Cayman Islands
KKR RCP Europe Limited	Cayman Islands
KKR RCP Europe S.à r.l.	Luxembourg
KKR Real Estate Finance Holdings L.P.	Delaware
KKR Real Estate Finance Manager LLC	Delaware
KKR Real Estate Finance Trust Inc.	Maryland
KKR Real Estate Fund GP LLC	Delaware
KKR Real Estate Fund Holdings L.P.	Delaware
KKR Real Estate Management GP LLC	Delaware
KKR Real Estate Management Holdings L.P.	Delaware
KKR RECOI (Cayman) Limited	Cayman Islands
KKR RECOI (Singapore) Pte. Ltd.	Singapore
KKR RECOP Aggregator (AIV) GP LLC	Delaware
KKR RECOP Aggregator GP LLC	Delaware
KKR REFT Asset Holdings LLC	Delaware
KKR REFT Holdings GP LLC	Delaware
KKR REFT Holdings L.P.	Delaware
KKR Renaissance Co-Invest GP LLC	Delaware
KKR REPA AIV-3 GP LLC	Delaware
KKR REPA AIV-4 GP Ltd.	Cayman Islands
KKR REPA AIV-5 GP Ltd.	Cayman Islands

Name	Jurisdiction
KKR REPA GP LLC	Delaware
KKR REPA II GP LLC	Delaware
KKR REPA II GP2 LLC	Delaware
KKR REPE EEA Limited	Cayman Islands
KKR REPE EEA LLC	Delaware
KKR REPE GP Limited	Cayman Islands
KKR Revolving Credit Associates II L.P.	Cayman Islands
KKR Revolving Credit Partners II Limited	Cayman Islands
KKR Revolving Credit Partners Limited	Cayman Islands
KKR Ride Co-Invest GP LLC	Delaware
KKR Rise Co-Invest GP Limited	Cayman Islands
KKR RTV Manager LLC	Delaware
KKR SA Co-Invest GP Limited	Cayman Islands
KKR SA Master GP Limited	Cayman Islands
KKR Saudi Limited	Saudi Arabia
KKR Selena Co-Invest GP Limited	Cayman Islands
KKR Sentinel Co-Invest GP LLC	Delaware
KKR Shanda Limited	Cayman Islands
KKR Singapore Pte. Ltd.	Singapore
KKR SMRS LLC	Delaware
KKR Spark Power Holdings I (Mauritius), Ltd.	Mauritius
KKR Spark Power Holdings IV (Mauritius), Ltd.	Mauritius
KKR Special Situations (Domestic) II Limited	Cayman Islands
KKR Special Situations (Domestic) Limited	Cayman Islands
KKR Special Situations (Offshore) II Limited	Cayman Islands
KKR Special Situations (Offshore) Limited	Cayman Islands
KKR SPN GP Limited	Cayman Islands
KKR Square GP Limited	Cayman Islands
KKR STG Co-Invest GP LLC	Delaware
KKR Strategic Capital Institutional Fund, Ltd.	Cayman Islands
KKR Strategic Capital Management, L.L.C.	Delaware
KKR Streaming Aggregator GP Limited	Cayman Islands
KKR Subsidiary Corp.	Delaware
KKR Subsidiary Partnership L.P.	Delaware
KKR Taurus Co-Invest GP Limited	Cayman Islands
KKR TC Investors GP Limited	Cayman Islands
KKR TE Seeder LLC	Delaware
KKR TFO GP Limited	Cayman Islands
KKR Topaz LLC	Delaware
KKR TRS Holdings, Ltd.	Cayman Islands
KKR Turbine Investors LLC	Delaware
KKR TV SPN GP Limited	Cayman Islands
KKR Uno LLC	Delaware
KKR Upstream Associates LLC	Delaware
KKR Upstream LLC	Delaware

Name	Jurisdiction
KKR US Risk Retention Associates Ltd.	Cayman Islands
KKR Victoria GP Limited	Cayman Islands
KKR Vision Investors GP LLC	Delaware
KKR Wolverine I Sponsor LLC	Delaware
KKR YC AIV-1 Associates L.P.	Delaware
KKR YC Associates GP L.P.	Cayman Islands
KKR YC Associates GP Limited	Cayman Islands
KKR YC Associates L.P.	Cayman Islands
KKR-Jesselton HIF Credit Partners GP Limited	Cayman Islands
KKR-Keats Associates Pipeline (AIV) L.P.	Delaware
KKR-Keats Associates Pipeline L.P.	Delaware
KKR-Keats Pipeline (AIV) LLC	Delaware
KKR-Keats Pipeline LLC	Delaware
KKR-MM Vector GP LLC	Delaware
KKR-NWM GP Limited	Cayman Islands
KKR-NYC Credit A GP LLC	Delaware
KKR-NYC Credit B GP LLC	Delaware
KKR-NYC SP GP FH LLC	Delaware
KKR-NYC SP GP MH LLC	Delaware
KKR-UWF Direct Lending GP LLC	Delaware
Kohlberg Kravis Roberts & Co. (International) Partners LLP	Delaware
Kohlberg Kravis Roberts & Co. L.P.	Delaware
Kohlberg Kravis Roberts & Co. Ltd	England & Wales
Kohlberg Kravis Roberts & Co. Partners LLP	England & Wales
Kohlberg Kravis Roberts & Co. SAS	France
Kohlberg Kravis Roberts (España) Asesores SL	Spain
Kohlberg Kravis Roberts GmbH	Germany
KREF Capital LLC	Delaware
KREF Capital TRS LLC	Delaware
KREF Holdings I LLC	Delaware
KREF Holdings II LLC	Delaware
KREF Holdings III LLC	Delaware
KREF Holdings IV LLC	Delaware
KREF Holdings V LLC	Delaware
KREF Holdings X LLC	Delaware
KREF Lending I LLC	Delaware
KREF Lending II LLC	Delaware
KREF Lending III LLC	Delaware
KREF Lending III TRS LLC	Delaware
KREF Lending IV LLC	Delaware
KREF Lending V LLC	Delaware
KREF Management Unit Holdings LLC	Delaware
KREF Mezz Holdings LLC	Delaware
KREF RECOP Holdings LLC	Delaware
KREF Securities Holdings II, LLC	Delaware

Name	Jurisdiction
KREF Securities Holdings, LLC	Delaware
KREFT 625NMA, LLC	Delaware
KREFT REOC LLC	Delaware
Lion Restaurant Holdings Trust	California
LP III Warehouse LLC	Delaware
LRG Investor LLC	Delaware
Machine Investors GP Limited	Cayman Islands
Magic Investors GP LLC	Delaware
Magic Investors L.P.	Delaware
MBF Co-Invest GP Limited	Cayman Islands
MCS Capital Markets LLC	Delaware
MCS Corporate Lending LLC	Delaware
Merchant Capital Solutions LLC	Delaware
New Omaha Co-Invest GP, LLC	Delaware
NIM Aggregator LLC	Delaware
Orange Assets LLC	Delaware
Pacova Limited	Jersey
Ping Investors LLC	Delaware
Ranger (NZ) Pte. Ltd.	Singapore
REFH 909 Half Street Investors LLC	Delaware
REFH 909 Half Street Investors TRS LLC	Delaware
REFH Holdings LLC	Delaware
REFH SR Mezz LLC	Delaware
Renee Holding GP LLC	Delaware
Royalty (GP) Pte. Ltd.	Singapore
Samson Co-Invest GP LLC	Delaware
Silverview Investments Pte. Ltd.	Singapore
Spiral Holding GP S.à r.l.	Luxembourg
Sprint Co-Invest 2 GP Limited	Cayman Islands
Sugary Asset Holdings LLC	Delaware
TEA GP Limited	Cayman Islands
Uno Co-Invest GP LLC	Delaware
Valhalla Co-Invest GP Limited	Cayman Islands
Venado EF Holdings GP LLC	Delaware



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-210061 on Form S-3ASR, Registration Statement No. 333-171601 on Form S-8, Registration Statement No. 333-208019 on Form S-3, as amended by Amendment No. 1, Registration Statement No. 333-196059 on Form S-3, Registration Statement No. 333-196052 on Form S-3, Registration Statement No. 333-194249 on Form S-3 and Registration Statement No. 333-169433 on Form S-1, as amended by Post-Effective Amendment No. 2 on Form S-3 of our report dated February 23, 2018, relating to the consolidated financial statements and financial statement schedule of KKR & Co. L.P. and subsidiaries (the “Company”) and the effectiveness of the Company’s internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2017.

/s/ Deloitte & Touche LLP

New York, New York

February 23, 2018

## CO-CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Henry R. Kravis, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2017 of KKR & Co. L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2018

/s/ Henry R. Kravis

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Henry R. Kravis

*Co-Chief Executive Officer*

**CO-CHIEF EXECUTIVE OFFICER CERTIFICATION**

I, George R. Roberts, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2017 of KKR & Co. L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2018

/s/ George R. Roberts

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George R. Roberts

*Co-Chief Executive Officer*

## CHIEF FINANCIAL OFFICER CERTIFICATION

I, William J. Janetschek, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2017 of KKR & Co. L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2018

/s/ William J. Janetschek

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William J. Janetschek

*Chief Financial Officer*

**CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER**

**Pursuant to 18 U.S.C. §1350,  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of KKR & Co. L.P. (the "Partnership") on Form 10-K for the period ended December 31, 2017 as filed with the Securities and Exchange Commission (the "Report"), I, Henry R. Kravis, Co-Chief Executive Officer of the general partner of the Partnership, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: February 23, 2018

/s/ Henry R. Kravis

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Henry R. Kravis

*Co-Chief Executive Officer*

\* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

**CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER**

**Pursuant to 18 U.S.C. §1350,  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of KKR & Co. L.P. (the "Partnership") on Form 10-K for the period ended December 31, 2017 as filed with the Securities and Exchange Commission (the "Report"), I, George R. Roberts, Co-Chief Executive Officer of the general partner of the Partnership, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: February 23, 2018

/s/ George R. Roberts

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George R. Roberts

*Co-Chief Executive Officer*

\* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

**Pursuant to 18 U.S.C. §1350,  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of KKR & Co. L.P. (the "Partnership") on Form 10-K for the period ended December 31, 2017 as filed with the Securities and Exchange Commission (the "Report"), I, William J. Janetschek, Chief Financial Officer of the general partner of the Partnership, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: February 23, 2018

/s/ William J. Janetschek

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William J. Janetschek

*Chief Financial Officer*

\* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

# **EXHIBIT C-4**



# KKR & CO. INC.

## FORM 10-K (Annual Report)

Filed 02/24/17 for the Period Ending 12/31/16

Address	9 WEST 57TH STREET, SUITE 4200 NEW YORK, NY, 10019
Telephone	212-750-8300
CIK	0001404912
Symbol	KKR
SIC Code	6282 - Investment Advice
Industry	Investment Management & Fund Operators
Sector	Financials
Fiscal Year	12/31

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

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**Form 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**  
For the fiscal year ended December 31, 2016

Or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**  
For the Transition period from        to        .  
Commission File Number 001-34820

**KKR & CO. L.P.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other Jurisdiction of  
Incorporation or Organization)

**26-0426107**  
(I.R.S. Employer  
Identification Number)

**9 West 57<sup>th</sup> Street, Suite 4200  
New York, New York 10019  
Telephone: (212) 750-8300**

(Address, zip code, and telephone number, including  
area code, of registrant's principal executive office.)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common units representing limited partner interests	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 and 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the common units of the registrant held by non-affiliates as of June 30, 2016, was approximately \$5.4 billion. As of February 22, 2017, there were 452,723,038 Common Units of the registrant outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

None

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**KKR & CO. L.P.**

**FORM 10-K**

**For the Year Ended December 31, 2016**

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, or the Exchange Act, which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward looking statements by the use of words such as "outlook," "believe," "expect," "potential," "continue," "may," "should," "seek," "approximately," "predict," "intend," "will," "plan," "estimate," "anticipate," the negative version of these words, other comparable words or other statements that do not relate strictly to historical or factual matters. Without limiting the foregoing, statements regarding the declaration and payment of distributions on common or preferred units of KKR, the timing, manner and volume of repurchases of common units pursuant to a repurchase program, the announced transaction to combine KKR Prisma and Pacific Alternative Asset Management Company, LLC and the expected synergies from the acquisitions or strategic partnerships, may constitute forward-looking statements. Forward looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements or cause the benefits and anticipated synergies from transactions to not be realized. We believe these factors include those described under the section entitled "Risk Factors" in this report. These factors should be read in conjunction with the other cautionary statements that are included in this report and in our other periodic filings. We do not undertake any obligation to publicly update or review any forward looking statement, whether as a result of new information, future developments or otherwise.

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In this report, references to "KKR," "we," "us," "our" and "our partnership" refer to KKR & Co. L.P. and its consolidated subsidiaries. Prior to KKR & Co. L.P. becoming listed on the New York Stock Exchange ("NYSE") on July 15, 2010, KKR Group Holdings L.P. ("Group Holdings") consolidated the financial results of KKR Management Holdings L.P. and KKR Fund Holdings L.P. (together, the "KKR Group Partnerships") and their consolidated subsidiaries. On August 5, 2014, KKR International Holdings L.P. became a KKR Group Partnership. Each KKR Group Partnership has an identical number of partner interests and, when held together, one Class A partner interest in each of the KKR Group Partnerships together represents one KKR Group Partnership Unit. In connection with KKR's issuance of Series A Preferred Units and Series B Preferred Units, the KKR Group Partnerships issued preferred units with economic terms designed to mirror those of the Series A Preferred Units and Series B Preferred Units, respectively.

References to "our Managing Partner" are to KKR Management LLC, which acts as our general partner and unless otherwise indicated, references to equity interests in KKR's business, or to percentage interests in KKR's business, reflect the aggregate equity of the KKR Group Partnerships and are net of amounts that have been allocated to our principals and other employees and non-employee operating consultants in respect of the carried interest from KKR's business as part of our "carry pool" and certain minority interests. References to "principals" are to our senior employees and non-employee operating consultants who hold interests in KKR's business through KKR Holdings L.P., which we refer to as "KKR Holdings," and references to our "senior principals" are to our senior employees who hold interests in our Managing Partner entitling them to vote for the election of its directors.

References to non-employee operating consultants include employees of KKR Capstone and are not employees of KKR. KKR Capstone refers to a group of entities that are owned and controlled by their senior management. KKR Capstone is not a subsidiary or affiliate of KKR. KKR Capstone operates under several consulting agreements with KKR and uses the "KKR" name under license from KKR.

Prior to October 1, 2009, KKR's business was conducted through multiple entities for which there was no single holding entity, but were under common control of senior KKR principals, and in which senior principals and KKR's other principals and individuals held ownership interests (collectively, the "Predecessor Owners"). On October 1, 2009, we completed the acquisition of all of the assets and liabilities of KKR & Co. (Guernsey) L.P. (f/k/a KKR Private Equity Investors, L.P. or "KPE") and, in connection with such acquisition, completed a series of transactions pursuant to which the business of KKR was reorganized into a holding company structure. The reorganization involved a contribution of certain equity interests in KKR's business that were held by KKR's Predecessor Owners to the KKR Group Partnerships in exchange for equity interests in the KKR Group Partnerships held through KKR Holdings. We refer to the acquisition of the assets and liabilities of KPE and to our subsequent reorganization into a holding company structure as the "KPE Transaction."

In this report, the term "GAAP" refers to accounting principles generally accepted in the United States of America.

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We disclose certain financial measures in this report that are calculated and presented using methodologies other than in accordance with GAAP. We believe that providing these performance measures on a supplemental basis to our GAAP results is helpful to unitholders in assessing the overall performance of KKR's businesses. These financial measures should not be considered as a substitute for similar financial measures calculated in accordance with GAAP, if available. We caution readers that these non-GAAP financial measures may differ from the calculations of other investment managers, and as a result, may not be comparable to similar measures presented by other investment managers. Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP, where applicable, are included within "Consolidated Financial Statements—Note 14. Segment Reporting" and later in this report under "Management's Discussion and Analysis of Financial Condition and Results of Operations — Segment Operating and Performance Measures" and " — Segment Balance Sheet."

This report uses the terms assets under management or AUM, fee paying assets under management or FPAUM, economic net income or ENI, fee related earnings or FRE, distributable earnings, capital invested, syndicated capital and book value. You should note that our calculations of these financial measures and other financial measures may differ from the calculations of other investment managers and, as a result, our financial measures may not be comparable to similar measures presented by other investment managers. These and other financial measures are defined in the section "Management's Discussion and Analysis of Financial Condition & Results of Operations—Segment Operating and Performance Measures" and " — Segment Balance Sheet."

References to "our funds" or "our vehicles" refer to investment funds, vehicles and accounts advised, sponsored or managed by one or more subsidiaries of KKR including CLO and CMBS vehicles, unless the context requires otherwise. They do not include investment funds, vehicles or accounts of any hedge fund manager with which we have formed a strategic partnership where we have acquired a non-controlling interest.

Unless otherwise indicated, references in this report to our fully exchanged and diluted common units outstanding, or to our common units outstanding on a fully exchanged and diluted basis, reflect (i) actual common units outstanding, (ii) common units into which KKR Group Partnership Units not held by us are exchangeable pursuant to the terms of the exchange agreement described in this report, (iii) common units issuable in respect of exchangeable equity securities issued in connection with the acquisition of Avoca Capital ("Avoca"), and (iv) common units issuable pursuant to any equity awards actually granted from the KKR & Co. L.P. 2010 Equity Incentive Plan, which we refer to as our "Equity Incentive Plan," but do not reflect common units available for issuance pursuant to our Equity Incentive Plan for which equity awards have not yet been granted.

## PART I

### ITEM 1. BUSINESS

#### Overview

We are a leading global investment firm that manages investments across multiple asset classes including private equity, energy, infrastructure, real estate, growth equity, credit and hedge funds. We aim to generate attractive investment returns by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation in the assets we manage. We invest our own capital alongside the capital we manage for fund investors and bring debt and equity investment opportunities to others through our capital markets business.

Our business offers a broad range of investment management services to our fund investors and provides capital markets services to our firm, our portfolio companies and third parties. Throughout our history, we have consistently been a leader in the private equity industry, having completed more than 280 private equity investments in portfolio companies with a total transaction value in excess of \$530 billion as of December 31, 2016. We have grown our firm by expanding our geographical presence and building businesses in areas, such as credit, special situations, hedge funds, collateralized loan obligations (“CLOs”), capital markets, infrastructure, energy, real estate and growth equity. Our balance sheet has provided a significant source of capital in the growth and expansion of our business, and has allowed us to further align our interests with those of our fund investors. These efforts build on our core principles and industry expertise, allowing us to leverage the intellectual capital and synergies in our businesses, and to capitalize on a broader range of the opportunities we source. Additionally, we have increased our focus on meeting the needs of our existing fund investors and in developing relationships with new investors in our funds.

We conduct our business with offices throughout the world, providing us with a pre-eminent global platform for sourcing transactions, raising capital and carrying out capital markets activities. Our growth has been driven by value that we have created through our operationally focused investment approach, the expansion of our existing businesses, our entry into new lines of business, innovation in the products that we offer investors in our funds, an increased focus on providing tailored solutions to our clients and the integration of capital markets distribution activities.

As a global investment firm, we earn management, monitoring, transaction, incentive fees and carried interest for providing investment management, monitoring and other services to our funds, vehicles, CLOs, managed accounts and portfolio companies, and we generate transaction-specific income from capital markets transactions. We earn additional investment income from investing our own capital alongside that of our fund investors, from other assets on our balance sheet and from the carried interest we receive from our funds and certain of our other investment vehicles. A carried interest entitles the sponsor of a fund to a specified percentage of investment gains that are generated on third-party capital that is invested.

Our investment teams have deep industry knowledge and are supported by a substantial and diversified capital base, an integrated global investment platform, the expertise of operating consultants, senior advisors and other advisors and a worldwide network of business relationships that provide a significant source of investment opportunities, specialized knowledge during due diligence and substantial resources for creating and realizing value for stakeholders. These teams invest capital, a substantial portion of which is of a long duration and not subject to redemption. As of December 31, 2016, approximately 75% of our fee paying assets under management are not subject to redemption for at least 8 years from inception, providing us with significant flexibility to grow investments and select exit opportunities. We believe that these aspects of our business will help us continue to expand and grow our business and deliver strong investment performance in a variety of economic and financial conditions.

#### Recent Developments

On February 6, 2017, KKR and Pacific Alternative Asset Management Company, LLC (“PAAMCO”) announced that they entered into a strategic transaction to create a new liquid alternatives investment firm by combining PAAMCO and KKR Prisma. Under the terms of the agreement, the entire businesses of both PAAMCO and KKR Prisma will be contributed to a newly formed company that will operate independently from KKR, and KKR will retain a 39.9% stake as a long-term strategic partner. This transaction is subject to the satisfaction of customary closing conditions, including the receipt of requisite regulatory approvals.

Beginning with the results for the quarter ending March 31, 2017, KKR intends to increase its regular quarterly distribution to holders of its common units from \$0.16 to \$0.17 per common unit per quarter. There can be no assurance that future distributions will be made as intended or at all.

On February 9, 2017, KKR announced that its Managing Partner's board of directors authorized an incremental \$250 million to repurchase common units. This amount is in addition to the \$41.2 million remaining as of February 9, 2017 under the current repurchase program, which was originally announced on October 27, 2015. Common units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise.

### **Our Firm**

With offices around the world, we have established ourselves as a leading global investment firm. We have multilingual and multicultural investment teams with local market knowledge and significant business, investment, and operational experience in the countries in which we invest. We believe that our global capabilities have helped us to raise capital, capture a greater number of investment opportunities, and assist our portfolio companies in their increasing reliance on global markets and sourcing, while enabling us to diversify our operations.

Though our operations span multiple continents and asset classes, our investment professionals are supported by an integrated infrastructure and operate under a common set of principles and business practices that are monitored by a variety of committees. The firm operates with a single culture that rewards investment discipline, creativity, determination, and patience and the sharing of information, resources, expertise, and best practices across offices and asset classes. When appropriate, we staff transactions across multiple offices and businesses in order to take advantage of the industry-specific expertise of our investment professionals, and we hold regular meetings in which investment professionals throughout our offices share their knowledge and experiences. We believe that the ability to draw on the local cultural fluency of our investment professionals while maintaining a centralized and integrated global infrastructure distinguishes us from other investment firms and has been a substantial contributing factor to our ability to raise funds, invest internationally and expand our businesses.

Since our inception, one of our fundamental philosophies has been to align the interests of the firm and our principals with the interests of our fund investors, portfolio companies and other stakeholders. We achieve this by putting our own capital behind our ideas. As of December 31, 2016, we and our employees and other personnel have approximately \$13.0 billion invested in or committed to our own funds and portfolio companies, including \$7.5 billion funded from our balance sheet, \$2.6 billion of additional commitments from our balance sheet to investment funds, \$1.7 billion in personal investments and \$1.2 billion of additional commitments from personal investments.

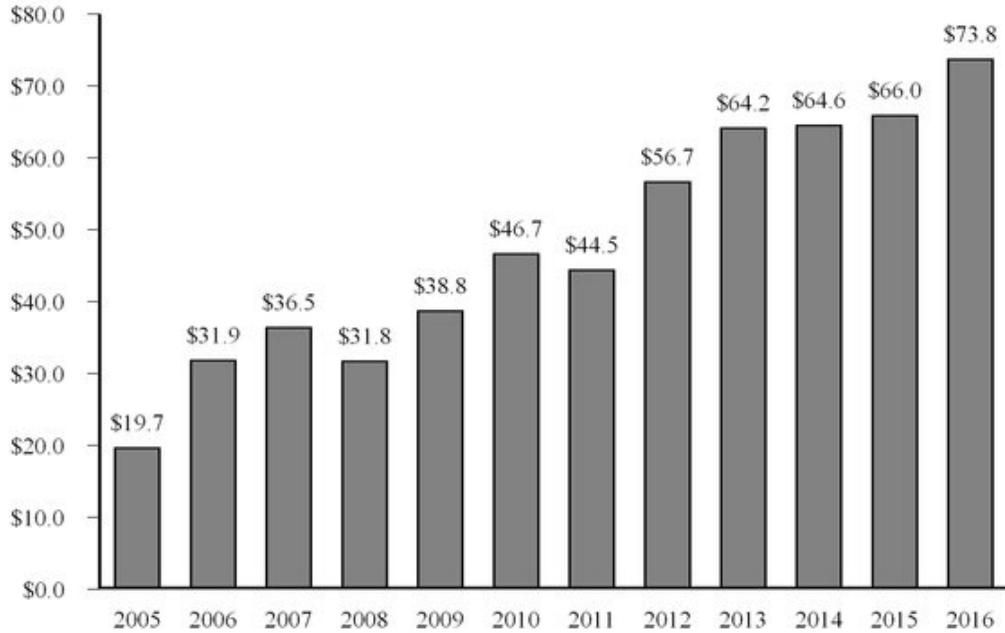
### **Our Segments**

#### ***Private Markets***

Through our Private Markets segment, we manage and sponsor a group of private equity funds and co-investment vehicles that invest capital for long-term appreciation, either through controlling ownership of a company or strategic minority positions. We also manage and sponsor a group of funds and co-investment vehicles that invest capital in real assets, such as infrastructure, energy, real estate and growth equity. These funds, vehicles and accounts are managed by Kohlberg Kravis Roberts & Co. L.P., an SEC registered investment adviser. As of December 31, 2016, the segment had \$73.8 billion of AUM and FPAUM of \$52.2 billion, consisting of \$41.4 billion in private equity and growth equity and \$10.8 billion in real assets (including infrastructure, energy and real estate) and other strategies. Prior to 2010, FPAUM in the Private Markets segment consisted entirely of private equity funds.



**Private Markets  
Assets Under Management (1)  
(\$ in billions)**



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(1) For the years 2006 through 2008, assets under management are presented pro forma for the KPE Transaction, and therefore, exclude the net asset value of KPE and its former commitments to our investment funds. In 2015, our definition of AUM was amended to include capital commitments for which we are eligible to receive fees or carried interest upon deployment of capital and our pro-rata portion of the AUM managed by strategic partnerships in which we hold a minority ownership interest. AUM for all prior periods has been adjusted to include such changes.

The table below presents information as of December 31, 2016 relating to our current private equity, growth equity and real asset funds and other investment vehicles for which we have the ability to earn carried interest. This data does not reflect acquisitions or disposals of investments, changes in investment values or distributions occurring after December 31, 2016 .

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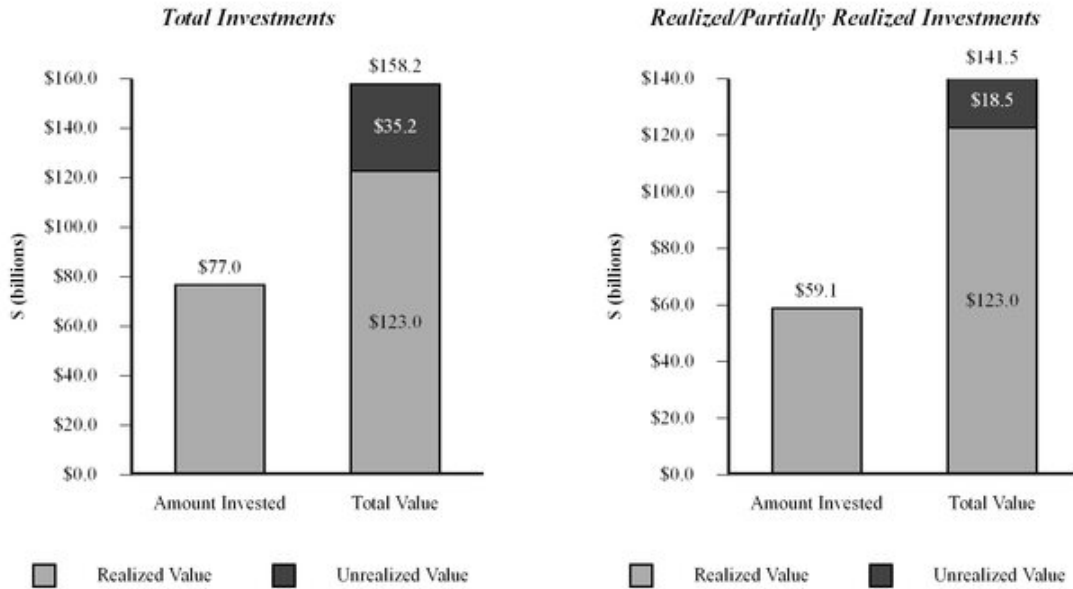
	Investment Period <sup>(1)</sup>		Amount (\$ in millions)							
	Commencement Date	End Date	Commitment <sup>(2)</sup>	Uncalled Commitments	Percentage Committed by General Partner	Invested	Realized	Remaining Cost <sup>(3)</sup>	Remaining Fair Value	
<b>Private Markets</b>										
<b>Private Equity and Growth Equity</b>										
Americas Fund XII	1/2017	1/2023	\$ 12,877.9	\$ 12,877.9	7.8%	\$ —	\$ —	\$ —	\$ —	
Next Generation Technology Growth Fund	3/2016	3/2021	658.9	568.2	22.5%	90.7	—	90.7	102.6	
European Fund IV <sup>(4)</sup>	12/2014	12/2020	3,430.3	2,257.3	5.8%	1,181.9	—	1,181.9	1,239.4	
Asian Fund II <sup>(4)</sup>	4/2013	4/2019	5,825.0	2,789.3	1.3%	3,867.7	895.0	3,012.1	5,114.1	
North America Fund XI <sup>(4)</sup>	9/2012	1/2017	8,718.4	1,844.5	2.9%	8,188.3	3,411.3	5,962.8	8,941.9	
China Growth Fund	11/2010	11/2016	1,010.0	116.7	1.0%	893.3	347.9	694.2	920.3	
E2 Investors (Annex Fund)	8/2009	11/2013	195.8	—	4.9%	195.8	195.7	18.1	6.9	
European Fund III	3/2008	3/2014	6,108.3	781.0	4.7%	5,327.3	6,198.0	2,417.9	3,393.1	
Asian Fund	7/2007	4/2013	3,983.3	105.6	2.5%	3,877.7	7,360.0	927.2	991.0	
2006 Fund	9/2006	9/2012	17,642.2	387.2	2.1%	17,255.0	22,469.1	6,489.5	10,080.2	
European Fund II	11/2005	10/2008	5,750.8	—	2.1%	5,750.8	8,324.1	35.3	215.7	
Millennium Fund	12/2002	12/2008	6,000.0	—	2.5%	6,000.0	13,116.4	471.3	771.2	
<b>Total Private Equity and Growth Equity</b>			<b>72,200.9</b>	<b>21,727.7</b>		<b>52,628.5</b>	<b>62,317.5</b>	<b>21,301.0</b>	<b>31,776.4</b>	
Co-Investment Vehicles and Other <sup>(4)</sup>	Various	Various	8,178.6	3,554.0	Various	4,811.5	2,981.8	3,439.4	4,414.0	
<b>Total Private Equity and Growth Equity</b>			<b>80,379.5</b>	<b>25,281.7</b>		<b>57,440.0</b>	<b>65,299.3</b>	<b>24,740.4</b>	<b>36,190.4</b>	
<b>Real Assets</b>										
Energy Income and Growth Fund	9/2013	9/2018	1,974.2	1,013.4	12.9%	960.8	206.4	828.2	769.9	
Natural Resources Fund	Various	Various	887.4	2.9	Various	884.5	96.6	809.9	218.4	
Global Energy Opportunities <sup>(4)</sup>	Various	Various	979.2	675.1	Various	342.4	57.1	230.0	233.4	
Global Infrastructure Investors <sup>(4)</sup>	9/2011	10/2014	1,039.8	75.9	4.8%	994.9	649.7	649.4	771.5	
Global Infrastructure Investors II <sup>(4)</sup>	10/2014	10/2020	3,023.6	2,091.2	4.1%	969.3	39.4	929.9	948.8	
Real Estate Partners Americas <sup>(4)</sup>	5/2013	5/2017	1,229.1	674.6	16.3%	892.5	633.5	554.1	596.0	
Real Estate Partners Europe <sup>(4)</sup>	9/2015	6/2020	688.2	593.0	9.1%	95.2	—	95.2	102.8	
Co-Investment Vehicles and Other	Various	Various	1,674.9	538.8	Various	1,136.1	452.1	1,134.6	1,348.2	
<b>Real Assets</b>			<b>\$ 11,496.4</b>	<b>\$ 5,664.9</b>		<b>\$ 6,275.7</b>	<b>\$ 2,134.8</b>	<b>\$ 5,231.3</b>	<b>\$ 4,989.0</b>	
Unallocated Commitments			532.1	532.1	Various	—	—	—	—	
<b>Private Markets Total</b>			<b>\$ 92,408.0</b>	<b>\$ 31,478.7</b>		<b>\$ 63,715.7</b>	<b>\$ 67,434.1</b>	<b>\$ 29,971.7</b>	<b>\$ 41,179.4</b>	

- (1) The commencement date represents the date on which the general partner of the applicable fund commenced investment of the fund's capital or the date of the first closing. The end date represents the earlier of (i) the date on which the general partner of the applicable fund was or will be required by the fund's governing agreement to cease making investments on behalf of the fund, unless extended by a vote of the fund investors or (ii) the date on which the last investment was made.
- (2) The commitment represents the aggregate capital commitments to the fund, including capital commitments by third-party fund investors and the general partner. Foreign currency commitments have been converted into U.S. dollars based on (i) the foreign exchange rate at the date of purchase for each investment and (ii) the exchange rate that prevailed on December 31, 2016, in the case of uncalled commitments.
- (3) The remaining cost represents the initial investment of the general partner and limited partners, with the limited partners' investment reduced for any return of capital and realized gains from which the general partner did not receive a carried interest.
- (4) The "Invested" and "Realized" columns include the amounts of any realized investments that restored the unused capital commitments of the fund investors.

*Performance*

We take a long-term approach to Private Markets investing and measure the success of our investments over a period of years rather than months. Given the duration of these investments, the firm focuses on realized multiples of invested capital and IRRs when deploying capital in these transactions. We have more than doubled the value of capital that we have invested in our Private Markets investment funds, turning \$77.0 billion of capital into \$158.2 billion of value from our inception in 1976 to December 31, 2016. Over this same period, the value of capital that we have invested in our Private Markets investment funds and that has been realized and partially realized has grown from \$59.1 billion to \$141.5 billion.

**Amount Invested and Total Value for  
Private Markets Investment Funds  
As of December 31, 2016**



From our inception in 1976 through December 31, 2016, our investment funds with at least 24 months of investment activity generated a cumulative gross IRR of 25.6%, compared to the 12.1% and 8.8% gross IRR achieved by the S&P 500 Index and MSCI World Index, respectively, over the same period, despite the cyclical and sometimes challenging environments in which we have operated. The S&P 500 Index and MSCI World Index are unmanaged indices and such returns assume reinvestment of distributions and do not reflect any fees or expenses. Our past performance, however, may not be representative of performance in any given period. For example, as of March 31, 2009, the date of the lowest aggregate valuation of our private equity funds during the 2008 and 2009 market downturn, the investments in certain of our private equity funds at the time were marked down to 67% of original cost. For additional information regarding impact of market conditions on the value and performance of our investments, see “Risk Factors-Risks Related to Our Business-Difficult market conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial condition.” and “-Risks Related to the Assets We Manage-The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds or of our future results or of any returns on our common units.”

The tables below present information as of December 31, 2016 relating to the historical performance of certain of our Private Markets investment vehicles since inception, which we believe illustrates the benefits of our investment approach. The information presented under Total Investments includes all of the investments made by the specified investment vehicle, while the information presented under Realized/Partially Realized Investments includes only those investments that have been disposed of or have otherwise generated disposition proceeds or current income including dividends that have been distributed

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by the relevant fund. This data does not reflect additional capital raised since December 31, 2016 or acquisitions or disposals of investments, changes in investment values or distributions occurring after that date. Past performance is no guarantee of future results.

Private Markets Investment Funds	Amount		Fair Value of Investments			Total Value	Gross IRR <sup>(5)</sup>	Net IRR <sup>(5)</sup>	Multiple of Invested Capital <sup>(5)</sup>
	Commitment	Invested <sup>(5)</sup>	Realized <sup>(5)</sup>	Unrealized					
(\$ in millions)									
<b>Total Investments</b>									
<i>Legacy Funds <sup>(1)</sup></i>									
1976 Fund	\$ 31.4	\$ 31.4	\$ 537.2	\$ —	\$ 537.2		39.5 %	35.5 %	17.1
1980 Fund	356.8	356.8	1,827.8	—	1,827.8		29.0 %	25.8 %	5.1
1982 Fund	327.6	327.6	1,290.7	—	1,290.7		48.1 %	39.2 %	3.9
1984 Fund	1,000.0	1,000.0	5,963.5	—	5,963.5		34.5 %	28.9 %	6.0
1986 Fund	671.8	671.8	9,080.7	—	9,080.7		34.4 %	28.9 %	13.5
1987 Fund	6,129.6	6,129.6	14,949.2	—	14,949.2		12.1 %	8.9 %	2.4
1993 Fund	1,945.7	1,945.7	4,143.3	—	4,143.3		23.6 %	16.8 %	2.1
1996 Fund	6,011.6	6,011.6	12,476.9	—	12,476.9		18.0 %	13.3 %	2.1
Subtotal - Legacy Funds	16,474.5	16,474.5	50,269.3	—	50,269.3		26.1 %	19.9 %	3.1
<i>Included Funds</i>									
European Fund (1999) <sup>(2)</sup>	3,085.4	3,085.4	8,757.7	—	8,757.7		26.9 %	20.2 %	2.8
Millennium Fund (2002)	6,000.0	6,000.0	13,116.4	771.2	13,887.6		22.0 %	16.0 %	2.3
European Fund II (2005) <sup>(2)</sup>	5,750.8	5,750.8	8,324.1	215.7	8,539.8		6.1 %	4.5 %	1.5
2006 Fund (2006)	17,642.2	17,255.0	22,469.1	10,080.2	32,549.3		11.4 %	8.8 %	1.9
Asian Fund (2007)	3,983.3	3,877.7	7,360.0	991.0	8,351.0		18.8 %	13.6 %	2.2
European Fund III (2008) <sup>(2)</sup>	6,108.3	5,327.3	6,198.0	3,393.1	9,591.1		15.9 %	10.5 %	1.8
E2 Investors (Annex Fund) (2009) <sup>(2)</sup>	195.8	195.8	195.7	6.9	202.6		1.0 %	0.3 %	1.0
China Growth Fund (2010)	1,010.0	893.3	347.9	920.3	1,268.2		14.2 %	7.8 %	1.4
Natural Resources Fund (2010)	887.4	884.5	96.6	218.4	315.0		(31.1)%	(33.6)%	0.4
Global Infrastructure Investors (2011) <sup>(2)</sup>	1,039.8	994.9	649.7	771.5	1,421.2		12.2 %	10.6 %	1.4
North America Fund XI (2012)	8,718.4	8,188.3	3,411.3	8,941.9	12,353.2		24.0 %	18.1 %	1.5
Asian Fund II (2013)	5,825.0	3,867.7	895.0	5,114.1	6,009.1		31.4 %	21.9 %	1.6
Real Estate Partners Americas (2013)	1,229.1	892.5	633.5	596.0	1,229.5		21.9 %	16.2 %	1.4
Energy Income and Growth Fund (2013)	1,974.2	960.8	206.4	769.9	976.3		(0.7)%	(4.9)%	1.0
Global Infrastructure Investors II (2014) <sup>(2)</sup>	3,023.6	969.3	39.4	948.8	988.2		2.6 %	(2.3)%	1.0
European Fund IV (2015) <sup>(2)(3)</sup>	3,430.3	1,181.9	—	1,239.4	1,239.4		—	—	—
Real Estate Partners Europe (2015) <sup>(2)(3)</sup>	688.2	95.2	—	102.8	102.8		—	—	—
Next Generation Technology Growth Fund (2016) <sup>(3)</sup>	658.9	90.7	—	102.6	102.6		—	—	—
Americas Fund XII (2017) <sup>(3)</sup>	12,877.9	—	—	—	—		—	—	—
Subtotal - Included Funds	84,128.6	60,511.1	72,700.8	35,183.8	107,884.6		15.4 %	11.3 %	1.8
<b>All Funds</b>	<b>\$ 100,603.1</b>	<b>\$ 76,985.6</b>	<b>\$ 122,970.1</b>	<b>\$ 35,183.8</b>	<b>\$ 158,153.9</b>		<b>25.6 %</b>	<b>18.8 %</b>	<b>2.1</b>

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Private Markets Investment Funds	Amount		Fair Value of Investments			Multiple of Invested Capital <sup>(5)</sup>
	Commitment	Invested <sup>(5)</sup>	Realized <sup>(5)</sup>	Unrealized	Total Value	
(\$ in millions)						
<b>Realized/Partially Realized Investments <sup>(4)</sup></b>						
<i>Legacy Funds <sup>(1)</sup></i>						
1976 Fund	\$ 31.4	\$ 31.4	\$ 537.2	\$ —	\$ 537.2	17.1
1980 Fund	356.8	356.8	1,827.8	—	1,827.8	5.1
1982 Fund	327.6	327.6	1,290.7	—	1,290.7	3.9
1984 Fund	1,000.0	1,000.0	5,963.5	—	5,963.5	6.0
1986 Fund	671.8	671.8	9,080.7	—	9,080.7	13.5
1987 Fund	6,129.6	6,129.6	14,949.2	—	14,949.2	2.4
1993 Fund	1,945.7	1,945.7	4,143.3	—	4,143.3	2.1
1996 Fund	6,011.6	6,011.6	12,476.9	—	12,476.9	2.1
Subtotal - Legacy Funds	16,474.5	16,474.5	50,269.3	—	50,269.3	3.1
<i>Included Funds</i>						
European Fund (1999) <sup>(2)</sup>	3,085.4	3,085.4	8,757.7	—	8,757.7	2.8
Millennium Fund (2002)	6,000.0	5,599.4	13,116.4	652.3	13,768.7	2.5
European Fund II (2005) <sup>(2)</sup>	5,750.8	5,245.4	8,324.1	215.7	8,539.8	1.6
2006 Fund (2006)	17,642.2	11,864.5	22,469.1	5,846.9	28,316.0	2.4
Asian Fund (2007)	3,983.3	3,072.1	7,360.0	438.3	7,798.3	2.5
European Fund III (2008) <sup>(2)</sup>	6,108.3	3,308.7	6,198.0	1,255.1	7,453.1	2.3
E2 Investors (Annex Fund) (2009) <sup>(2)</sup>	195.8	94.8	195.7	—	195.7	2.1
China Growth Fund (2010)	1,010.0	371.3	347.9	289.8	637.7	1.7
Natural Resources Fund (2010)	887.4	884.6	96.6	218.4	315.0	0.4
Global Infrastructure Investors (2011) <sup>(2)</sup>	1,039.8	974.6	649.7	718.6	1,368.3	1.4
North America Fund XI (2012)	8,718.4	4,213.5	3,411.3	4,675.0	8,086.3	1.9
Asian Fund II (2013)	5,825.0	1,812.2	895.0	2,630.9	3,525.9	1.9
Real Estate Partners Americas (2013)	1,229.1	688.3	633.5	372.3	1,005.8	1.5
Energy Income and Growth Fund (2013)	1,974.2	939.5	206.4	735.0	941.4	1.0
Global Infrastructure Investors II (2014) <sup>(2)</sup>	3,023.6	458.8	39.4	450.4	489.8	1.1
European Fund IV (2015) <sup>(2) (3) (4)</sup>	3,430.3	—	—	—	—	—
Real Estate Partners Europe (2015) <sup>(2) (3) (4)</sup>	688.2	—	—	—	—	—
Next Generation Technology Growth Fund (2016) <sup>(3) (4)</sup>	658.9	—	—	—	—	—
Americas Fund XII (2017) <sup>(3) (4)</sup>	12,877.9	—	—	—	—	—
Subtotal - Included Funds	84,128.6	42,613.1	72,700.8	18,498.7	91,199.5	2.1
<b>All Realized/Partially Realized Investments</b>	<b>\$ 100,603.1</b>	<b>\$ 59,087.6</b>	<b>\$ 122,970.1</b>	<b>\$ 18,498.7</b>	<b>\$ 141,468.8</b>	<b>2.4</b>

(1) These funds were not contributed to KKR as part of the KPE Transaction.

(2) The capital commitments of the European Fund, European Fund II, European Fund III, E2 Investors (Annex Fund), European Fund IV, Global Infrastructure Investors, Global Infrastructure Investors II and Real Estate Partners Europe include euro-denominated commitments of €196.5 million, €2,597.5 million, €2,882.8 million, €55.5 million, €1,626.1 million, €30.0 million, €243.8 million and €276.6 million, respectively. Such amounts have been converted into U.S. dollars based on (i) the foreign exchange rate at the date of purchase for each investment and (ii) the exchange rate prevailing on December 31, 2016 in the case of unfunded commitments.

(3) The gross IRR, net IRR and multiple of invested capital are calculated for our investment funds that made their first investment at least 24 months prior to December 31, 2016. None of the European Fund IV, Real Estate Partners Europe, Americas Fund XII or Next Generation Technology Growth Fund have invested for at least 24 months as of December 31, 2016. We therefore have not calculated gross IRRs, net IRRs and multiples of invested capital with respect to those funds.

(4) An investment is considered partially realized when it has been disposed of or has otherwise generated disposition proceeds or current income that has been distributed by the relevant fund. In periods prior to the three months ended September 30, 2015, realized proceeds excluded current income such as dividends and interest. Realizations have not been shown for those investment funds that made their first investment more recently than 24 months prior to December 31, 2016. We therefore have not calculated gross IRRs, net IRRs and multiples of invested capital with respect to the investments of those funds.

(5) IRRs measure the aggregate annual compounded returns generated by a fund's investments over a holding period. Net IRRs are calculated after giving effect to the allocation of realized and unrealized carried interest and the payment of any applicable management fees. Gross IRRs are calculated before giving effect to the allocation of carried interest and the payment of any applicable management fees.

The multiples of invested capital measure the aggregate value generated by a fund's investments in absolute terms. Each multiple of invested capital is calculated by adding together the total realized and unrealized values of a fund's investments and dividing by the total amount of capital invested by the fund. Such amounts do not give effect to the allocation of any

realized and unrealized returns on a fund's investments to the fund's general partner pursuant to a carried interest or the payment of any applicable management fees.

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KKR Private Markets funds may utilize third party financing facilities to provide liquidity to such funds. In such event IRRs are calculated from the time capital contributions are due from fund investors to the time fund investors receive a related distribution from the fund, and the use of such financing facilities generally decreases the amount of invested capital that would otherwise be used to calculate IRRs and multiples of invested capital, which tends to increase IRRs and multiples when fair value grows over time and decrease IRRs and multiples when fair value decreases over time. KKR Private Markets funds also generally provide in certain circumstances, which vary depending on the relevant fund documents, for a portion of capital returned to investors to be restored to unused commitments as recycled capital. For KKR's Private Markets funds that have a preferred return, we take into account recycled capital in the calculation of IRRs and multiples of invested capital because the calculation of the preferred return includes the effect of recycled capital. For KKR's Private Markets funds that do not have a preferred return, we do not take recycled capital into account in the calculation of IRRs and multiples of invested capital. The inclusion of recycled capital generally causes invested and realized amounts to be higher and IRRs and multiples of invested capital to be lower than had recycled capital not been included. The inclusion of recycled capital would reduce the composite net IRR of all Included Funds by 0.2% and the composite net IRR of all Legacy Funds by 0.5%, and would reduce the composite multiple of invested capital of Included Funds by less than 0.2 and the composite multiple of invested capital of Legacy Funds by 0.4.

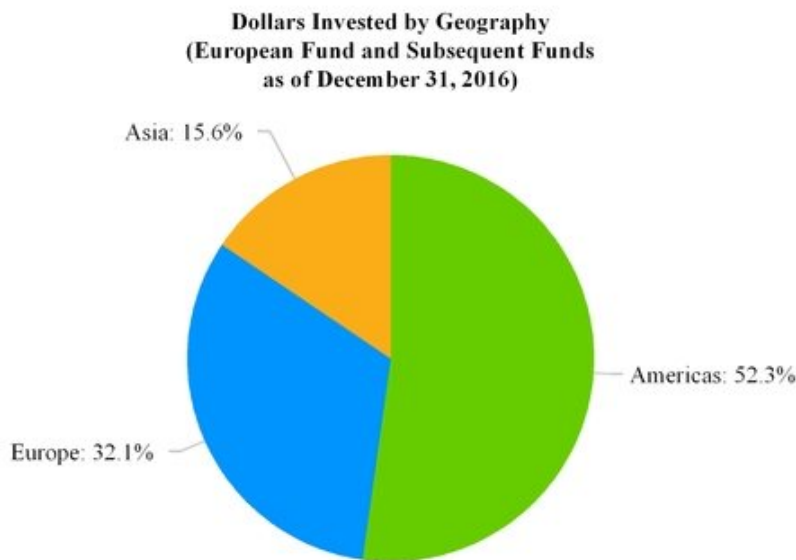
For more information, see “Risk Factors-Risks Related to the Assets We Manage-The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds or of our future results or of any returns on our common units.”

**Private Equity**

We are a world leader in private equity, having raised 21 funds with approximately \$91.8 billion of capital commitments through December 31, 2016 . We invest in industry-leading franchises and attract world-class management teams. Our investment approach leverages our capital base, sourcing advantage, global network and industry knowledge. It also leverages a sizable team of operating consultants, who work exclusively with our investment professionals and portfolio company management teams and otherwise at our direction, as well as senior advisors and other advisors, many of whom are former chief executive officers and leaders of the business community.

**Portfolio**

The following chart presents information concerning the amount of capital invested by private equity funds by geography through December 31, 2016 . We believe that this data illustrates the benefits of our business approach and our ability to source and invest in deals in multiple geographies.



Our current private equity portfolio consists of 119 companies with approximately \$200 billion of annual revenues. These companies are headquartered in 21 countries and operate in 19 general industries which take advantage of our broad and deep industry and operating expertise. Many of these companies are leading franchises with global operations, strong management teams and attractive growth prospects, which we believe will provide benefits through a broad range of business conditions.

### *Investment Approach*

Our approach to making private equity investments focuses on achieving multiples of invested capital and attractive risk-adjusted IRRs by selecting high-quality investments that may be made at attractive prices, applying rigorous standards of due diligence when making investment decisions, implementing strategic and operational changes that drive growth and value creation in acquired businesses, carefully monitoring investments, and making informed decisions when developing investment exit strategies.

We believe that we have achieved a leading position in the private equity industry by applying a disciplined investment approach and by building strong partnerships with highly motivated management teams who put their own capital at risk. When making private equity investments, we seek out strong business franchises, attractive growth prospects, leading market positions, and the ability to generate attractive returns. In our private equity funds, we do not effect transactions that are “hostile”, meaning a target company’s board of directors makes an unfavorable recommendation with respect to the transaction or publicly opposes the consummation of the transaction.

### *Sourcing and Selecting Investments*

We have access to significant opportunities for making private equity investments as a result of our sizable capital base, global platform, and relationships with leading executives from major companies, commercial and investment banks, and other investment and advisory institutions. Members of our global network contact us with new investment opportunities, including a substantial number of exclusive investment opportunities and opportunities that are made available to only a limited number of other firms. We also proactively pursue business development strategies that are designed to generate deals internally based on the depth of our industry knowledge and our reputation as a leading financial sponsor.

To enhance our ability to identify and consummate private equity investments, we have organized our investment professionals in industry-specific teams. Our industry teams work closely with our operating consultants and other advisors to identify businesses that can be grown and improved. These teams conduct their own primary research, develop a list of industry themes and trends, identify companies and assets in need of operational improvement, and seek out businesses and assets that they believe will benefit from our involvement. They possess a detailed understanding of the economic drivers, opportunities for value creation, and strategies that can be designed and implemented to improve companies across the industries in which we invest.

### *Due Diligence and the Investment Decision*

When an investment team determines that an investment proposal is worth consideration, the proposal is formally presented to the applicable regional investment committee and the due diligence process commences if appropriate. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances surrounding an investment and to prepare a framework that may be used from the date of an acquisition to drive operational improvement and value creation. When conducting due diligence, investment teams evaluate a number of important business, financial, tax, accounting, environmental, social, governance, legal and regulatory issues in order to determine whether an investment is suitable. While the due diligence process differs depending on the type of investment we make, generally, in connection with the private equity due diligence process, investment professionals spend significant amounts of time meeting with a company’s management and operating personnel, visiting plants and facilities, and where appropriate, speaking with other stakeholders interested in and impacted by the investment in order to understand the opportunities and risks associated with the proposed investment. Our investment professionals may also use the services of outside accountants, consultants, lawyers, investment banks, and industry experts as appropriate to assist them in this process. Investment committees monitor all due diligence practices, and the applicable investment committee must approve an investment before it may be made.

### *Building Successful and Competitive Businesses*

Portfolio management committees are responsible for working with our investment professionals from the date on which a private equity investment is made until the time it is exited in order to ensure that strategic and operational objectives are accomplished and that the performance of the investment is closely monitored. When investing in a private equity portfolio company, we partner with management teams to execute on our investment thesis, and we rigorously track performance through regular monitoring of detailed operational and financial metrics as well as appropriate environmental, social and governance issues. We have developed a global network of experienced managers and operating executives who assist the private equity portfolio companies in making operational improvements and achieving growth. We augment these resources with operational guidance from operating consultants at KKR Capstone, senior advisors, other advisors and investment teams, and with “100-Day Plans” that focus the firm’s efforts and drive our strategies. We seek to emphasize efficient capital management, top-line growth, R&D spending, geographical expansion, cost optimization, and investment for the long-term.



*Realizing Investments*

We have developed substantial expertise for realizing private equity investments. From our inception through December 31, 2016, the firm has generated approximately \$123.0 billion of cash proceeds from the sale of our private equity portfolio companies in initial public offerings and secondary offerings, dividends, and sales to strategic buyers. When exiting private equity investments, our objective is to structure the exit in a manner that optimizes returns for fund investors and, in the case of publicly traded companies, minimizes the impact that the exit has on the trading price of the company's securities. We believe that our ability to successfully realize investments is attributable in part to the strength and discipline of our portfolio management committees and capital markets business, as well as the firm's longstanding relationships with corporate buyers and members of the investment banking and investing communities.

*Private Equity Fund Structures*

The private equity funds that we sponsor and manage have finite lives and investment periods. Each fund is organized as one or more partnerships, and each partnership is controlled by a general partner. Private equity fund investors are limited partners who agree to contribute a specified amount of capital to the fund from time to time for use in qualifying investments during the investment period, which generally lasts up to six years depending on how quickly capital is deployed. The investment period for certain funds may be terminated upon supermajority vote (based on capital commitment) of the fund's limited partners or by the fund's advisory committee. The term of our private equity funds generally last for 10 to 12 years and may last up to 15 years from the date of the fund's first or last investment, subject to a limited number of extensions with the consent of the limited partners or the applicable advisory committee. Given the length of the investment periods and terms of our private equity funds and the limited conditions under which such periods can be terminated and commitments may be withdrawn, the AUM of our private equity funds provide a long-term stable capital base.

Each private equity fund's general partner is generally entitled to a carried interest that allocates to it 20% of the net profits realized by the limited partners from the fund's investments. Our newer private equity funds, the North America Fund XI, Asian Fund II, European Fund IV and Americas Fund XII have a performance hurdle which requires that we return 7%, compounded annually, to limited partners in the fund prior to receiving our 20% share of net profits realized by limited partners. Such performance hurdles are subject to a catch-up allocation to the general partner after the hurdle has been reached. Our earlier private equity funds do not include a performance hurdle. The timing of receipt of carried interest in respect of investments of our carry funds is dictated by the terms of the partnership agreements that govern such funds, and is distributed to the general partner of a private equity fund only after all of the following are met: (i) a realization event has occurred (e.g., sale of a portfolio company, dividend, etc.); (ii) the vehicle has achieved positive overall investment returns since its inception, in excess of performance hurdles where applicable; and (iii) with respect to investments with a fair value below cost, cost has been returned to fund investors in an amount sufficient to reduce remaining cost to the investments' fair value. For a fund that has a fair value above cost, overall, but has one or more investments where fair value is below cost, the shortfall between cost and fair value for such investments is referred to as a "netting hole." See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity-Sources of Liquidity" for a discussion of netting holes. Net realized profit or loss is not netted between or among funds except for the Annex Fund. In addition, the agreements governing KKR's private equity funds generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation that may require the general partner to return or contribute amounts to the fund for distribution to fund investors at the end of the life of the fund. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies-Clawback Provision", and "Risk Factors-The "clawback" provision in our governing agreements may give rise to a contingent obligation that may require us to return or contribute amounts to our funds and fund investors."

We enter into management agreements with our private equity funds pursuant to which we receive management fees in exchange for providing the funds with management and other services. Gross management fees for our private equity funds generally range from 1% to 2% of committed capital during the fund's investment period and is generally 0.75% to 1.25% of invested capital after the expiration of the fund's investment period with subsequent reductions over time, which causes the fees to be reduced as investments are liquidated. In addition, in connection with the expiration of the investment period, a private equity fund may establish a reserve on its fund investors' capital commitments on which no fee is paid unless such capital is invested. These management fees are paid by private equity fund investors, who generally contribute capital to the fund in order to allow the fund to pay the fees to us. Our private equity funds generally require that management fees be returned to fund investors before a carried interest may be paid.

We also enter into monitoring agreements with our portfolio companies pursuant to which we receive periodic monitoring fees in exchange for providing them with management, consulting, and other services, and we typically receive transaction fees for providing portfolio companies with financial, advisory and other services in connection with specific transactions. Monitoring agreements may provide for a termination payment following an initial public offering or change of control, if certain criteria are satisfied. In some cases, we may be entitled to other fees that are paid by an investment target upon closing a

transaction or when a potential investment is not consummated. Our newer private equity fund agreements typically require us to share 100% of any monitoring, transaction and other fees that are allocable to a fund (after reduction for expenses incurred allocable to a fund from unconsummated transactions) with fund investors.

In addition, the agreements governing our private equity funds enable investors in those funds to reduce their capital commitments available for further investments, on an investor-by-investor basis, in the event certain “key persons” (for example, both of Messrs. Kravis and Roberts, and, in the case of certain geographically or product focused funds, one or more of the investment professionals focused on such funds) cease to be actively involved in the management of the fund. While these provisions do not allow investors in our funds to withdraw capital that has been invested or cause a fund to terminate, the occurrence of a “key man” event could cause disruption in our business, reduce the amount of capital that we have available for future investments, and make it more challenging to raise additional capital in the future.

Because private equity fund investors typically are unwilling to invest their capital in a fund unless the fund’s manager also invests its own capital in the fund’s investments, our private equity fund documents generally require the general partners of the funds to make minimum capital commitments to the funds. The amounts of these commitments, which are negotiated by fund investors, generally range from 2% to 8% of a fund’s total capital commitments at final closing, but may be greater for certain funds pursuing newer strategies. When investments are made, the general partner contributes capital to the fund based on its fund commitment percentage and acquires a capital interest in the investment that is not subject to a carried interest or management fees.

#### *Private Equity and Other Investment Vehicles*

**Other Private Equity Products** . We have offered significant co-investment opportunities to both fund investors and other third parties. We have built out our capital markets and distribution capabilities and created new investment structures and products that allow us to syndicate a portion of the equity needed to finance acquisitions. These structures include co-investment vehicles, which generally entitle the firm to receive management fees and/or a carried interest. In addition, we manage certain separately managed accounts in the form of separate investment vehicles based on terms that are separately negotiated with investors in those vehicles. We also offer multi-strategy products, which invest in our funds, co-investment vehicles and external funds.

**Growth Equity** . Building upon KKR’s private equity investment strategy and our four decades of global private equity investing experience, we have sourced a number of smaller growth equity opportunities. Recently we launched growth related funds for technology, media and telecommunications (“TMT”) and health care. Our first dedicated TMT growth fund, launched in 2016, pursues growth equity investment opportunities in the technology, media and telecommunications sector, primarily in the United States, Canada, Europe and Israel. The strategy seeks to invest in secular growth areas with structured downside protection and limited leverage and will seek to take on execution risk as opposed to fundamental technology risk. In 2016 we also launched our first dedicated health care growth fund to pursue growth capital investment opportunities in the health care sector, primarily in the United States. Although the specific areas in which the strategy will focus may evolve over time, we currently expect to pursue opportunities in health care companies, where our thesis will be predicated primarily on commercializing and scaling products and/or services with unmet needs and market viability. As of December 31, 2016 , we have received \$1.0 billion of capital commitments to our TMT and health care growth equity strategies.

#### *Real Assets*

##### *Energy*

Our energy business aims to deliver current returns to fund investors through distributions generated by producing and selling oil and natural gas reserves and capital appreciation. The goal is to provide investors with exposure to commodity prices and optionality associated with future drilling and production. Our energy platform targets real asset investment opportunities across the upstream and midstream segments of the oil and gas industry. We have acquired and operated oil and natural gas properties in mature basins located primarily in the United States. In acquiring these properties, which are typically considered to be non-core by their sellers, we seek to generate value through optimizing production, reducing operating costs, and optimizing commercial and marketing arrangements. In addition, we have completed investments in oil and gas drilling development transactions with operating companies and have also acquired mineral and royalty interests. We work closely with external teams of technical and operational experts to assist in the selection, evaluation and operation of investments. We invest in these energy strategies through the KKR Energy Income and Growth Fund. As of December 31, 2016 , we have received \$2.9 billion of capital commitments to our energy funds and \$1.0 billion of capital commitments to this strategy through separately managed accounts.

### *Infrastructure*

Our infrastructure strategy seeks to achieve returns including current income through the acquisition and operational improvement of assets important to the functioning of the economy. We believe that the global infrastructure market provides an opportunity for the firm's private investment, operational improvement capabilities and stakeholder engagement. Through this strategy we have made investments in parking, alternative energy, district heating and contracted electricity generation, water and wastewater, locomotive transportation, midstream and telecommunications infrastructure. As of December 31, 2016, we had received \$4.1 billion of capital commitments to our infrastructure funds and \$1.1 billion of capital commitments to this strategy through separately managed accounts and co-investment vehicles.

### *Real Estate*

Our real estate platform targets real estate opportunities primarily in the United States and Western Europe, although we have capabilities to invest in other areas of the world, and we have made investments in the Asia-Pacific region, including Australia and South Korea, including direct investments in real property, debt, special situations transactions and businesses with significant real estate holdings that can benefit from KKR's operational expertise. We seek to partner with real estate owners, lenders, operators, and developers to provide flexible capital to respond to transaction specific needs, including the outright purchase or financing of existing assets or companies and the funding of future development or acquisition opportunities. Through this strategy, we have made real estate investments in residential and commercial assets. Our real estate credit platform provides capital solutions for complex real estate transactions with a focus on commercial mortgage-backed securities, whole loans and subordinated debt. We have also established investment platforms with strategic partners to invest in commercial real estate in Germany and the United States. As of December 31, 2016, we have received \$3.3 billion of capital commitments through our real estate funds.

### ***Real Asset Investment Process***

Our energy, infrastructure and real estate funds have a similar investment process as that described under "Private Equity." Investment teams for a particular real asset strategy formally present investments to the applicable strategy oriented investment committee, which monitors all due diligence practices and must approve an investment before it may be made. Most of our real asset strategies also have a portfolio management committee that works with our investment professionals from the date on which an investment is made until the time it is exited in order to ensure that strategic and operational objectives are accomplished and that the performance of the investment is closely monitored. In addition to leveraging the resources of the firm, our energy and real estate investment teams partner with technical experts and operators to manage our real asset investments.

### ***Real Asset Fund Structures***

Our energy, infrastructure and real estate funds generally have investment periods of up to 6 years and generally have a fund term of up to 13 years. Management fees for such funds range from 0.75% to 1.5% on commitments, invested capital or net asset value during the investment period and on invested capital or net asset value for investments thereafter, subject to certain adjustments. These funds generally have performance hurdles of 8% to 10% subject to a catch-up allocation to the general partner after the hurdle has been reached. Thereafter the general partners of such funds generally share in 10% to 20% of net profits realized by limited partners.

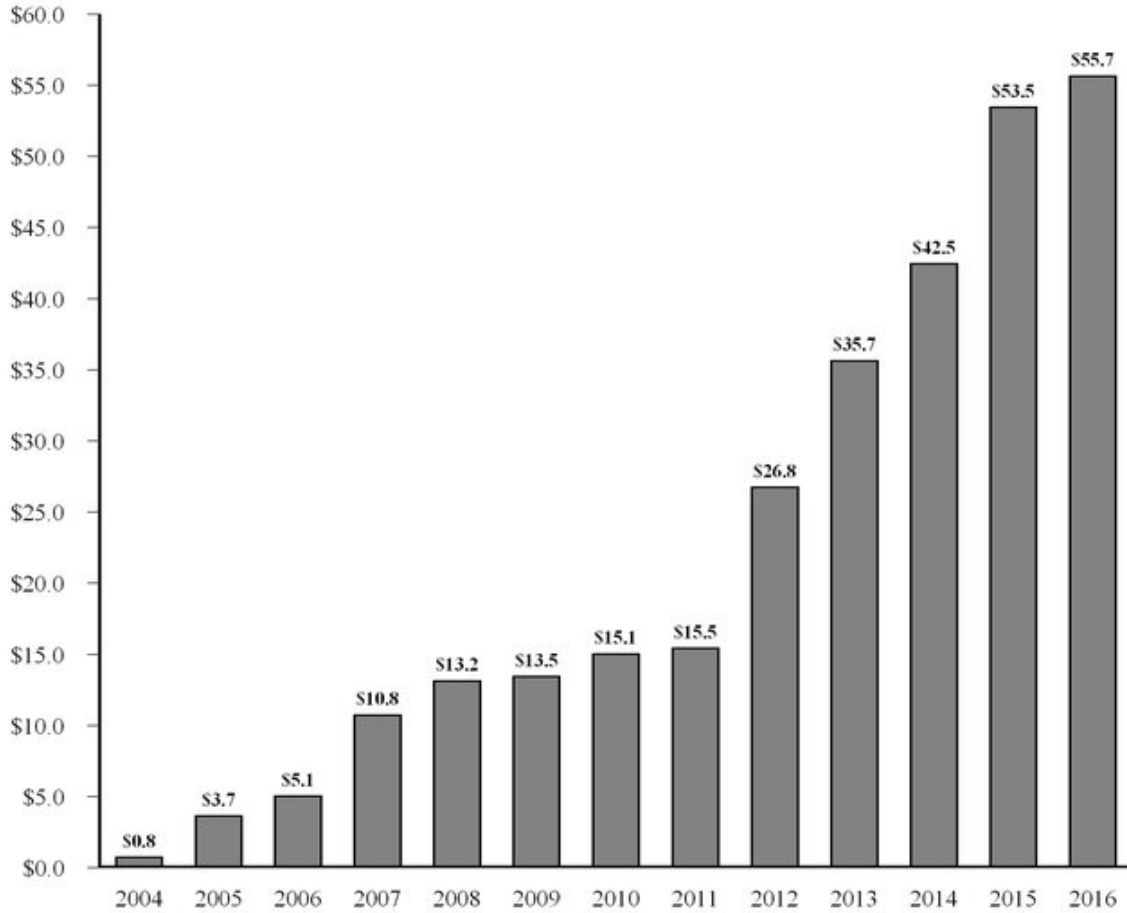
**Public Markets**

We operate and report our combined credit and hedge funds businesses through the Public Markets segment. Our credit business advises funds, CLOs, separately managed accounts, and investment companies registered under the Investment Company Act of 1940, or the Investment Company Act, including business development companies or BDCs, and alternative investments funds or AIFs, which invest capital in (i) leveraged credit strategies, including leveraged loans, high yield bonds and opportunistic credit, and (ii) alternative credit strategies, including special situations strategy and private credit strategies such as private credit opportunities, direct lending and revolving credit investment strategies. The funds, accounts, registered investment companies, BDCs and CLOs in our leveraged credit and alternative credit strategies, including special situations and private credit strategies are managed by KKR Credit Advisors (US) LLC, which is an SEC-registered investment adviser, KKR Credit Advisors (Ireland) Unlimited Company, regulated by the Central Bank of Ireland, and KKR Credit Advisors (UK) LLP, regulated by the United Kingdom Financial Conduct Authority, or FCA. Our Public Markets segment also includes our hedge funds business. Through our hedge fund business we offer a variety of investment strategies including customized hedge fund portfolios, hedge fund-of-fund solutions and direct hedge funds that are managed by Prisma Capital Partners LP (KKR Prisma or Prisma), an SEC-registered investment adviser. KKR Prisma also provides hedge fund advisory services to institutional investors. On February 6, 2017, KKR and PAAMCO announced that they entered into a strategic transaction to create a new liquid alternatives investment firm by combining PAAMCO and KKR Prisma. See "Recent Developments." In addition, our hedge fund business includes strategic partnerships consisting of minority stakes in other hedge fund managers.

We intend to continue to grow the Public Markets business by leveraging our global investment platform, experienced investment professionals and the ability to adapt our investment strategies to different market conditions to capitalize on investment opportunities that may arise at various levels of the capital structure and across market cycles.

As of December 31, 2016, this segment had \$55.7 billion of AUM, comprised of \$18.8 billion of assets managed in our leveraged credit strategies, \$7.0 billion of assets managed in our special situations strategies, \$8.9 billion of assets managed in our private credit strategies, \$20.0 billion of assets managed through our hedge fund business and \$1.0 billion of assets managed in other strategies. Our private credit investments include \$2.4 billion of assets managed in our mezzanine or private credit opportunities strategy, \$5.9 billion of assets managed in our direct lending strategy and \$0.6 billion of assets managed in our revolving credit strategy. The following chart presents the growth in the AUM of our Public Markets segment from the commencement of its operations in August 2004 through December 31, 2016.

**Public Markets**  
**Assets Under Management (1) (2)**  
**(\$ in billions)**



- 
- (1) For years 2006 through 2008, assets under management are presented pro forma for the KPE Transaction and, therefore, exclude the net asset value of KPE and its former commitments to our investment funds. Assets under management of KKR Prisma and Avoca are included in the years on and after the completion of the respective acquisitions.
- (2) In 2015 our definition of AUM was amended to include (i) KKR's pro-rata portion of AUM managed by other hedge fund managers in which KKR holds a minority stake and (ii) capital commitments for which we are eligible to receive fees or carried interest upon deployment of capital. AUM for all prior periods has been adjusted to include such changes.

***Credit***

***Performance***

We generally review our performance in our credit business by investment strategy. Our leveraged credit strategies principally invest in leveraged loans and high yield bonds, or a combination of both. In certain cases, these strategies have meaningful track records and may be compared to widely-known indices. The following table presents information regarding larger leveraged credit strategies managed by KKR from inception to December 31, 2016. Past performance is no guarantee of future results.

*Leveraged Credit Strategies: Inception-to-Date Annualized Gross Performance vs. Benchmark by Strategy*

(\$ in millions)	Inception Date	Gross Returns	Net Returns	Benchmark (1)	Benchmark Gross Returns
Bank Loans Plus High Yield	Jul 2008	8.34%	7.69%	65% S&P/ LSTA, 35% BoAML HY Master II Index <sup>(2)</sup>	6.52%
Opportunistic Credit <sup>(3)</sup>	May 2008	13.28%	11.16%	BoAML HY Master II Index <sup>(3)</sup>	8.12%
Bank Loans	Apr 2011	5.54%	4.91%	S&P/ LSTA Loan Index <sup>(4)</sup>	4.27%
High Yield	Apr 2011	6.77%	6.19%	BoAML HY Master II Index <sup>(5)</sup>	6.45%
Bank Loans Conservative	Apr 2011	4.99%	4.36%	S&P/ LSTA BB-B Loan Index <sup>(6)</sup>	4.31%
European Leveraged Loans <sup>(7)</sup>	Sep 2009	5.83%	5.31%	CS Inst West European Leveraged Loan Index <sup>(8)</sup>	5.01%
High Yield Conservative	Apr 2011	6.42%	5.85%	BoAML HY BB-B Constrained	6.41%
European Credit Opportunities <sup>(7)</sup>	Sept 2007	5.69%	4.78%	S&P LSTA European Leveraged Loans (All Loans)	4.42%

- (1) The Benchmarks referred to herein include the S&P/LSTA Leveraged Loan Index (the "S&P/LSTA Loan Index"), S&P/LSTA U.S. B/BB Ratings Loan Index (the "S&P/ LSTA BB-B Loan Index"), the Bank of America Merrill Lynch High Yield Master II Index (the "BoAML HY Master II Index"), the BofA Merrill Lynch BB-B US High Yield Index (the "BoAML HY BB-B Constrained"), the Credit Suisse Institutional Western European Leveraged Loan Index (the "CS Inst European Leveraged Loan Index"), and S&P LSTA European Leveraged Loans (All Loans). The S&P/LSTA Loan Index is a daily tradable index for the U.S. loan market that seeks to mirror the market-weighted performance of the largest institutional loans that meet certain criteria. The S&P/ LSTA BB-B Loan Index is comprised of loans in the S&P/LSTA Loan Index, whose rating is BB+, BB, BB-, B+, B or B-. The BoAML HY Master II Index is an index for high yield corporate bonds. It is designed to measure the broad high yield market, including lower-rated securities. The BOAML HY BB-B Constrained is a subset of the BoAML HY Master II Index including all securities rated BB1 through B3, inclusive. The CS Inst European Leveraged Loan Index contains only institutional loan facilities priced above 90 , excluding TL and TLa facilities and loans rated CC, C or are in default. The S&P European Leveraged Loan Index reflects the market-weighted performance of institutional leveraged loan portfolios investing in European credits. While the returns of these strategies reflect the reinvestment of income and dividends, none of the indices presented in the chart above reflect such reinvestment, which has the effect of increasing the reported relative performance of these strategies as compared to the indices. Furthermore, these indices are not subject to management fees, incentive allocations or expenses.
- (2) Performance is based on a blended composite of Bank Loans Plus High Yield strategy accounts. The Benchmark used for purposes of comparison for the Bank Loans Plus High Yield strategy is based on 65% S&P/LSTA Loan Index and 35% BoAML HY Master II Index.
- (3) The Opportunistic Credit strategy invests in high yield securities and corporate loans with no preset allocation. The Benchmark used for purposes of comparison for the Opportunistic Credit strategy presented herein is based on the BoAML HY Master II Index. Funds within this strategy may utilize third party financing facilities to enhance investment returns. In cases where financing facilities are used, the amounts drawn on the facility are deducted from the assets of the fund in the calculation of net asset value, which tends to increase returns when net asset value grows over time and decrease returns when net asset value decreases over time.
- (4) Performance is based on a composite of portfolios that primarily invest in leveraged loans. The Benchmark used for purposes of comparison for the Bank Loans strategy is based on the S&P/LSTA Loan Index.
- (5) Performance is based on a composite of portfolios that primarily invest in high yield securities. The Benchmark used for purposes of comparison for the High Yield strategy is based on the BoAML HY Master II Index.
- (6) Performance is based on a composite of portfolios that primarily invest in leveraged loans rated B-/Baa3 or higher. The Benchmark used for purposes of comparison for the Bank Loans strategy is based on the S&P/LSTA BB/B Loan Index.
- (7) The returns presented are calculated based on local currency.
- (8) Performance is based on a composite of portfolios that primarily invest in higher quality leveraged loans. The Benchmark used for purposes of comparison for the European Senior Loans strategy is based on the CS Inst West European Leveraged Loan Index.

Our alternative credit strategies primarily invest in more illiquid instruments through private investment funds, BDCs and separately managed accounts. The following table presents information regarding our Public Markets alternative credit commingled funds where investors are subject to capital commitments from inception to December 31, 2016 . Some of these funds have been investing for less than 24 months, and thus their performance is less meaningful and not included below. Past performance is no guarantee of future results.

*Credit Strategies: Fund Performance*

Public Markets Investment Funds	Inception Date	Amount		Fair Value of Investments			Gross IRR (2)	Net IRR (2)	Multiple of Invested Capital (3)
		Commitment	Invested (1)	Realized (1)	Unrealized	Total Value			
(\$ in Millions)									
Special Situations Fund	Dec-12	\$ 2,274.3	\$ 2,165.2	\$ 542.2	\$ 2,003.6	\$ 2,545.8	7.1 %	4.8 %	1.2
Special Situations Fund II	Dec-14	3,363.6	1,090.6	15.7	922.9	938.6	(15.8)%	(19.2)%	0.9
Mezzanine Partners	Mar-10	1,022.8	886.1	753.5	443.9	1,197.4	12.0 %	8.0 %	1.4
Private Credit Opportunities Partners II	Dec-15	548.1	—	—	9.9	9.9	N/A	N/A	N/A
Lending Partners	Dec-11	460.2	405.3	244.6	267.0	511.6	8.3 %	7.3 %	1.3
Lending Partners II	Jun-14	1,335.9	848.2	120.0	917.4	1,037.4	16.4 %	13.9 %	1.2
Lending Partners Europe	Mar-15	847.6	169.5	13.0	185.7	198.7	N/A	N/A	N/A
Revolving Credit Partners	May-15	510.0	—	16.1	(13.1)	3.0	N/A	N/A	N/A
<b>All Funds</b>		<b>\$ 10,362.5</b>	<b>\$ 5,564.9</b>	<b>\$ 1,705.1</b>	<b>\$ 4,737.3</b>	<b>\$ 6,442.4</b>			

- (1) Recycled capital is excluded from the amounts invested and realized.
- (2) These credit funds utilize third party financing facilities to provide liquidity to such funds, and in such event IRRs are calculated from the time capital contributions are due from fund investors to the time fund investors receive a related distribution from the fund. The use of such financing facilities generally decreases the amount of invested capital that would otherwise be used to calculate IRRs, which tends to increase IRRs when fair value grows over time and decrease IRRs when fair value decreases over time. IRRs measure the aggregate annual compounded returns generated by a fund's investments over a holding period and are calculated taking into account recycled capital. Net IRRs presented are calculated after giving effect to the allocation of realized and unrealized carried interest and the payment of any applicable management fees. Gross IRRs are calculated before giving effect to the allocation of carried interest and the payment of any applicable management fees.
- (3) The multiples of invested capital measure the aggregate value generated by a fund's investments in absolute terms. Each multiple of invested capital is calculated by adding together the total realized and unrealized values of a fund's investments and dividing by the total amount of capital invested by the investors. The use of financing facilities generally decreases the amount of invested capital that would otherwise be used to calculate multiples of invested capital, which tends to increase multiples when fair value grows over time and decrease multiples when fair value decreases over time. Such amounts do not give effect to the allocation of any realized and unrealized returns on a fund's investments to the fund's general partner pursuant to a carried interest or the payment of any applicable management fees and are calculated without taking into account recycled capital.

Such past performance may not be representative of performance in any given period. For additional information regarding impact of market conditions on the value and performance of our investments, see "Risk Factors-Risks Related to Our Business-Difficult market conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial condition." and "-Risks Related to the Assets We Manage-The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds or of our future results or of any returns on our common units."

### *Investment Approach*

Our approach to making investments focuses on creating investment portfolios that seek to generate attractive risk-adjusted returns by selecting investments that may be made at attractive prices, subjecting investments to regular monitoring and oversight, and, for more liquid investments, making buy and sell decisions based on price targets and relative value parameters. The firm employs both "top-down" and "bottom-up" analyses when making investments. Our top-down analysis involves, as appropriate, a macro analysis of relative asset valuations, long-term industry trends, business cycles, regulatory trends, interest rate expectations, credit fundamentals and technical factors to target specific industry sectors and asset classes in which to invest. From a bottom-up perspective, our investment decision is predicated on an investment thesis that is developed using our proprietary resources and knowledge and due diligence.

### *Sourcing and Selecting Investments*

We source investment opportunities through a variety of channels, including internal deal generation strategies and the firm's global network of contacts at major companies, corporate executives, commercial and investment banks, financial intermediaries, other private equity sponsors and other investment and advisory institutions. We are also provided with opportunities to invest in certain strategies, where appropriate, in the securities of KKR's private equity portfolio companies, though there are limitations across the platform on the maximum size of such KKR-affiliated investments.

### *Due Diligence and the Investment Decision*

Once a potential investment has been identified, our investment professionals screen the opportunity and make a preliminary determination concerning whether we should proceed with further diligence. When evaluating the suitability of an investment for our funds, we typically employ a relative value framework and subject the investment to due diligence. This review considers many factors including, as appropriate, expected returns, capital structure, credit ratings, historical and projected financial data, the issuer's competitive position, the quality and track record of the issuer's management team, margin stability, and industry and company trends. Investment professionals use the services of outside advisors and industry experts as appropriate to assist them in the due diligence process and, when relevant and permitted, leverage the knowledge and experience of our Private Markets investment professionals. Strategy-specific investment committees monitor all due diligence practices.

### *Monitoring Investments*

We monitor our portfolios of investments using, as applicable, daily, quarterly and annual analyses. Daily analyses include morning market meetings, industry and company pricing runs, industry and company reports and discussions with the firm's Private Markets investment professionals on an as-needed basis. Quarterly analyses include the preparation of quarterly operating results, reconciliations of actual results to projections and updates to financial models (baseline and stress cases). Annual analyses involve conducting internal audits, and testing compliance with monitoring and documentation requirements.

### *Credit Strategies*

Our credit business pursues investments in leveraged credit strategies, such as leveraged loans and high yield bonds, and alternative credit strategies, such as special situations, mezzanine or private credit opportunities, direct lending and revolving credit. We pursue these investments across a range of vehicles, including investment funds and separately managed accounts, for which we receive a fee and in certain cases an incentive fee or carried interest.

We also manage structured credit vehicles in the form of collateralized loan obligation transactions, or CLOs, that hold leveraged loans, high-yield bonds or a combination of both. CLOs are typically structured as special purpose investment vehicles which acquire, monitor and, to varying degrees, manage a pool of credit assets. The CLOs generally serve as long term financing for leveraged credit investments and as a way to minimize refinancing risk, minimize maturity risk and secure a fixed cost of funds over an underlying market interest rate. We may receive a fee for managing certain CLOs.

We also serve as the registered investment adviser or sub-adviser to registered investment companies. The management fees we are paid for managing registered investment companies are generally subject to contractual rights that require their board of directors to provide prior notice (or, in the case of the business development company, or BDC, we manage, the investment adviser) in order to terminate our investment management services.

*Leveraged Credit.* Our leveraged credit strategies are principally directed at investing in leveraged loans, high-yield bonds or a combination of both. Our opportunistic credit strategy seeks to deploy capital across investment themes that take advantage of credit market dislocations, spanning asset types and liquidity profiles. We had AUM of \$18.8 billion in this strategy as of December 31, 2016 .

*Alternative Credit.* Our alternative credit strategies consist of special situations and private credit strategies.

*Special Situations.* We seek to make opportunistic investments largely in distressed companies through our special situations investment strategy. These investments include, distressed investments (including post- restructuring equity), control-oriented opportunities, rescue financing (debt or equity investments made to address covenant, maturity or liquidity issues), debtor-in-possession or exit financing, and other event-driven investments in debt or equity. We had AUM of \$7.0 billion in this strategy as of December 31, 2016 .

*Private Credit.* Our private credit strategies seek to leverage the knowledge and relationships developed in the leveraged credit business. These strategies include direct lending, private credit opportunities and revolving credit strategies.

*Direct Lending.* We seek to make investments in proprietary sourced primarily senior debt financings for middle-market companies through our direct lending strategy. We had AUM of \$5.9 billion in this strategy as of December 31, 2016 .



*Private Credit Opportunities.* Through this strategy, we seek to make mezzanine investments in directly sourced third-party mezzanine and mezzanine-like transactions and also seek asset-based credit opportunities across financial and hard assets. These investments often consist of mezzanine debt, which generates a current yield, coupled with marginal equity exposure with additional upside potential. We had AUM of \$2.4 billion in this strategy as of December 31, 2016 .

*Revolving Credit.* Our revolving credit strategy invests in senior secured revolving credit facilities and had AUM of \$0.6 billion in this strategy as of December 31, 2016 .

## **Hedge Funds**

### *Overview*

Our hedge fund business is comprised of customized hedge fund portfolios, hedge fund-of-fund solutions and direct hedge funds managed by KKR Prisma and minority stakes in other hedge fund managers. Within our hedge funds business, as of December 31, 2016 , KKR Prisma managed \$9.9 billion of AUM and our strategic partnerships with other hedge fund managers accounted for \$10.1 billion of AUM.

On February 6, 2017, KKR and PAAMCO announced that they entered into a strategic transaction to create a new liquid alternatives investment firm by combining PAAMCO and KKR Prisma. See "Recent Developments."

### *KKR Prisma*

KKR Prisma constructs and manages customized hedge fund portfolios, primarily in the form of hedge fund-of-funds vehicles, and direct hedge funds. It seeks to deliver superior performance by utilizing portfolio construction techniques and an integrated, quantitative approach to risk management. In managing customized hedge fund portfolios, KKR Prisma takes a specialist approach by seeking leading niche hedge fund managers in various alternative investment strategies. Various strategies are offered to investors, including moderate and low-volatility, equity, credit and opportunistic, in both commingled and separate account portfolios. For the period beginning in June 2004 through December 31, 2016 , our low volatility strategy, which consists of the majority of our hedge fund-of-funds AUM and FPAUM, generated a gross annualized return of 6.4%. In its direct hedge fund strategies, KKR Prisma aims to construct portfolios with concentrated holdings or themes sourced from a subset of third-party hedge fund managers or by leveraging KKR's internal expertise across industries, especially in credit. KKR Prisma also provides hedge fund advisory services to institutional investors.

### *Strategic Partnerships*

Through our Public Markets segment, we also have developed strategic partnerships by acquiring minority stakes in other hedge fund managers. In this business we have a 24.9% interest in Marshall Wace LLP, a leading global liquid alternatives manager, a 24.9% interest in Nephila Capital Ltd., or Nephila, an investment manager focused on investing in natural catastrophe and weather risk, a 24.9% interest in BlackGold Capital Management L.P., or BlackGold, a credit-oriented investment manager focused on investing in energy and hard asset investments. We have also seeded Acion Partners Limited, a Hong Kong based investment manager that manages Asian event driven investments.

### Public Markets Vehicle Structures

The table below presents information as of December 31, 2016, based on the investment funds, vehicles or accounts offered by our Public Markets segment. Our funds, vehicles and accounts have been sorted based upon their primary investment strategies. However, the AUM and FPAUM presented for each line in the table includes certain investments from non-primary investment strategies, which is permitted by their investment mandates, for purposes of presenting the fees and other terms for such funds, vehicles and accounts.

(\$ in millions)	AUM	FPAUM	Typical Management Fee Rate	Incentive Fee / Carried Interest	Preferred Return	Duration of Capital
<b>Leveraged Credit:</b>						
Leveraged Credit SMAs/Funds	\$ 8,453	\$ 7,829	0.35%-1.50%	Various <sup>(1)</sup>	Various <sup>(1)</sup>	Subject to redemptions
CLO's	8,943	8,943	0.40%-0.50%	Various <sup>(1)</sup>	Various <sup>(1)</sup>	10-14 Years <sup>(2)</sup>
Total Leveraged Credit	17,396	16,772				
<b>Alternative Credit: <sup>(3)</sup></b>						
Special Situations	7,937	5,011	0.90%-1.75% <sup>(4)</sup>	10.00-20.00%	8.00-12.00%	8-15 Years <sup>(2)</sup>
Private Credit	6,027	3,559	0.50%-1.50%	10.00-20.00%	5.00-8.00%	8-15 Years <sup>(2)</sup>
Total Alternative Credit	13,964	8,570				
Hedge Funds <sup>(5)</sup>	20,020	19,567	0.50%-2.00%	Various <sup>(1)</sup>	Various <sup>(1)</sup>	Subject to redemptions
Business Development Companies <sup>(6)</sup>	4,360	4,360	1.00%	10.00%	7.00%	7 years
<b>Total</b>	<b>\$ 55,740</b>	<b>\$ 49,269</b>				

- (1) Certain funds and CLOs are subject to a performance fee in which the manager or general partner of the funds share in up to 20% (in the majority of our hedge fund solutions business, up to 10%) of the net profits earned by investors in excess of performance hurdles (generally tied to a benchmark or index) and subject to a provision requiring the funds and vehicles to regain prior losses before any performance fee is earned.
- (2) Duration of capital is measured from inception. Inception dates for CLOs were between 2005 and 2016 and for separately managed accounts and funds investing in alternative credit strategies from 2009 through 2016.
- (3) Our alternative credit funds generally have investment periods of 3 to 5 years and our newer alternative credit funds generally earn fees on invested capital during the investment period.
- (4) Lower fees on uninvested capital in certain vehicles.
- (5) Hedge Funds include KKR's hedge fund solutions platform and KKR's pro-rata portion of AUM and FPAUM of strategic partnerships, which consist of minority stakes in other hedge fund managers.
- (6) Consists of Corporate Capital Trust (CCT) and Corporate Capital Trust II, which are BDCs sub-advised by KKR. These vehicles invest in both leveraged credit and private credit strategies. On or before December 2018, the CCT Board of Directors is required to consider liquidity options for shareholders which could have a range of outcomes from a public listing to asset liquidation which could affect our AUM and FPAUM. This vehicle invests in both leveraged credit and private credit strategies.

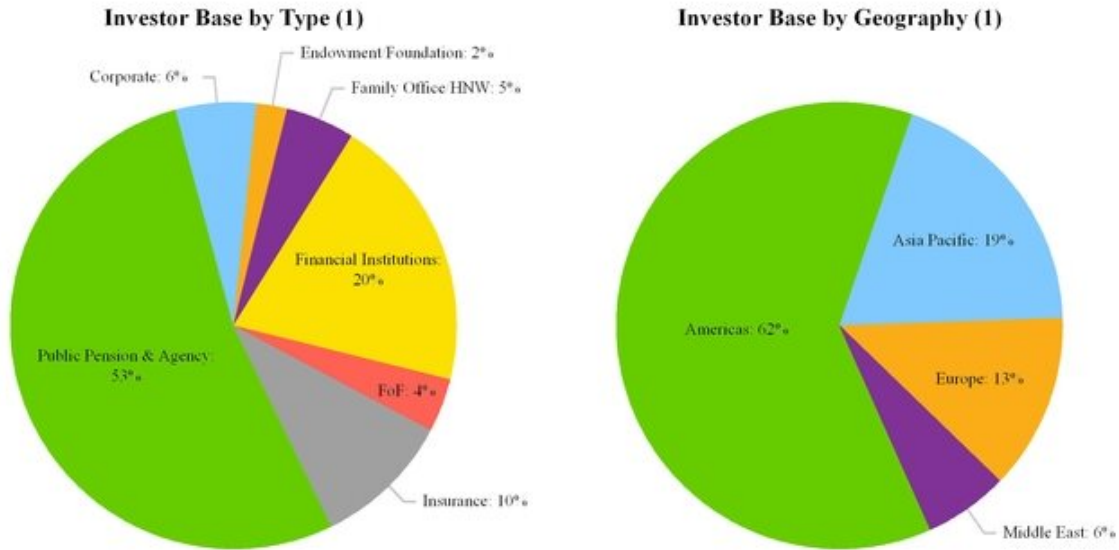
### Capital Markets

Our Capital Markets segment is comprised primarily of our global capital markets business. Our capital markets business supports our firm, our portfolio companies and third-party clients by developing and implementing both traditional and non-traditional capital solutions for investments or companies seeking financing. These services include arranging debt and equity financing for transactions, placing and underwriting securities offerings and providing other types of capital markets services. When we underwrite an offering of securities or a loan on a firm commitment basis, we commit to buy and sell an issue of securities or indebtedness and generate revenue by purchasing the securities or indebtedness at a discount or for a fee. When we act in an agency capacity, we generate revenue for arranging financing or placing securities or debt with capital markets investors. We may also provide issuers with capital markets advice on security selection, access to markets, marketing considerations, securities pricing, and other aspects of capital markets transactions in exchange for a fee. KKR Capital Markets LLC is an SEC-registered broker-dealer and a FINRA member, and we are also registered or authorized to carry out certain broker-dealer activities in various countries in North America, Europe, Asia-Pacific and the Middle East. Our third party capital markets activities are generally carried out through MCS Capital Markets LLC, and non-bank financial companies, or NBFCs, in India.

## Client & Partner Group

We have a Client & Partner Group that is responsible for raising capital for us globally across all products, expanding our client relationships across asset classes and across types of fund investors, developing products to meet our clients' needs, and servicing existing fund investors and products. We also provide fundraising services to fund managers in whom we have invested through our stakes business. As of December 31, 2016, we had over 80 executives and professionals dedicated to our Client & Partner Group.

As of December 31, 2016, we had 996 investors in funds across all our strategies, which reflect the addition of over 120 investors during the year. On average, a fund investor is invested in approximately 1.7 of our products as of December 31, 2016. The following charts detail our investor base by type and geography as of December 31, 2016.



- (1) Based on the AUM of our Private Markets investment funds, Private Markets co-investment vehicles, and Public Markets separately managed accounts and investment funds. These charts exclude general partner commitments, assets managed through CLOs, and assets managed by other asset managers with which KKR has formed strategic partnerships where KKR does not hold more than a 50% ownership interest. Allocations are assigned to a type or geographic region according to subscriptions received from a limited partner.

## Principal Activities

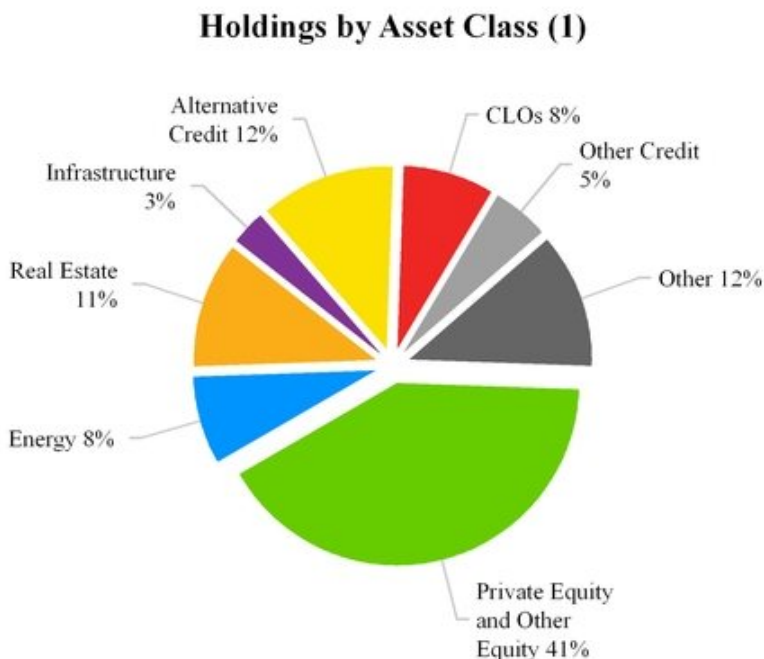
Through our Principal Activities segment, we manage the firm's own assets on our balance sheet and deploy capital to support and grow our businesses. Our Principal Activities segment uses our balance sheet assets to support our investment management and capital markets businesses. Typically, the funds in our Private Markets and Public Markets businesses contractually require us, as general partner of the funds, to make sizable capital commitments from time to time. We believe our general partner commitments are indicative of the conviction we have in a given fund's strategy, which assists us in raising new funds from limited partners. We also use our balance sheet to acquire investments in order to help establish a track record for fundraising purposes in new strategies. We may also use our own capital to seed investments for new funds, to bridge capital selectively for our funds' investments or finance strategic acquisitions and partnerships, although the financial results of an acquired business or strategic partnership may be reported in our other segments.

Our Principal Activities segment also provides the required capital to fund the various commitments of our Capital Markets business when underwriting or syndicating securities, or when providing term loan commitments for transactions involving our portfolio companies and for third parties. Our Principal Activities segment also holds assets that may be utilized to satisfy regulatory requirements for our Capital Markets business and risk retention requirements for our CLO business.

We also make opportunistic investments through our Principal Activities segment, which include co-investments alongside our Private Markets and Public Markets funds, as well as make Principal Activities investments that do not involve our Private Markets or Public Markets funds.

We endeavor to use our balance sheet strategically and opportunistically to generate an attractive risk-adjusted return on equity in a manner that is consistent with our fiduciary duties and in compliance with applicable laws.

The chart below presents the holdings of our Principal Activities segment by asset class as of December 31, 2016 .



(1) General partner commitments in our funds are included in the various asset classes shown above. Assets and revenues of other asset managers with which KKR has formed strategic partnerships where KKR does not hold more than 50% ownership interest are not included in our Principal Activities segment but are reported in the financial results of our other segments. Private Equity and Other Equity includes KKR private equity funds, co-investments alongside such KKR sponsored private equity funds and other opportunistic investments. However, equity investments in other asset classes, such as real estate, special situations and energy appear in these other asset classes. Other Credit consists of liquid credit and specialty finance strategies.

## Competition

We compete with other investment managers for both fund investors and investment opportunities. The firm's competitors consist primarily of sponsors of public and private investment funds, real estate development companies, business development companies, investment banks, commercial finance companies and operating companies acting as strategic buyers. We believe that competition for fund investors is based primarily on investment performance, investor liquidity and willingness to invest, investor perception of investment managers' drive, focus and alignment of interest, business reputation, duration of relationships, quality of services, pricing, fund terms including fees, and the relative attractiveness of the types of investments that have been or are to be made. We believe that competition for investment opportunities is based primarily on the pricing, terms and structure of a proposed investment and certainty of execution. In addition to these traditional competitors within the global investment management industry, we also face competition from local and regional firms, financial institutions and sovereign wealth funds, in the various countries in which we invest. In certain emerging markets, local firms may have more established relationships with the companies in which we are attempting to invest. These competitors often fall into one of the aforementioned categories but in some cases may represent new types of fund investors, including high net worth individuals, family offices and state-sponsored entities.

There are numerous funds focused on private equity, real assets, growth equity, credit and hedge fund strategies that compete for investor capital. Fund managers have also increasingly adopted investment strategies outside of their traditional focus. For example, funds focused on credit and equity strategies have become active in taking control positions in companies,

while private equity funds have acquired minority equity or debt positions in publicly listed companies. This convergence could heighten competition for investments. Furthermore, as institutional fund investors increasingly consolidate their relationships for multiple investment products with a few investment firms, competition for capital from such institutional fund investors may become more acute.

Some of the entities that we compete with as an investment firm may have greater financial, technical, marketing and other resources and more personnel than us and, in the case of some asset classes, longer operating histories, more established relationships or greater experience. Several of our competitors also have raised, or may raise, significant amounts of capital and have investment objectives that are similar to the investment objectives of our funds, which may create additional competition for investment opportunities. Some of these competitors may also have lower costs of capital and access to funding sources that are not available to us, which may create competitive advantages for them. For example, master limited partnerships, or MLPs, which typically invest in oil and gas assets, may have a lower cost of capital than, and may compete with our energy funds for investment opportunities. In addition, some of these competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider range of investments and to bid more aggressively than us for investments. Strategic buyers may also be able to achieve synergistic cost savings or revenue enhancements with respect to a targeted portfolio company, which may provide them with a competitive advantage in bidding for such investments.

We expect to compete as a capital markets business primarily with investment banks and independent broker-dealers in the North America, Europe, Asia-Pacific and the Middle East. We principally focus our capital markets activities on the firm, our portfolio companies and fund investors, but we also seek to service other third parties. While we generally target customers with whom we have existing relationships, those customers may have similar relationships with the firm's competitors, many of whom will have access to competing securities transactions, greater financial, technical or marketing resources or more established reputations than us. The limited operating history of our capital markets business could make it difficult for us to compete with established investment banks or broker-dealers, participate in capital markets transactions of issuers or successfully grow the firm's capital markets business over time.

Competition is also intense for the attraction and retention of qualified employees and consultants. Our ability to continue to compete effectively in our businesses will depend upon our ability to attract new employees and consultants and retain and motivate our existing employees and consultants.

### Employees, Consultants and Advisors

As of December 31, 2016, we employed approximately 1,200 people worldwide:

Investment Professionals	368
Other Professionals	554
Support Staff	256
<b>Total Employees <sup>(1)</sup></b>	<b>1,178</b>

(1) Does not include operating consultants and other consultants who provide services to us or our funds.

#### *Investment Professionals*

Our 368 investment professionals come from diverse backgrounds in private equity, real assets, credit, hedge funds and other asset classes and include executives with operations, strategic consulting, risk management, liability management and finance experience. As a group, these professionals provide us with a strong global team for identifying attractive investment opportunities, creating value, and generating superior returns.

#### *Other Professionals*

Our 554 other professionals come from diverse backgrounds in capital markets, economics, capital raising, client services, public affairs, finance, tax, legal, compliance, human resources, and information technology. As a group, these professionals provide us with a strong team for overseeing investments and performing capital markets activities, servicing our existing fund investors and creating relationships with new fund investors globally. Additionally, a majority of these other professionals are responsible for supporting the global infrastructure of KKR.

#### *KKR Capstone*

We have developed an institutionalized process for creating value in investments. As part of our effort, we utilize a team of 52 operating consultants at KKR Capstone, who are not KKR employees but work exclusively with our investment

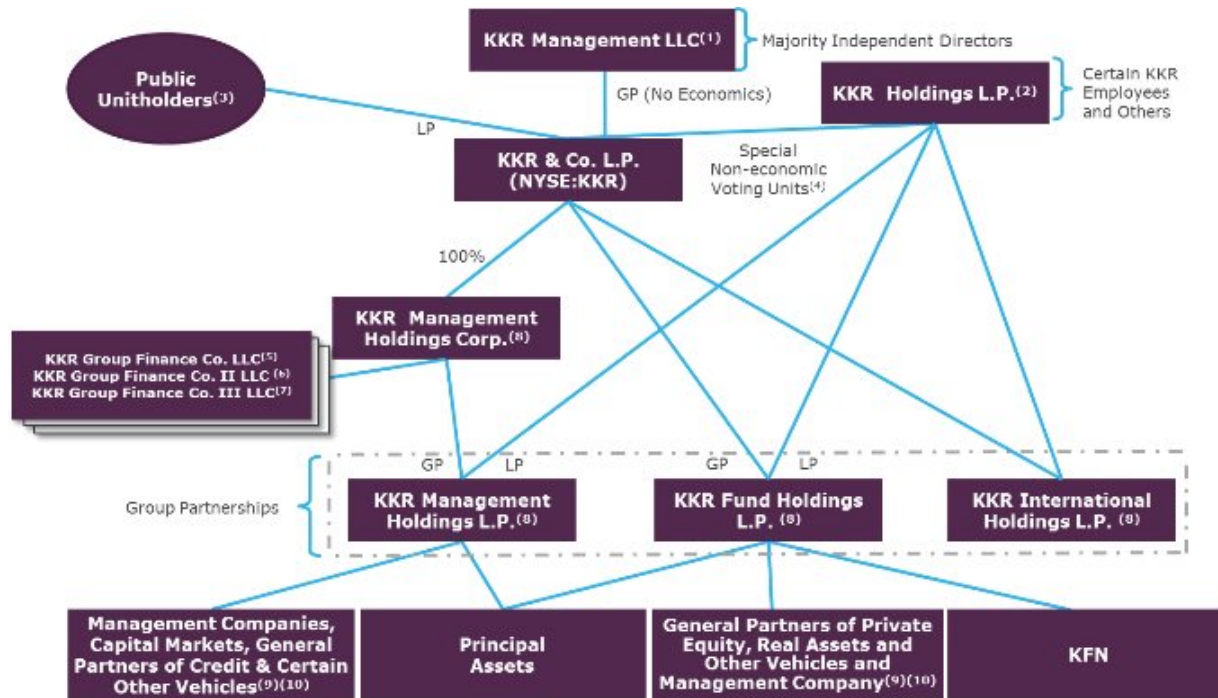
professionals and portfolio company management teams or our designees. With professionals in North America, Europe and the Asia-Pacific, KKR Capstone provides additional expertise for assessing investment opportunities and assisting managers of portfolio companies in defining strategic priorities and implementing operational changes. During the initial phases of an investment, KKR Capstone's work seeks to implement our thesis for value creation. These operating consultants may assist portfolio companies in addressing top-line growth, cost optimization and efficient capital allocation and in developing operating and financial metrics. Over time, this work shifts to identifying challenges and taking advantage of business opportunities that arise during the life of an investment. KKR Capstone is consolidated in KKR's financial results for GAAP purposes, but is not a subsidiary or affiliate of KKR.

*Senior Advisors and Other Advisors*

To complement the expertise of our investment professionals, we have a team of senior advisors and other advisors. While not KKR employees, they provide us with additional operational and strategic insights. The responsibilities of senior advisors and other advisors include serving on the boards of our portfolio companies, helping us source and evaluate individual investment opportunities and assisting portfolio companies with operational matters. These individuals include current and former chief executive officers, chief financial officers and chairmen of major corporations and leading positions of public agencies worldwide.

**Organizational Structure**

The following simplified diagram illustrates our organizational structure as of December 31, 2016, unless otherwise noted. Certain entities depicted below may be held through intervening entities not shown in the diagram.



- (1) KKR Management LLC serves as the general partner of KKR & Co. L.P., which is governed by a Board of Directors consisting of a majority of independent directors. KKR Management LLC does not hold any economic interests in KKR & Co. L.P. and is owned by senior KKR employees.
- (2) KKR Holdings is the holding vehicle through which certain of our current and former employees and other persons indirectly own their interest in KKR. KKR Group Partnership Units that are held by KKR Holdings are exchangeable for our common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications and compliance with applicable vesting and transfer restrictions. As limited partner interests, these KKR Group Partnership Units are non-voting and do not entitle KKR Holdings to participate in the management of our business and affairs. As of December 31, 2016, KKR Holdings had a 43.9% interest in our business indirectly through its limited partner interests in the KKR Group Partnerships.
- (3) Includes holders of 13,800,000 units of our 6.75% Series A Preferred Units issued on March 17, 2016, 6,200,000 units of our 6.50% Series B Preferred Units issued on June 20, 2016 and our common units.
- (4) KKR Holdings holds special non-economic voting units in our partnership that entitle it to cast, with respect to those limited matters that may be submitted to a vote of our unitholders, a number of votes equal to the number of KKR Group Partnership Units that it holds from time to time.
- (5) KKR Group Finance Co. LLC is a wholly-owned subsidiary of KKR Management Holdings Corp. and the issuer of our \$500 million aggregate principal amount of 6.375% Senior Notes due 2020 (the “2020 Senior Notes”). The 2020 Senior Notes are guaranteed by KKR & Co. L.P. and the KKR Group Partnerships.
- (6) KKR Group Finance Co. II LLC is a wholly-owned subsidiary of KKR Management Holdings Corp. and the issuer of our \$500 million aggregate principal amount of 5.500% Senior Notes due 2043 (the “2043 Senior Notes”), which were issued on February 1, 2013. The 2043 Senior Notes are guaranteed by KKR & Co. L.P. and the KKR Group Partnerships.
- (7) KKR Group Finance Co. III LLC is a wholly-owned subsidiary of KKR Management Holdings Corp. and the issuer of our \$1,000 million aggregate principal amount of 5.125% Senior Notes due 2044 (the “2044 Senior Notes”), which were issued on May 29, 2014 and on March 18, 2015. The 2044 Senior Notes are guaranteed by KKR & Co. L.P. and the KKR Group Partnerships.
- (8) Because the income of KKR Management Holdings L.P. is likely to be primarily non-qualifying income for purposes of the qualifying income exception to the publicly traded partnership rules, we formed KKR Management Holdings Corp., which is subject to taxation as a corporation for U.S. federal income tax purposes, to hold our KKR Group Partnership Units in KKR Management Holdings L.P. Accordingly, our allocable share of the taxable income of KKR Management Holdings L.P. will be subject to taxation at a corporate rate. KKR Management Holdings L.P., which is treated as a partnership for U.S. federal income tax purposes, was formed to hold interests in our fee generating businesses and other assets that may

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not generate qualifying income for purposes of the qualifying income exception to the publicly traded partnership rules. KKR Fund Holdings L.P., which is also treated as a partnership for U.S. federal income tax purposes, was formed to hold interests in our businesses and assets that will generate qualifying income for purposes of the qualifying income exception to the publicly traded partnership rules. KKR International Holdings L.P. was formed generally to hold certain non-U.S. assets that may generate non-qualifying income under the U.S. federal income tax laws applicable to publicly traded partnerships. As of February 22, 2017, KKR International Holdings L.P. holds no assets.

- (9) KKR Management Holdings L.P. is the parent company of Kohlberg Kravis Roberts & Co. L.P., the SEC-registered investment adviser, which in turn is generally the parent company for most of KKR's other management and capital markets subsidiaries including KKR Credit Advisors (US) LLC, Prisma Capital Partners LP and KKR Capital Markets Holdings L.P., the holding company for KKR Capital Markets LLC. KKR Fund Holdings L.P. is the parent company of KKR Credit Advisors (Ireland).
- (10) 40% of the carried interest earned from our investment funds is allocated to a carry pool, from which carried interest is allocable to our employees and selected other individuals. No carried interest has been allocated with respect to co-investments acquired from KPE in the KPE Transaction. Our carry pool is supplemented by allocating for compensation 40% of certain other performance-based income.

## **Regulation**

Our operations are subject to regulation and supervision in a number of jurisdictions. The level of regulation and supervision to which we are subject varies from jurisdiction to jurisdiction and is based on the type of business activity involved. We, in conjunction with our outside advisors and counsel, seek to manage our business and operations in compliance with such regulation and supervision. The regulatory and legal requirements that apply to our activities are subject to change from time to time and may become more restrictive, which may make compliance with applicable requirements more difficult or expensive or otherwise restrict our ability to conduct our business activities in the manner in which they are now conducted. Changes in applicable regulatory and legal requirements, including changes in their enforcement, could materially and adversely affect our business and our financial condition and results of operations. As a matter of public policy, the regulatory bodies that regulate our business activities are generally responsible for safeguarding the integrity of the securities and financial markets and protecting fund investors who participate in those markets rather than protecting the interests of our unitholders.

### ***United States***

#### *Regulation as an Investment Adviser*

We conduct our advisory business through our investment adviser subsidiaries, including Kohlberg Kravis Roberts & Co. L.P. and its wholly-owned subsidiaries KKR Credit Advisors (US) LLC and Prisma Capital Partners LP, each of which is registered as an investment adviser with the SEC under the Investment Advisers Act. The investment advisers are subject to the anti-fraud provisions of the Investment Advisers Act and to fiduciary duties derived from these provisions which apply to our relationships with our advisory clients globally, including funds that we manage. These provisions and duties impose restrictions and obligations on us with respect to our dealings with our fund investors and our investments, including for example restrictions on agency cross and principal transactions. Our registered investment advisers are subject to periodic SEC examinations and other requirements under the Investment Advisers Act and related regulations primarily intended to benefit advisory clients. These additional requirements relate, among other things, to maintaining an effective and comprehensive compliance program, recordkeeping and reporting requirements and disclosure requirements. The Investment Advisers Act generally grants the SEC broad administrative powers, including the power to limit or restrict an investment adviser from conducting advisory activities in the event it fails to comply with federal securities laws. Additional sanctions that may be imposed for failure to comply with applicable requirements include the prohibition of individuals from associating with an investment adviser, the revocation of registrations and other censures and fines.

KKR Credit Advisors (US) LLC is also subject to regulation under the Investment Company Act as an investment adviser to a registered investment company. The KKR Income Opportunities Fund is a closed-end management company registered under the Investment Company Act. The closed-end management company and KKR Credit Advisors (US) LLC are subject to the Investment Company Act and the rules thereunder, which among other things regulate the relationship between a registered investment company and its investment adviser and prohibit or restrict principal transactions and joint transactions.

#### *Regulation as a Broker-Dealer*

KKR Capital Markets LLC, one of our subsidiaries, is registered as a broker-dealer with the SEC under the Exchange Act and in all 50 U.S. States and U.S. territories and is a member of the Financial Industry Regulatory Authority, or FINRA. MCS Capital Markets LLC, one of our subsidiaries, is registered as a broker-dealer with the SEC under the Exchange Act and in 35 U.S. States. As registered broker-dealers, KKR Capital Markets LLC and MCS Capital Markets LLC are subject to periodic SEC and FINRA examinations and reviews. A broker-dealer is subject to legal requirements covering all aspects of its securities business, including sales and trading practices, public and private securities offerings, use and safekeeping of



customers' funds and securities, capital structure, record-keeping and retention and the conduct and qualifications of directors, officers, employees and other associated persons. These requirements include the SEC's "uniform net capital rule," which specifies the minimum level of net capital that a broker-dealer must maintain, requires a significant part of the broker-dealer's assets to be kept in relatively liquid form, imposes certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing its capital and subjects any distributions or withdrawals of capital by a broker-dealer to notice requirements. These and other requirements also include rules that limit a broker-dealer's ratio of subordinated debt to equity in its regulatory capital composition, constrain a broker-dealer's ability to expand its business under certain circumstances and impose additional requirements when the broker-dealer participates in securities offerings of affiliated entities. Violations of these requirements may result in censures, fines, the issuance of cease-and-desist orders, revocation of licenses or registrations, the suspension or expulsion from the securities industry of the broker-dealer or its officers or employees or other similar consequences by regulatory bodies.

### ***United Kingdom***

We have several subsidiaries which are authorized and regulated by the United Kingdom Financial Conduct Authority, or FCA, under the Financial Services and Markets Act 2000, or FSMA, and are authorized in the United Kingdom with permission to engage in certain specified activities. FSMA and related rules govern most aspects of investment business, including sales, research and trading practices, provision of investment advice, corporate finance, use and safekeeping of client funds and securities, regulatory capital, record keeping, margin practices and procedures, approval standards for individuals, anti-money laundering, periodic reporting and settlement procedures. The FCA is responsible for administering these requirements and our compliance with the FSMA and related rules. Violations of these requirements may result in censures, fines, imposition of additional requirements, injunctions, restitution orders, revocation or modification of permissions or registrations, the suspension or expulsion from certain "controlled functions" within the financial services industry of officers or employees performing such functions or other similar consequences.

KKR Capital Markets Limited has permission to engage in a number of regulated activities regulated under FSMA, including dealing as principal or agent and arranging deals in relation to certain types of specified investments and arranging the safeguarding and administration of assets. KKR Capital Markets Limited also benefits from a passport under the single market directives to offer services cross border into all countries in the European Economic Area and Gibraltar. Kohlberg Kravis Roberts & Co. Partners LLP has permission to engage in a number of regulated activities including advising on and arranging deals relating to corporate finance business in relation to certain types of specified investments. KKR Asset Management Partners LLP has permission to engage in a number of regulated activities including advising on and arranging deals in relation to certain types of specified investments. KKR Credit Advisors (UK) has permission to advise, arrange, manage and deal as agent in certain types of investments. Prisma Capital Management International LLP is authorized to carry on any investment services and activities on a regular basis except reception and transmission of orders in relation to one or more financial instruments or investment advice.

### ***Other Jurisdictions***

Certain other subsidiaries or funds that we advise are registered with, have been licensed by or have obtained authorizations to operate in their respective jurisdictions outside of the United States. These registrations, licenses or authorizations relate to providing investment advice, broker-dealer activities, marketing of securities and other regulated activities. Failure to comply with the laws and regulations governing these subsidiaries and funds that have been registered, licensed or authorized could expose us to liability and/or damage our reputation.

KKR Credit Advisors (Ireland) and KKR Alternative Investment Management are regulated by the Central Bank of Ireland. KKR Credit Advisors (Ireland) is authorized to carry out a number of regulated activities including receiving and transmitting orders, portfolio management and providing investment advice. KKR Alternative Investment Management is an authorized EU alternative investment manager permitted to conduct portfolio management, risk management and certain administrative activities.

KKR Capital Markets LLC and MCS Capital Markets LLC, respectively, are also registered as an international dealer under the Securities Act (Ontario). This registration permits us to trade in non-Canadian equity and debt securities with certain types of investors located in Ontario, Canada.

KKR Capital Markets Japan Ltd., a joint stock corporation, is registered as a Type I and Type II Financial Instruments Business Operator (broker-dealer) under the Financial Instruments and Exchange Act of Japan, and a money lender under the Money Lending Business Act of Japan.

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KKR MENA Limited, a Dubai International Financial Centre company, is licensed to arrange credit or deals in investments, advise on financial products or credit, and manage assets, and is regulated by the Dubai Financial Services Authority.

KKR Saudi Limited is licensed by the Capital Market Authority in Saudi Arabia and is authorized for the activity of arranging in the securities business.

KKR Australia Pty Limited and KKR Australia Investment Management Pty Limited are Australian financial services licensed and are authorized to provide advice on and deal in financial products for wholesale clients, and are regulated by the Australian Securities and Investments Commission.

KKR Capital Markets Asia Limited is licensed by the Securities and Futures Commission in Hong Kong to carry on dealing in securities and advising on securities regulated activities.

KKR Singapore Pte. Ltd. holds a capital markets services license to conduct fund management for accredited and/or institutional investors only, and is regulated by Monetary Authority of Singapore.

KKR Holdings Mauritius, Ltd. and KKR Account Adviser (Mauritius), Ltd. are unrestricted investment advisers authorized to manage portfolios of securities and give advice on securities transactions, and are regulated by the Financial Services Commission, Mauritius.

KKR Account Adviser (Mauritius), Ltd. is registered as a Foreign Portfolio Investor, or FPI, with the Securities Exchange Board of India, or SEBI, under the SEBI (Foreign Portfolio Investor) Regulations, 2014 pursuant to which it can make investments in listed and unlisted securities of Indian issuers.

KKR Mauritius Direct Investments I, Ltd. is registered as a Foreign Portfolio Investor, or FPI, with SEBI under the SEBI (Foreign Portfolio Investor) Regulations, 2014 pursuant to which it can make investments in listed and unlisted securities of Indian issuers, and is incorporated as an investment holding company in Mauritius regulated by the Financial Services Commission, Mauritius.

KKR India Financial Services Private Limited is registered with the Reserve Bank of India as a non-deposit taking non-banking financial company and is authorized to undertake lending and financing activities.

KKR Capital Markets India Private Limited is licensed by the SEBI as a merchant bank that is authorized to execute capital market mandates, underwrite issues, offer investment advisory and other consultancy/advisory services. In addition, KKR Capital Markets India Private Limited is the investment manager and sponsor of four alternative investment funds, registered with SEBI under the SEBI (Alternative Investment Funds) Regulations, 2012.

Silview Investments Pte. Ltd., Silview Portfolio Investments Pte. Ltd. (earlier known as KKR Asia II Portfolio Investors Pte. Ltd.), Moneyline Portfolio Investments Limited are registered as a FPI with SEBI under the SEBI (Foreign Portfolio Investor) Regulations pursuant to which they can make investments in listed and unlisted securities of Indian issuers.

KKR India Asset Finance Private Limited (formerly known as Motichand Finance Private Limited) is registered with the Reserve Bank of India as a non-deposit taking non-banking financial company and is authorized to undertake lending and financing activities.

Daena Venture Capital Investments, Ltd. is incorporated as an investment holding company in Mauritius regulated by the Financial Services Commission, Mauritius and was registered with SEBI as a foreign venture capital investor, or FVCI; however the FVCI certificated of registration has been surrendered with effect from December 18, 2015.

KKR Asia II Venture Investments Pte. Ltd. is registered with SEBI as a foreign venture capital investor, or FVCI, under the SEBI (Foreign Venture Capital Investors) Regulations, 2000 pursuant to which it can make certain investments in securities of Indian issuers and is incorporated as an investment holding company in Singapore.

From time to time, one or more of our investment funds or their related investment vehicles may be regulated as a mutual fund by the Cayman Islands Monetary Authority, regulated as an investment limited partnership by the Central Bank of Ireland, listed on the Irish Stock Exchange, notified with the Financial Services Agency of Japan for sale pursuant to certain private placement exemptions and/or for investment pursuant to certain exemption, registered with the Financial Supervisory Service of the Republic of Korea, licensed by or granted in principal approval from SEBI, subject to the regulatory supervision of the

Commission de Surveillance du Secteur Financier of Luxembourg, notified with the Netherlands Authority for Financial Markets for sale pursuant to certain private placement exemptions, or registered under the Investment Company Act.

There are a number of legislative and regulatory initiatives in the United States and in Europe that could significantly affect our business. Please see “Risk Factors-Risks Related to Our Business-Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could result in additional burdens on our business.”

### **Website and Availability of SEC Filings**

Our website address is [www.kkr.com](http://www.kkr.com). Information on our website is not incorporated by reference herein and is not a part of this Form 10-K. We make available free of charge on our website or provide a link on our website to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after those reports are electronically filed with, or furnished to, the SEC. To access these filings, go to the “KKR & Co. L.P.” portion of our “Investor Center” page on our website, then click on “SEC Filings”. You may also read and copy any document we file at the SEC’s public reference room located at 100 F Street, N.E., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. In addition these reports and the other documents we file with the SEC are available at a website maintained by the SEC at [www.sec.gov](http://www.sec.gov).

From time to time, we may use our website as a channel of distribution of material information. Financial and other material information regarding our company is routinely posted on and accessible at [www.kkr.com](http://www.kkr.com). In addition, you may automatically receive e-mail alerts and other information about our company by enrolling your e-mail address by visiting the “E-mail Alerts” section at under the “KKR & Co. L.P.” section of the “Investor Center” heading at [www.kkr.com](http://www.kkr.com).

## ITEM 1A. RISK FACTORS

Investing in our securities involves risk. Persons investing in our securities should carefully consider the risks described below and the other information contained in this report and other filings that we make from time to time with the SEC, including our consolidated and combined financial statements and accompanying notes. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. Our business, financial condition or results of operations could also be adversely affected by additional factors that apply to all companies generally, as well as other risks that are not currently known to us or that we currently view to be immaterial. In any such case, the trading price of our securities could decline and you may lose all or part of your original investment. While we attempt to mitigate known risks to the extent we believe to be practicable and reasonable, we can provide no assurance, and we make no representation, that our mitigation efforts will be successful.

### Risks Related to Our Business

*Difficult market conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial prospects and condition.*

Our business and the businesses of the companies in which we invest are materially affected by conditions in the financial markets and economic conditions or events throughout the world, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation), trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts or security operations). For example, the unprecedented turmoil in the global financial markets during 2008 and 2009 provoked significant volatility of securities prices, contraction in the availability of credit and the failure of a number of companies, including leading financing institutions, and had a material adverse effect on our businesses and the businesses of the companies in which we invest. A more recent example of volatility has occurred beginning in the late summer of 2015.

The lingering effects of the 2008 global financial crisis and the rise of populist political parties and economic nationalist sentiments have led to increasing political uncertainty and unpredictability in many countries. The attendant risks include greater regulatory uncertainty, for example regarding the posture of governments with respect to taxation and international trade, and greater risk that trade and foreign investment may be restricted. Our business and the businesses of the companies in which we invest, in particular those that rely on cross-border activities, could be materially affected by changes to the existing trade, tariff, and foreign investment practices.

Low levels of growth and high levels of government debt in major markets including the United States and Europe persists, and Europe continues to experience high unemployment and ongoing austerity. The United Kingdom's decision to withdraw from the European Union and the possibility that additional countries might leave the European Union has resurfaced. A withdrawal could, among other outcomes, disrupt the free movement of goods, services and people between the United Kingdom and the European Union and significantly disrupt trade between the United Kingdom and the European Union. A withdrawal by the United Kingdom could also act as a catalyst for other countries to withdraw from the European Union, which may result in greater adverse economic effects.

The pace of China's growth has been slow as compared to rates before the financial crisis of 2008 to 2009, which may pose a risk to the economic stability of China and its major trading partners. China's slowing also has the potential to hinder the demand for and prices of many important global commodities and consequently reduce capital spending in industries dependent on commodity prices. Although lower commodity prices, including the falling price of oil, are expected to benefit the economies of commodity importing countries, certain of our investments focused on the development, exploration and production of oil and natural gas properties, as well as the sale of products or services used in the natural resources sector, have and would continue to suffer from such a decline.

In addition, favorable market conditions in certain countries may have been and are dependent to some extent on continued monetary policy accommodations from central banks, including the Federal Reserve. Although interest rates have been at historically low levels for the last few years, the Federal Reserve has indicated an intention to raise interest rates in 2017, thus raising the cost of financing and possibly slowing economic growth in the United States. Furthermore, higher interest rates in the United States could also reduce the relative attractiveness of other global markets, thereby applying pressure to foreign asset values and currencies.

Such market and economic conditions and events are outside our control and may affect the level and volatility of securities prices and liquidity and as a result, the value of our investments and our financial results. In addition, we may not be

able to or may choose not to manage our exposure to these conditions and/or events. For example, as of March 31, 2009, the date of the lowest aggregate valuation of our private equity funds during the 2008 and 2009 financial market turmoil, the investments in the private equity funds contributed to us in the KPE Transaction were marked down to 67% of original cost, and values across all geographies declined. For example, as of March 31, 2009, the European Fund II, European Fund III, 2006 Fund and Asian Fund had multiples of invested capital of 0.5x, 0.6x, 0.7x and 0.8x, respectively. If not reversed, declines in the equity, commodity and debt in the markets would likely cause us to write down our investments and the investments of our funds. Our profitability may also be adversely affected by our fixed costs and the possibility that we would be unable to scale back other costs within a time frame sufficient to match any decreases in net income relating to changes in market and economic conditions.

Unfavorable market conditions may reduce opportunities for our funds to make, exit and realize value from their investments. Challenging market and economic conditions, including the impact of changes in tax laws and other regulatory restrictions may result in reduced opportunities for our funds to exit and realize value from their existing investments and lower than expected returns on existing investments. Although the equity markets are not the only means by which we exit investments, in challenging equity markets, our funds may experience greater difficulty in realizing value from investments. In addition, when financing is not available, it is difficult for potential buyers to raise sufficient capital to purchase assets in our funds' portfolios. Consequently, we may earn lower than expected returns on investments, which could cause us to realize diminished or no carried interest. In addition, we may not be able to find suitable investments for the funds to effectively deploy capital, which could adversely affect our ability to raise new funds because we can generally only raise capital for a successor fund following the substantial and successful deployment of capital from the existing fund.

In the event of poor performance by existing funds, our ability to raise new funds is impaired. During periods of unfavorable fundraising conditions, pressures by fund investors for lower fees, different fee sharing arrangements for transaction or other fees, and other concessions. Our newer funds, including all our newer private equity funds, have in recent years included performance hurdles, which require us to generate a specified return on investment prior to our right to receive carried interest, and this requirement will likely continue and the hurdle rate could increase. The outcome of such negotiations could result in our agreement to terms that are materially less favorable to us than for prior funds we have managed. In addition, successor funds raised by us when such unfavorable circumstances described above exist would also likely result in smaller funds than our comparable predecessor funds. Fund investors may also seek to redeploy capital away from certain of our credit or other non-private equity investment vehicles, which permit redemptions on relatively short notice, in order to meet liquidity needs or invest in other asset classes or with other managers. Any of these developments could adversely affect our future revenues, net income, cash flow, financial condition or ability to retain our employees. See “-Our inability to raise additional or successor funds could have a material adverse impact on our business” and “-Our investors in future funds may negotiate to pay us lower management fees and the economic terms of our future funds may be less favorable to us than those of our existing funds, which could adversely affect our revenues.”

During periods of difficult market or economic conditions or slowdowns (which may occur across one or more industries, sectors or geographies), companies in which we have invested may experience decreased revenues, financial losses, credit rating downgrades, difficulty in obtaining access to financing and increased funding costs. These companies may also have difficulty in expanding their businesses and operations or be unable to meet their debt service obligations or other expenses as they become due, including amounts payable to us. Negative financial results in our funds' portfolio companies may result in lower investment returns for our investment funds, which could materially and adversely affect our operating results and cash flow. To the extent the operating performance of such portfolio companies (as well as valuation multiples) deteriorate or do not improve, our funds may sell those assets at values that are less than we projected or even at a loss, thereby significantly affecting those funds' performance and consequently our operating results and cash flow and resulting in lower or no carried interest being paid to us. Adverse conditions may also increase the risk of default with respect to private equity, credit and other investments that we manage or the abandonment or foreclosure of our real asset investments. Even if economic and market conditions do improve broadly, adverse conditions in particular sectors may also cause our performance to suffer. Finally, low interest rates related to monetary stimulus, economic stagnation or deflation may negatively impact expected returns on all types of investments as the demand for relatively higher return assets increases and the supply decreases.

In addition, our Capital Markets segment generates fees through a variety of activities in connection with the issuance and placement of equity and debt securities and credit facilities, with the size of fees generally correlated to overall transaction sizes. As a result, the conditions in financial markets as described above, as well as transaction activity in our Private Markets segment and to a lesser extent, Public Markets segment, impact both the frequency and size of fees generated by this segment.

***Changes in the debt financing markets may negatively impact the ability of our investment funds, their portfolio companies and strategies pursued with our balance sheet assets to obtain attractive financing for their investments or refinance existing debt and may increase the cost of such financing if it is obtained, which could lead to lower-yielding investments and potentially decrease our net income.***

In the event that our funds are unable to obtain committed debt financing for potential acquisitions or can only obtain debt at an increased interest rate or on unfavorable terms, our funds may have difficulty completing otherwise profitable acquisitions or may generate profits that are lower than would otherwise be the case, either of which could lead to a decrease in the investment income earned by us. Any failure by lenders to provide previously committed financing can also expose us to potential claims by sellers of businesses which we may have contracted to purchase. Similarly, certain of the strategies pursued using our balance sheet assets rely on the use of leverage, including the issuance of CLOs, and other secured and unsecured borrowings. Our ability to generate returns on these assets and make cash available for distribution to our unitholders would be reduced to the extent that changes in market conditions cause the cost of our financing to increase relative to the income that can be derived from the assets acquired and financed. Similarly, our portfolio companies regularly utilize the corporate debt markets in order to obtain financing for their operations. To the extent that credit markets render such financing difficult to obtain or more expensive, this may negatively impact the operating performance of those portfolio companies and, therefore, the investment returns on our funds. In addition, to the extent that conditions in the credit markets impair the ability of our portfolio companies to refinance or extend maturities on their outstanding debt, either on favorable terms or at all, the operating performance of those portfolio companies may be negatively impacted, which could impair the value of our investment in those portfolio companies and lead to a decrease in the investment income earned by us. In some cases, the inability of our portfolio companies to refinance or extend maturities may result in the inability of those companies to repay debt at maturity and may cause the companies to sell assets, undergo a recapitalization or seek bankruptcy protection, which would also likely impair the value of our investment and lead to a decrease in investment income earned by us.

***We have significant liquidity requirements, and adverse economic and market conditions may adversely affect our sources of liquidity, which could adversely affect our business operations in the future.***

We expect that our primary liquidity needs will consist of cash required to:

- continue to grow our business, including seeding new strategies and funding our capital commitments made to existing and future funds, co-investments and any net capital requirements of our capital markets companies;
- warehouse investments in portfolio companies or other investments for the benefit of one or more of our funds, accounts or CLOs pending the contribution of committed capital by the investors in such vehicles, and advancing capital to them for operational or other needs;
- service debt obligations including the payment of obligations upon maturity or redemption, as well as any contingent liabilities that may give rise to future cash payments;
- fund cash operating expenses and amounts recorded for litigation matters;
- pay amounts that may become due under our tax receivable agreement with KKR Holdings;
- make cash distributions in accordance with our distribution policy for our common units or the terms of our preferred units;
- underwrite commitments within our capital markets business;
- make future purchase price payments in connection with our proprietary acquisitions, such as our strategic partnership with Marshall Wace;
- acquire additional assets for our Principal Activities segment, including other businesses and corporate real estate; and
- repurchase KKR & Co. L.P. common units or other securities issued by us.

These liquidity requirements are significant and, in some cases, involve capital that will remain invested for extended periods of time. As of December 31, 2016, we have approximately \$2.6 billion of remaining unfunded capital commitments to our investment funds. Our commitments to our funds will require significant cash outlays over time, and there can be no assurance that we will be able to generate sufficient cash flows from realizations of investments to fund them. We have also

used our balance sheet to provide credit support to our general partner's obligations to our funds and to support certain transactions by our funds.

In addition, as of December 31, 2016, on a segment basis we had \$2.8 billion of indebtedness outstanding under our credit facilities and debt securities and \$3.4 billion of cash and short-term investments. This includes KFN's debt obligations of \$398.6 million and KFN's 7.375% Series A LLC preferred shares of \$373.8 million, which do not provide for recourse to KKR beyond the assets of KFN. While we have long-term committed financings with substantial facility limits, the terms of those facilities will expire in 2019 and 2021, and our senior notes become due in 2020, 2043 and 2044, and any borrowings thereunder will require refinancing or renewal, which could result in higher borrowing costs, or issuing equity. Depending on credit or other market conditions, we may not be able to renew all or part of these borrowings or find alternate sources of financing on commercially reasonable terms and we may not be able to raise equity. In addition, the incurrence of additional debt by us or our subsidiaries in the future could result in downgrades of our existing corporate credit ratings, which could limit the availability of future financing and increase our costs of borrowing.

In addition, the underwriting commitments for our capital markets business may require significant cash obligations, and these commitments may also put pressure on our liquidity. The holding company for our capital markets business has entered into a credit agreement that provides for revolving borrowings of up to \$500 million, which can only be used in connection with our capital markets business, including placing and underwriting securities offerings. To the extent we commit to buy and sell an issue of securities in firm commitment underwritings or otherwise, we may be required to borrow under our credit agreement for our capital markets business to fund such obligations, which, depending on the size and timing of the obligations, may limit our ability to enter into other underwriting arrangements or similar activities, service existing debt obligations or otherwise grow our business. Regulatory capital requirements may also limit the ability of our broker-dealer subsidiaries to participate in underwriting or other transactions or to allocate our capital more efficiently across our businesses.

In connection with strategic partnerships with hedge fund managers like Marshall Wace, we may be obligated to make future purchase price payments based on the respective performance of these businesses or the exercise of certain options. In addition in connection with the development of a new KKR office in New York City, we will be required to pay for the construction and completion of the office.

In the event that our liquidity requirements were to exceed available liquid assets for the reasons specified above or for any other reason, we could be forced to sell assets or seek to raise debt or equity capital on unfavorable terms. For further discussion of our liquidity needs see "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity."

***The "clawback" provisions in our governing agreements may give rise to a contingent obligation that may require us to return or contribute amounts to our funds and fund investors.***

The partnership documents governing our carry-paying funds, including funds relating to private equity, growth equity, infrastructure, energy, real estate, special situations, private credit opportunities, direct lending and revolving credit investments, generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. Under a clawback obligation, upon the liquidation of a fund, the general partner is required to return, typically on an after-tax basis, previously distributed carry to the extent that, due to the diminished performance of later investments, the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, including the effects of any performance thresholds. We would continue to be subject to the clawback obligation even if carry has been distributed to current or former employees or other personnel through our carry pool, and we would be required to seek other sources of liquidity to fund such an obligation if such carry is not returned to us by them. Excluding carried interest received by the general partners of funds that were not contributed to us in the KPE Transaction, as of December 31, 2016, no carried interest was subject to this clawback obligation, assuming that all applicable carry paying funds were liquidated at their December 31, 2016 fair values. Had the investments in such funds been liquidated at zero value, the clawback obligation would have been \$2,204.9 million.

Prior to the KPE Transaction in 2009, certain of our principals who received carried interest distributions with respect to certain private equity funds contributed to us had personally guaranteed, on a several basis and subject to a cap, the contingent obligations of the general partners of such private equity funds to repay amounts to fund investors pursuant to the general partners' clawback obligations. The terms of the KPE Transaction require that our principals remain responsible for any clawback obligations relating to carry distributions received prior to the KPE Transaction, up to a maximum of \$223.6 million. Through investment realizations, this amount has been reduced to \$98.9 million as of December 31, 2016. Using valuations as of December 31, 2016, no amounts are due with respect to the clawback obligation required to be funded by our principals.

Carry distributions arising subsequent to the KPE Transaction may give rise to clawback obligations that may be allocated generally to us and our principals who participate in the carry pool. In addition, guarantees of or similar arrangements relating to clawback obligations in favor of third party investors in an individual investment partnership by entities we own may limit distributions of carried interest more generally.

***Our earnings and cash flow are highly variable due to the nature of our business and we do not intend to provide earnings guidance, each of which may cause the value of interests in our business to be volatile.***

Our earnings are highly variable from quarter to quarter due to the volatility of investment returns of most of our funds, other investment vehicles and our balance sheet assets and the fees earned from our businesses. We recognize earnings on investments in our funds based on our allocable share of realized and unrealized gains (or losses) reported by such funds and for certain of our recent funds, when a performance hurdle is achieved. During times of market volatility the fair value of our funds and our balance sheet assets are more variable, and as publicly traded equity securities currently represent a significant proportion of the assets of many of our funds and balance sheet assets, volatility in the equity markets may have a significant impact on our reported results. See also "Management's Discussion and Analysis of Financial Condition & Results of Operations--Critical Accounting Policies -- Fair Value Measurements" for a discussion of the impact of equity markets on the value of private equity investments. A decline in realized or unrealized gains, a failure to achieve a performance hurdle or an increase in realized or unrealized losses, would adversely affect our net income.

Fee income, which we recognize when contractually earned, can vary due to fluctuations in AUM, the number of investment transactions made by our funds, the number of portfolio companies we manage, the fee provisions contained in our funds and other investment products and transactions by our capital markets business. In any particular quarter, fee income may vary significantly due to the receipt of termination of monitoring fees, transaction fees or fees received by our capital markets business from syndications, in particular large equity syndications. While these events occur periodically, they generally do not occur every quarter and their size and frequency are variable. On a segment basis, total management, monitoring and transaction fees, net, for the years ended December 31, 2014, 2015 and 2016 were \$1,098.8 million, \$1,142.1 million, and \$1,074.9 million respectively. We may create new funds or investment products or vary the terms of our funds or investment products (for example our newer funds include performance hurdles), which may alter the composition or mix of our income from time to time. In particular, in our newer private equity and other funds, we have agreed to return to our fund investors all monitoring and transaction fees generated by the fund's investments, which would be expected to cause our monitoring and transaction fee income to decline if we are unable to replace the loss with other fee generating transactions or more favorable terms in our private equity and other funds. We may also experience fluctuations in our results from quarter to quarter, including our revenue and net income, due to a number of other factors, including changes in the values of our funds' investments, changes in the amount of distributions or interest earned in respect of investments, changes in our operating expenses, the degree to which we encounter competition and general economic and market conditions. In addition, our earnings and cash flows are dependent in part on the performance of KFN, a specialty finance company that we acquired in 2014, and is subject to the risks to KFN's businesses as described elsewhere in the report. Although KFN is a subsidiary of KKR, KFN has its own indebtedness and preferred shares outstanding. The terms of its indebtedness and preferred shares impose limitations on KFN's current and future operations and may restrict its ability to make distributions to KKR. Economic net income (loss) on a segment basis for the years ended December 31, 2014, 2015 and 2016 was \$1,727.2 million, \$1,298.0 million and \$794.4 million, respectively. Such fluctuations may lead to variability in the value of interests in our business and cause our results for a particular period not to be indicative of our performance in future periods. It may be difficult for us to achieve steady growth in net income and cash flow on a quarterly basis, which could in turn lead to large adverse movements in the value of interests in our business.

The timing and receipt of carried interest from our investment funds are unpredictable and will contribute to the volatility of our cash flows. For example, with respect to our private equity funds, carried interest is distributed to the general partner of a private equity fund with a clawback provision only after all of the following are met: (i) a realization event has occurred (e.g., sale of a portfolio company, dividend, etc.); (ii) the vehicle has achieved positive overall investment returns since its inception, in excess of performance hurdles where applicable; and (iii) with respect to investments with a fair value below cost, cost has been returned to fund investors in an amount sufficient to reduce remaining cost to the investments' fair value. Carried interest payments from investments depend on our funds' performance and opportunities for realizing gains, which may be limited. It takes a substantial period of time to identify attractive investment opportunities, to raise all the funds needed to make an investment and then to realize the cash value (or other proceeds) of an investment through a sale, public offering or other exit. To the extent an investment is not profitable, no carried interest will be received from our funds with respect to that investment and, to the extent such investment remains unprofitable, we will only be entitled to a management fee on that investment. Furthermore, certain vehicles and separately managed accounts may not provide for the payment of any carried interest at all. Even if an investment proves to be profitable, it may be several years before any profits can be realized in cash. We cannot predict when, or if, any realization of investments will occur. In addition, if finance providers, such as commercial



and investment banks, make it difficult for potential purchasers to secure financing to purchase companies in our investment funds' portfolio, it may decrease potential realization events and the potential to earn carried interest. A downturn in the equity markets would also make it more difficult to exit investments by selling equity securities. If we were to have a realization event in a particular quarter, the event may have a significant impact on our cash flows during the quarter that may not be replicated in subsequent quarters. A decline in realized or unrealized gains, or an increase in realized or unrealized losses, would adversely affect our investment income, which could further increase the volatility of our quarterly results.

The timing and receipt of carried interest also varies with the life cycle of certain of our funds. Our carry paying funds that have completed their investment periods and are able to realize mature investments, sometimes referred to as being in a harvesting period, are more likely to make larger distributions than our carry paying funds that are in their fund raising or investment periods that precede the harvesting period. During times when a significant portion of our assets under management is attributable to carry paying funds that are not in their harvesting periods, we may receive substantially lower carried interest distributions.

In addition, with respect to certain of the funds that we advise, such as hedge funds and fund of funds, we are entitled to incentive fees that are generally paid annually in June and December if the net asset value of a fund has increased over a certain pre-determined hurdle rate or a specified high-water mark. These funds generally also have "high-water mark" provisions whereby if the funds have experienced losses in prior periods, we will not be able to earn incentive fees with respect to a fund investor's account until the net asset value of the fund investor's account exceeds the highest period end value on which incentive fees were previously paid. The incentive fees we earn are therefore dependent on the net asset value of these funds or vehicles, which could lead to volatility in our quarterly results and cash flow. Fees, including incentive fees, from KFN have been eliminated upon the completion of the KFN merger in 2014 on a segment basis.

***A decline in the pace or size of investment by our funds would result in our receiving less revenue from fees.***

The transaction and management or monitoring fees that we earn are driven in part by the pace at which our funds make investments and the size of those investments. Any decline in that pace or the size of investments would reduce our revenue from transaction and management or monitoring fees. Likewise, during an attractive selling environment, our funds may capitalize on increased opportunities to exit investments. Any increase in the pace at which our funds exit investments, if not offset by new commitments and investments, would reduce future management fees. Additionally, in certain of our funds that derive management fees only on the basis of invested capital, the pace at which we make investments, the length of time we hold such investment and the timing of disposition will directly impact our revenues. Many factors could cause such a decline in the pace of investment or the transaction and management or monitoring fees we receive, including:

- the inability of our investment professionals to identify attractive investment opportunities;
- competition for such opportunities among other potential acquirers;
- decreased availability of capital or financing on attractive terms;
- our failure to consummate identified investment opportunities because of business, regulatory or legal complexities and adverse developments in the U.S. or global economy or financial markets;
- terms we may agree with or provide to our fund investors or investors in separately managed accounts with respect to fees such as increasing the percentage of transaction or other fees we may share with our fund investors; and
- new regulations, guidance or other actions provided or taken by regulatory authorities.

***Our inability to raise additional or successor funds (or raise successor funds of a comparable size as our predecessor funds) could have a material adverse impact on our business.***

Our current private equity funds and certain other funds and investment vehicles have a finite life and a finite amount of commitments from fund investors. Once a fund nears the end of its investment period, our success depends on our ability to raise additional or successor funds in order to keep making investments and, over the long term, earning management fees (although our funds and investment vehicles generally continue to earn management fees at a reduced fee rate after the expiration of their investment periods). Even if we are successful in raising successor funds, to the extent we are unable to raise successor funds of a comparable size to our predecessor funds or the extent that we are delayed in raising such a successor fund, our revenues may decrease as the investment period of our predecessor funds expire and associated fees decrease. For example, European Fund IV is smaller than its predecessor fund, and KKR North America Fund XI was smaller than its

predecessor fund. The performance of our funds also impacts our ability to raise capital, and deterioration in the performance of our funds would result in challenges to future fundraising. The evolving preferences of our fund investors may necessitate that alternatives to the traditional investment fund structure, such as managed accounts, smaller funds and co-investment vehicles, become a larger part of our business going forward. This could increase our cost of raising capital at the scale we have historically achieved. Furthermore, in order to raise capital for new strategies and products without drawing capital away from our existing products, we will need to seek new sources of capital such as individual investors.

Our ability to raise new funds could also be hampered if the general appeal of private equity and alternative investments were to decline. An investment in a limited partner interest in a private equity fund is less liquid than an exchange traded instrument and the returns on such investment may be more volatile than an investment in securities for which there is a more active and transparent market. Private equity and alternative investments could fall into disfavor as a result of concerns about liquidity and short-term performance. Institutional investors in funds that have suffered from decreasing returns, liquidity pressure, increased volatility or difficulty maintaining target asset allocations, may materially decrease or temporarily suspend making new fund investments. Such concerns could be exhibited, in particular, by public pension funds, which have historically been among the largest investors in alternative assets. Many public pension funds are significantly underfunded and their funding problems have been, and may in the future be, exacerbated by economic downturn. Concerns with liquidity could cause such public pension funds to reevaluate the appropriateness of alternative investments, and other institutional investors may reduce their overall portfolio allocations to alternative investments. This could result in a smaller overall pool of available capital in our industry. There is no assurance that the amount of commitments investors are making to alternative investment funds will continue at recent levels or that our ability to raise capital from investors will not be hampered.

In addition, the asset allocation rules or regulations or investment policies to which such third-party investors are subject, could inhibit or restrict the ability of third-party investors to make investments in our investment funds. Coupled with a lack of distributions from their existing investment portfolios, many of these investors may have been left with disproportionately outsized remaining commitments to, and invested capital in, a number of investment funds, which may significantly limit their ability to make new commitments to third-party managed investment funds such as those advised by us.

Fund investors may also seek to redeploy capital away from certain of our credit vehicles, hedge fund, fund of funds, registered investment products or other investment vehicles, which permit redemptions on relatively short notice in order to meet liquidity needs or invest in other asset classes. We believe that our ability to avoid excessive redemption levels primarily depends on our funds' continued satisfactory performance, although redemptions may also be driven by other factors important to our fund investors, including their need for liquidity and compliance with investment mandates, even if our performance is superior. Investors' liquidity needs tend to be more pronounced during periods of market volatility. Investors may also deploy capital away from funds of funds if they deem this asset class's fee structure unattractive relative to the fees of other alternative products. Any such redemptions would decrease our AUM and revenues.

In addition, the Dodd Frank Wall Street Reform and Consumer Protection Act, or Dodd Frank Act, under what has become known as the "Volcker Rule," broadly prohibits depository institution holding companies (including foreign banks with U.S. branches, agencies or commercial lending companies and certain insurance companies), insured depository institutions and their subsidiaries and controlled affiliates, or "banking entities," from investing in "covered funds," including third party private equity funds like ours. Final regulations implementing the Volcker Rule were approved by the federal banking agencies, the SEC and the CFTC on December 10, 2013. Foreign banking entities may continue to invest in private equity funds like ours under a Volcker Rule exemption for covered fund activities and investment that occur solely outside of the United States. However U.S. banking entities have until July 21, 2017 to conform their covered fund investments and relationships that were in place prior to December 31, 2013 to the requirements of the final regulations (and may have until July 21, 2022 to conform investments in a private equity fund that qualifies as an "illiquid fund" and for which an extension is sought and granted), and will be limited in their ability to undertake new contractual commitments to private equity funds like ours.

Banking entities have historically represented an important, although decreasing, class of investors for our funds. It is possible that other institutions will not be available to replace this traditional source of capital for our private equity funds. Furthermore, divestitures by banking entities of interests in private equity funds and hedge funds over the next several years to comply with the Volcker Rule may lead to lower prices in the secondary market for our fund interests, which could have adverse implications for our ability to raise funds from investors who may have considered the availability of secondary market liquidity as a factor in determining whether to invest. In addition to federal law, changes in state and local law may limit investment activities of state pension plans and insurance companies.

The number of funds raising capital varies from year to year, and in years where relatively few funds are raising capital, the growth of our AUM, FPAUM and associated fees may be significantly lower. There is no assurance that fundraises for other new strategies or successor funds will experience similar success in the future.

***Our investors in future funds, including separately managed accounts, may negotiate to pay us lower management fees, reimburse us for fewer expenses, or change the economic terms of our future funds, including with respect to transaction fees, management fees or monitoring fees, to be less favorable to us than those of our existing funds, which could adversely affect our revenues or profitability.***

In connection with raising new funds or securing additional investments in existing funds, we negotiate terms for such funds and investments with our fund limited partners. The outcome of such negotiations could result in our agreement to terms that are materially less favorable to us than the terms of prior funds we have advised or funds advised by our competitors. For example, such terms could restrict our ability to raise investment funds with investment objectives or strategies that compete with existing funds, reduce fee revenues we earn, reduce the percentage of profits on third-party capital in which we share, include a performance hurdle that requires us to generate a specified return on investment prior to our right to receive carried interest or add expenses and obligations for us in managing the fund or increase our potential liabilities. For example our newer private equity funds, including Americas Fund XII, Asian Fund II and European Fund IV, include a performance hurdle that requires us to generate a 7% return on investment prior to receiving our share of fund gains and our growth equity and real asset funds have similar hurdles. Similarly, our leveraged credit funds are subject to performance hurdles generally tied to a benchmark or index, while alternative credit funds generally have a performance hurdle of up to 8%. Furthermore, as institutional investors increasingly consolidate their relationships with investment firms and competition becomes more acute, we may receive more of these requests to modify the terms in our new funds. Certain of our newer funds also include more favorable terms for fund investors that commit to early closes for our funds. Additionally, in certain funds, we have agreed to charge management fees based on invested capital or net asset value as opposed to charging management fees based on committed capital. In certain cases, we have provided “fee holidays” to certain investors in which we do not charge management fees for a fixed period of time (such as the first six months). Agreement to terms that are materially less favorable to us could result in a decrease in our profitability.

Certain institutional investors have also publicly criticized certain fund fee and expense structures, including monitoring fees and transaction and advisory fees. We have received and expect to continue to receive requests from a variety of fund investors and groups representing such investors to decrease fees and to modify our carried interest and incentive fee structures, which could result in a reduction or delay in the timing of receipt of the fees and carried interest and incentive fees we earn. The SEC has focused on certain fund fees and expenses, including whether such fees and expenses were appropriately disclosed to fund limited partners, which may cause fund investor resistance to our receipt of fees and /expenses be reimbursed to us. In our current flagship private equity funds, we have increased the percentage of transaction and monitoring fees that are credited against fund management fees to 100% of the amount of the transaction and monitoring fee attributable to that fund. In September of 2009, the Institutional Limited Partners Association, or “ILPA,” published a set of Private Equity Principles, or the “Principles,” which were revised in January 2011. The Principles were developed in order to encourage discussion between limited partners and general partners regarding private equity fund partnership terms. Certain of the Principles call for enhanced alignment of interests between general partners and limited partners through modifications of some of the terms of fund arrangements, including proposed guidelines for fees and carried interest structures. We provided ILPA our endorsement of the Principles, representing an indication of our general support for the efforts of ILPA.

In addition, certain institutional investors, including sovereign wealth funds and public pension funds, have demonstrated an increased preference for alternatives to the traditional investment fund structure, such as managed accounts, specialized funds and co-investment vehicles. We also have entered into strategic partnerships with specific investors whereby we manage that investor’s capital across a variety of our products on separately negotiated terms. There can be no assurance that such alternatives will be as profitable to us as the traditional investment fund structure, and the impact such a trend could have on our results of operations, if widely implemented, is unclear. Moreover, certain institutional investors are demonstrating a preference to in-source their own investment professionals and to make direct investments in alternative assets without the assistance of investment advisers like us. Such institutional investors may become our competitors and could cease to be our clients.

Any agreement to or changes in terms less favorable to us could adversely affect our revenues and profitability.

***The investment management business is intensely competitive, which could have a material adverse impact on our business.***

We compete as an investment manager for both fund investors and investment opportunities. The investment management business is highly fragmented, with our competitors consisting primarily of sponsors of public and private investment funds, real estate development companies, business development companies, investment banks, commercial finance companies and operating companies acting as strategic buyers of businesses. We believe that competition for fund investors is based primarily on:

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- investment performance;
- investor liquidity and willingness to invest;
- investor perception of investment managers' drive, focus and alignment of interest;
- business reputation;
- the duration of relationships with fund investors;
- the quality of services provided to fund investors;
- pricing;
- fund terms (including fees); and
- the relative attractiveness of the types of investments that have been or will be made.

We believe that competition for investment opportunities is based primarily on the pricing, terms and structure of a proposed investment and certainty of execution.

A number of factors serve to increase our competitive risks:

- a number of our competitors in some of our businesses may have greater financial, technical, marketing and other resources and more personnel than we do, and, in the case of some asset classes, longer operating histories, more established relationships or greater experience;
- fund investors may materially decrease their allocations in new funds due to their experiences following an economic downturn, the limited availability of capital, regulatory requirements or a desire to consolidate their relationships with investment firms;
- some of our competitors may have better expertise or be regarded by fund investors as having better expertise in a specific asset class or geographic region than we do;
- some of our competitors have agreed to terms on their investment funds or products that may be more favorable to fund investors than our funds or products, such as lower management fees, greater fee sharing or higher performance hurdles for carried interest, and therefore we may be forced to match or otherwise revise our terms to be less favorable to us than they have been in the past;
- some of our funds may not perform as well as competitors' funds or other available investment products;
- our competitors have raised or may raise significant amounts of capital, and many of them have similar investment objectives and strategies to our funds, which may create additional competition for investment opportunities and may reduce the size and duration of pricing inefficiencies that many alternative investment strategies seek to exploit;
- some of these competitors may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to investment opportunities;
- some of our competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments;
- some of our competitors may be subject to less regulation or less regulatory scrutiny and accordingly may have more flexibility to undertake and execute certain businesses or investments than we do and/or bear less expense to comply with such regulations than we do;
- there are relatively few barriers to entry impeding the formation of new funds, including a relatively low cost of entering these businesses, and the successful efforts of new entrants into our various lines of business, including major commercial and investment banks and other financial institutions, have resulted in increased competition;

- some fund investors may prefer to invest with an investment manager that is not publicly traded, is smaller, or manages fewer investment products; and
- other industry participants will from time to time seek to recruit our investment professionals and other employees away from us.

We may lose investment opportunities in the future if we do not match investment prices, structures and terms offered by competitors. Our competitors that are corporate buyers may be able to achieve synergistic cost savings in respect of an investment, which may provide them with a competitive advantage in bidding for an investment. Alternatively, we may experience decreased investment returns and increased risks of loss if we match investment prices, structures and terms offered by competitors. Moreover, as a result, if we are forced to compete with other investment firms on the basis of price, we may not be able to maintain our current fund fee, carried interest or other terms. There is a risk that fees and carried interest in the alternative investment management industry will decline, without regard to the historical performance of a manager. Fee or carried interest income reductions on existing or future funds, without corresponding decreases in our cost structure, would adversely affect our revenues and profitability.

In addition, if interest rates were to rise or if market conditions for competing investment products become or are favorable and such products begin to offer rates of return superior to those achieved by our funds, the attractiveness of our funds relative to investments in other investment products could decrease. This competitive pressure could adversely affect our ability to make successful investments and limit our ability to raise future funds, either of which would adversely impact our business, results of operations and cash flow.

***Our structure implicates complex provisions of U.S. federal income tax laws for which no clear precedent or authority may be available. These structures also are subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis.***

The U.S. federal income tax treatment of our unitholders depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax laws for which no clear precedent or authority may be available. The U.S. federal income tax rules are constantly under review by persons involved in the legislative process, the Internal Revenue Service, or IRS, and the U.S. Department of the Treasury, frequently resulting in revised interpretations of established concepts, statutory changes, revisions to regulations and other modifications and interpretations. The present U.S. federal income tax treatment of owning our common units may be modified by administrative, legislative or judicial interpretation at any time, and any such action may affect investments and commitments previously made. The maintenance of the structure and tax attributes of the KKR Group Partnerships, which comprise our businesses, requires significant monitoring and resources. Failure to maintain this structure could result in material adverse tax consequences.

Our organizational documents and agreements give the Managing Partner broad authority to modify the amended and restated partnership agreement from time to time as the Managing Partner determines to be necessary or appropriate, without the consent of the unitholders, to address changes in U.S. federal, state and local income tax regulations, legislation or interpretation. Without the consent of the unitholders, our Managing Partner may also elect to convert KKR into a corporation or cause KKR to be taxed as a corporation for U.S. federal tax purposes, if certain conditions have been satisfied. Proposed tax reforms could increase the likelihood of such a conversion. Such a conversion could be a taxable event to our unitholders where gain or loss is recognized. In addition, a conversion would subject all of our future net income to a level of corporate tax, which may reduce the amount of cash available for distribution or reinvestment. Finally, following a conversion, certain future payments required under our tax receivable agreement could be materially higher than they would have been had we not converted. See "Certain Relationships and Related Transactions, and Director Independence -- Tax Receivable Agreement."

***The U.S. Congress has considered legislation that would have (i) in some cases after a ten-year period, precluded us from qualifying as a partnership or required us to hold carried interest through taxable subsidiary corporations and (ii) taxed certain income and gains at increased rates. If any similar legislation were to be enacted and apply to us, the after-tax income and gain related to our business, as well as the market price of our units, could be reduced.***

In the past, a number of legislative and administrative proposals have been introduced and, in certain cases, have been passed by the U.S. House of Representatives, that would have, in general, treated all or a portion of our carried interest as income subject to a tax rate that is higher than under current law. President Trump has expressed support for such legislation. It is unclear when or whether the U.S. Congress will pass such legislation or what provisions will be included in any legislation, if enacted.

Some legislative and administrative proposals have provided that, for taxable years beginning after the date of enactment (or in some cases, beginning ten years after the date of enactment), income derived with respect to carried interest would not

meet the qualifying income requirements under the publicly traded partnership rules. Therefore, if similar legislation is enacted, following such enactment (or such ten-year period), we would be precluded from qualifying as a partnership for U.S. federal income tax purposes. If we were taxed as a U.S. corporation, our effective tax rate would increase significantly. The federal statutory rate for corporations is currently 35%. In addition, we could be subject to increased state and local taxes. Furthermore, you could be subject to tax on our conversion into a corporation.

States and other jurisdictions have also considered legislation to increase taxes with respect to carried interest. For example, New York has periodically considered legislation under which you could be subject to New York state income tax on income in respect of our common units as a result of certain activities of our affiliates in New York, although it is unclear when or whether such legislation will be enacted.

If the proposed legislation described above or any similar legislation were to be enacted and apply to us, the after-tax income and gain related to our business, our ability to fund cash distributions, as well as the market price of our units, could be reduced.

***Additional proposed changes in the U.S. and foreign taxation of businesses could adversely affect us.***

Both President Trump and the Republican members of the U.S. House of Representatives have publicly stated that one of their top legislative priorities is significant reform of the federal tax code including significant changes to taxation of business entities. Proposals by members of Congress have included, among other things, changes to federal tax rates (including reducing the corporate rate and rates for active business income earned through partnerships), limiting interest deductibility, allowing for the expensing of capital expenditures, use of certain border adjustments, the migration from a worldwide system of taxation to a territorial system, and eliminating the deductibility of state and local taxes. While President Trump has expressed support for a number of these proposals, he has also set forth ideas for tax reform that differ in key ways. There is a substantial lack of clarity around both the timing and the details of any such tax reform. The impact of any potential tax reform of our business is uncertain and could be adverse. In particular, limits on interest deductibility could impair our ability to complete transactions by reducing the amount of debt that we are able to incur or service and reducing the profitability of our investments if not offset by other changes, such as a reduction in federal tax rates. In addition, in certain scenarios, tax reform could result in a significant strengthening of the U.S. dollar, which could adversely impact the value of our foreign investments in U.S. dollar terms.

The U.S. Congress, the Organization for Economic Co-operation and Development (or, OECD) and other government agencies in jurisdictions in which we and our affiliates invest or do business have maintained a focus on issues related to the taxation of multinational companies. The OECD is contemplating changes to numerous long-standing tax principles through its base erosion and profit shifting (or, BEPS) project, which is focused on a number of issues, including the allocation of profits among affiliated entities in different tax jurisdictions. A number of European jurisdictions have enacted taxes on financial transactions, and the European Commission has proposed legislation to harmonize these taxes under the so-called "enhanced cooperation procedure", which provides for adoption of EU-level legislation applicable to some but not all EU Member States. Several of these proposals for reform, if enacted by the U.S. or by other countries in which we or our affiliates invest or do business, could adversely affect our investment returns and could reduce the cash we have available for distributions to unitholders or for other uses by us. It is unclear what any actual legislation could provide, when it would be proposed or what its prospects for enactment could be.

***We depend on our founders and other key personnel, the loss of whose services could have a material adverse effect on our business, results and financial condition.***

We depend on the efforts, skills, reputations and business contacts of our employees, including our founders, Henry Kravis and George Roberts, and other key personnel, the information and deal flow they and others generate during the normal course of their activities and the synergies among the diverse fields of expertise and knowledge held by our professionals. Accordingly, our success depends on the continued service of these individuals, who are not obligated to remain employed with us. The loss of the services of any of them could have a material adverse effect on our revenues, net income and cash flows and could harm our ability to maintain or grow AUM in existing funds or raise additional funds in the future.

Our employees and other key personnel possess substantial experience and expertise and have strong business relationships with investors in our funds and other members of the business community. As a result, the loss of these personnel could jeopardize our relationships with investors in our funds and members of the business community and result in the reduction of AUM or fewer investment opportunities. For example, if any of our key personnel were to join or form a competing firm, our business, results and financial condition could suffer.

Furthermore, the agreements governing our committed capital funds generally provide that in the event certain "key persons" (for example, both of Messrs. Kravis and Roberts for our private equity funds, and, in the case of certain

geographically or product focused funds, one or more of the executives focused on such funds) generally cease to actively manage a fund or be substantially involved in KKR activities, investors in the fund will be entitled to reduce, in whole or in part, their capital commitments available for further investments on an investor-by-investor basis. In the case of certain of our fully paid-up funds, investors may be permitted to terminate their investment in the event a "key persons" provision is triggered, which could possibly lead to a liquidation of those funds. In addition, the occurrence of such a "key person" event could cause us to agree to less favorable ongoing terms with respect to the affected fund. We periodically engage in discussions with the limited partners of our funds regarding a waiver of such provisions with respect to executives involved in geographically or product focused funds whose departures have occurred or are anticipated. The occurrence of such an event where our limited partners do not agree to a waiver of terms would likely have a significant negative impact on our revenue, net income and cash flow.

***If we cannot retain and motivate our employees and other key personnel and recruit, retain and motivate new employees and other key personnel, our business, results and financial condition could be adversely affected.***

Our most important asset is our people, and our continued success is highly dependent upon the efforts of our employees and other key personnel, and to a substantial degree on our ability to retain and motivate our employees and other key personnel and to strategically recruit, retain and motivate new talented employees, including qualified investment professionals. However, we may not be successful in these efforts as the market for qualified investment professionals is extremely competitive. Our ability to recruit, retain and motivate our employees is dependent on our ability to offer highly attractive incentive opportunities. If previously proposed legislation regarding the increased taxation of carried interest were to be enacted, income and gains recognized with respect to carried interest would be treated for U.S. federal income tax purposes as ordinary income rather than as capital gain. Such legislation would materially increase the amount of taxes that we, our employees and other key personnel would be required to pay, thereby adversely affecting our ability to offer such attractive incentive opportunities. See "-Risks Related to U.S. Taxation". Similarly, changes in the United Kingdom with respect to the taxation of carried interest, including the treatment of certain carried interest returns as income, which became effective from April 6, 2016, may impact our ability to recruit, retain and motivate employees and key personnel in the United Kingdom. In addition, there have been proposed laws and regulations that sought to regulate the compensation of certain of our employees. See "-Extensive Regulation of our business affects our activities and creates the potential for significant liabilities and penalties." The possibility of increased regulatory focus or legislative or regulatory changes could result in additional burdens on our business." The loss of even a small number of our investment professionals could jeopardize the performance of our funds and other investment products, which would have a material adverse effect on our results of operations. Efforts to retain or attract employees, including our investment professionals, may result in significant additional expenses, which could adversely affect our profitability.

Many of our employees hold interests in our business through KKR Holdings. These individuals historically received financial benefits from our business in the form of distributions and amounts funded by KKR Holdings and through their direct and indirect participation in the value of KKR Group Partnership Units held by KKR Holdings. While all of our employees receive base salaries from us, annual cash bonuses for certain employees are borne by KKR Holdings from cash reserves based upon distributions on a portion of KKR Group Partnership Units held by KKR Holdings. In 2016, the amount of such annual cash bonuses paid by KKR Holdings L.P. was \$63.4 million. In addition, many units in KKR Holdings have been allocated to personnel, and upon their vesting distributions on vested units would belong to such personnel and not be available to fund cash bonuses. Effective with the distribution paid on March 8, 2016, with respect to the quarter ending December 31, 2015, KKR changed its distribution policy. Under the new distribution policy, KKR intends to make equal quarterly distributions to holders of its common units in a fixed amount per common unit per quarter. To the extent that distributions are made on KKR Group Partnership Units underlying any unvested KKR Holdings units, such amounts under our distribution policy would be insufficient to fund annual cash bonus compensation. We, therefore, expect to pay an increasing portion and eventually all of the cash bonus payments from other sources, including cash from our operations and the carry pool. As a result, either our profit margins or our employee retention or both may be adversely impacted. There can be no assurance that the carry pool will have sufficient cash available to continue to make such cash payments in the future and fluctuations from the distributions generated from the carry pool, if not offset by compensation from other sources, including other performance-based income, could render our compensation less attractive. In any of these circumstances, a higher percentage of our revenue may be paid out in the form of cash compensation, which would be expected to have an adverse impact on our profit margins. 40% of the carried interest earned from our investment funds is currently allocated to our carry pool. Our Managing Partner is not permitted under its operating agreement to increase the percentage of carried interest allocable to the carry pool without the consent of a majority of our independent directors. Our carry pool is supplemented by allocating for compensation 40% of the incentive fees earned from investment funds and certain management fee refunds, which percentage may be increased without requiring the consent of a majority of our independent directors under our Managing Partner's operating agreement.

We have granted and expect to grant equity awards from our Equity Incentive Plan, which has caused and causes dilution. While we evaluate the grant of equity awards from our Equity Incentive Plan to employees on an annual basis, the size of the

grants, if any, is made at our discretion. As we increase the use of equity awards from our Equity Incentive Plan in the future, expense associated with equity based compensation may increase materially. For example, in 2016 in connection with compensation for the fiscal year ended December 31, 2015 we allocated equity awards relating to 13.3 million KKR & Co. L.P. common units, under the Equity Incentive Plan and in connection with compensation for the fiscal year ended December 31, 2016, we allocated additional equity awards relating to 13.1 million KKR & Co. L.P. common units. In 2016 KKR Holdings granted 29.4 million KKR Holdings units to certain senior employees, non-employee operating consultants and other persons. These awards were granted from outstanding but previously unallocated units of KKR Holdings, and consequently these grants did not increase the number of KKR Holdings units outstanding or outstanding KKR common units on a fully-diluted basis. See "Executive Compensation--Compensation Discussion and Analysis--Compensation Elements--KKR Holdings Market Condition Awards" for the terms and conditions of such KKR Holdings units. The value of the KKR Holdings units and common units may drop in value or be volatile, which may make our equity less attractive to our employees. In July 2015, the SEC also proposed rules requiring companies to develop and enforce recovery policies that in the event of an accounting restatement, "claw back" from current and former executive officers incentive-based compensation they would not have received based on the restatement. If such rules are adopted as proposed and are deemed applicable to any component of our compensation, the effectiveness of our compensation as a retention mechanism may be further reduced. In addition, less carried interest from the carry pool may be allocated to certain of our employees, which may result in less cash payments to such employees. To the extent our equity incentive or carry pool programs are not effective, we may be limited in our ability to attract, retain and motivate talented employees and other key personnel and we may need to increase the level of cash compensation that we pay.

In addition, there is no guarantee that the confidentiality and restrictive covenant agreements to which our employees and other key personnel are subject, together with our other arrangements with them, will prevent them from leaving us, joining our competitors or otherwise competing with us. Depending on which entity is a party to these agreements and/or the laws applicable to them, we may not be able to enforce them or become subject to lawsuits or other claims, and certain of these agreements might be waived, modified or amended at any time without our consent. Even when enforceable, these agreements expire after a certain period of time, at which point each of our employees and other key personnel are in any event free to compete against us and solicit our fund investors and employees. See "Certain Relationships and Related Transactions, and Director Independence-Confidentiality and Restrictive Covenant Agreements."

We strive to maintain a work environment that reinforces our culture of collaboration, motivation and alignment of interests with fund investors. If we do not continue to develop and implement the right processes and tools to manage our changing enterprise and maintain our culture, our ability to compete successfully and achieve our business objectives could be impaired, which could negatively impact our business, financial condition and results of operations.

***Operational risks and data security breaches may disrupt our businesses, result in losses or limit our growth.***

We rely heavily on our financial, accounting and other data processing systems and on the systems of third parties who provide services to us. If any of these systems do not operate properly or are disabled, we could suffer financial loss, a disruption of our businesses, liability to our funds, regulatory intervention or reputational damage. In addition, we operate in businesses that are highly dependent on information systems and technology. For example, we face operational risk from errors made in the execution, confirmation or settlement of transactions. We also face operational risk from transactions not being properly recorded, evaluated or accounted for in our funds. In particular, our Public Markets business is highly dependent on our ability to process and evaluate, on a daily basis, transactions across markets and geographies in a time-sensitive, efficient and accurate manner. Our and our third party service providers' information systems and technology may not continue to be able to accommodate our growth, may not be suitable for new products and strategies and may be subject to security risks, and the cost of maintaining such systems may increase from our current level. Such a failure to accommodate growth, or an increase in costs related to such information systems, could have a material adverse effect on our business. Furthermore, we depend on our principal offices in New York City, where most of our administrative personnel are located, and technology and infrastructure concentrated in New York City and other offices for the continued operation of our business. We are also dependent on an increasingly concentrated group of third party vendors that we do not control for hosting solutions and technologies. A disaster or a disruption in the infrastructure that supports our businesses, including a disruption involving electronic communications or other services used by us, our vendors or third parties with whom we conduct business, or directly affecting our principal offices, could have a material adverse impact on our ability to continue to operate our business without interruption. Our business continuation or disaster recovery programs may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for our losses, if at all.

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. We face various security threats on a regular basis, including ongoing cyber security threats to



and attacks on our information technology infrastructure that are intended to gain access to our proprietary information, destroy data or disable, degrade or sabotage our systems. Although we take protective measures and endeavor to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to unauthorized access, theft, misuse, computer viruses or other malicious code, and other events that could have a security impact. We and our employees may be the target of fraudulent emails. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means. In addition, cyber security has become a top priority for regulators around the world. If one or more of such events occur, this potentially could jeopardize our or our fund investors' or counterparties' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our fund investors', our counterparties' or third parties' operations, which could result in significant losses, increased costs, disruption of our business, liability to our fund investors and other counter-parties, regulatory intervention or reputational damage. Finally, we rely on third party service providers for certain aspects of our business, including for certain information systems, technology, administration, tax and compliance matters. Any interruption or deterioration in the performance of these third parties could impair the quality of our and our funds' operations and could impact our reputation and adversely affect our businesses and limit our ability to grow.

Our portfolio companies also rely on data processing systems and the secure processing, storage and transmission of information, including payment and health information. A disruption or compromise of these systems could have a material adverse effect on the value of these businesses. Our funds may invest in strategic assets having a national or regional profile or in infrastructure assets, the nature of which could expose them to a greater risk of being subject to a terrorist attack or security breach than other assets or businesses. Such an event may have adverse consequences on our investment or assets of the same type or may require portfolio companies to increase preventative security measures or expand insurance coverage.

***Our organizational documents do not limit our ability to enter into new lines of businesses, and we may expand into new investment strategies, geographic markets and businesses, each of which may result in additional risks and uncertainties in our businesses.***

We intend, to the extent that market conditions warrant, to seek to grow our businesses by increasing AUM in existing businesses, pursuing new investment strategies, including investment opportunities in new asset classes, developing new types of investment structures and products (such as managed accounts and structured products), and expanding into new geographic markets and businesses. We have in the past opened offices in Asia, the Middle East and Latin America, and also developed a capital markets business in the United States, Europe, the Middle East and Asia-Pacific, which we intend to grow and diversify. We have also launched a number of new investment initiatives in areas such as real estate, energy, infrastructure, hedge funds and growth equity.

Our organic growth strategy focuses on providing resources to foster the development of new product offerings and business strategies by our investment professionals and launching successor and related products, such that our new strategies achieve a level of scale and profitability. Given our diverse platform, these initiatives could create conflicts of interests with existing products, increase our costs and expose us to new market risks, and legal and regulatory requirements. The success of our organic growth strategy will also depend on, among other things, our ability to correctly identify and create products that appeal to the limited partners of our funds and vehicles. While we have made significant expenditures to develop these new strategies and products, there is no assurance that they will achieve a satisfactory level of scale and profitability. To raise new funds and pursue new strategies, we have and expect to continue to use our balance sheet to warehouse seed investments, which may decrease the liquidity available for other parts of our business. If a new strategy or fund does not develop as anticipated and such investments are not ultimately transferred to a fund, we may be forced to realize losses on these retained investments.

We have and may continue to pursue growth through acquisitions of other investment management companies, acquisitions of critical business partners, strategic partnerships or other strategic initiatives, which may include entering into new lines of business. In addition, we expect opportunities will arise to acquire other alternative or traditional investment managers. For example, we have expanded our European credit business with our acquisition of Avoca. We have also made minority investments in hedge fund managers, and we have entered into joint ventures with third parties to participate in new real estate investment strategies. To the extent we make strategic investments or acquisitions, undertake other strategic initiatives or enter into a new line of business, we will face numerous risks and uncertainties, including risks associated with:

- our ability to successfully negotiate and enter into beneficial arrangements with our counterparties;
- the required investment of capital and other resources;
- the incurrence of substantial transaction-related costs including non-recurring transaction-related costs;

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- delays or failure to complete an acquisition or other transaction in a timely manner or at all due to a failure to obtain shareholder or regulatory approvals or satisfy any other closing conditions, which may subject us to damages or require us to pay significant costs;
- lawsuits challenging an acquisition or unfavorable judgments in such lawsuits, which may prevent the closing of the transaction, cause delays, or require us to incur substantial costs including in costs associated with the indemnification of directors;
- the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk or liability or have not appropriately planned for such activities;
- the possibility of diversion of management's time and attention from our core business;
- the possibility of disruption of our ongoing business;
- the failure to realize the anticipated benefits from an acquired business or strategic partnership in a timely manner, if at all;
- combining, integrating or developing operational and management systems and controls including an acquired business's internal controls and procedures;
- integration of the businesses including the employees of an acquired business;
- potential increase in concentration of the investors in our funds;
- disagreements with joint venture partners or other stakeholders in strategic partnerships;
- the additional business risks of the acquired business and the broadening of our geographic footprint, including the risks associated with conducting operations in foreign jurisdictions such as taxation;
- properly managing conflicts of interests;
- our ability to obtain requisite regulatory approvals and licenses without undue cost or delay and without being required to comply with material restrictions or material conditions that would be detrimental to us or to the combined organization; and
- regulatory scrutiny or litigation exposure due to the activities of the third party hedge fund managers or joint venture partners.

Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk and costs. If a new business generates insufficient revenues or if we are unable to efficiently manage our expanded operations, our results of operations will be adversely affected. Our strategic initiatives include joint ventures or the acquisition of minority interests in third parties, in which case we will be subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to, systems, controls and personnel that are not under our control.

***We may not be successful in executing upon or managing the complexities of new investment strategies, markets and businesses, which could adversely affect our business, results of operations and financial condition.***

Our growth strategy is based, in part, on the expansion of our platform through selective investment in, and development or acquisition of, businesses and investment strategies complementary to our business. The expansion into new products and geographies has demanded greater management attention and dedication of resources to manage the increasing complexity of operations and regulatory compliance. This growth strategy involves a number of risks, including the risk that the expected synergies from a newly developed product or strategic alliance will not be realized, that the expected results will not be achieved, that new strategies are not appropriately planned for or integrated into the firm, that the new strategies may conflict, detract from or compete against our existing businesses, that the investment process, controls and procedures that we have developed around our existing platform will prove insufficient or inadequate or that our information systems and technology, including related security systems, may prove to be inadequate. We have also entered into strategic partnerships and separately managed accounts, which lack the scale of our traditional funds and are more costly to administer. The prevalence of these accounts may also present conflicts and introduce complexity in the deployment of capital. The offering of investment products to retail investors, including any funds registered under the Investment Company Act, may result in increased compliance and

litigation costs. We may also incur significant charges in connection with such investments, which ultimately may result in significant losses and costs. Such losses could adversely impact our business, results of operations and financial condition, as well as do harm to our professional reputation.

***If we are unable to syndicate the securities or indebtedness or realize returns on investments financed with our balance sheet assets, our liquidity, business, results of operations and financial condition could be adversely affected.***

Our balance sheet assets provide us with a significant source of capital to grow and expand our business, increase our participation in our transactions and underwrite commitments in our capital markets business. Our balance sheet assets have provided a source of capital to underwrite loans, securities or other financial instruments, which we generally expect to syndicate to third parties. To the extent that we are unable to do so, we may be required to sell such investments at a significant loss or hold them indefinitely. If we are required to retain investments on our balance sheet for an extended period of time, the inability of our capital markets business to complete additional transactions would impair our results.

We generally have a larger balance sheet than many of our competitors, and consequently, the performance of these balance sheet assets has a greater impact on our results of operations. Our success in deploying our balance sheet and generating returns on this capital will depend among other things on the availability of suitable opportunities after giving priority in investment opportunities to our advised investment funds and accounts, the level of competition from other companies that may have greater financial resources and our ability to value potential development or acquisition opportunities accurately and negotiate acceptable terms for those opportunities. To the extent we are unsuccessful in deploying our balance sheet, our business and financial results may suffer. In addition, as our balance sheet has been a significant source of capital for new strategies, to the extent that such strategies are not successful or our balance sheet assets cease to provide adequate liquidity, we would be limited in our ability to seed new businesses or support our existing business as effectively as contemplated. See also “If we are unable to consummate or successfully integrate additional development opportunities, acquisitions or joint ventures, we may not be able to implement our growth strategy successfully.”

***Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could adversely affect our business.***

Our business is subject to extensive regulation, including periodic examinations, inquiries and investigations by governmental and self-regulatory organizations in the jurisdictions in which we operate around the world. Many of these regulators, including U.S. federal and state and foreign government agencies and self-regulatory organizations, are empowered to impose fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of applicable licenses and memberships; any of the foregoing may damage our relations with existing fund investors, may impair our ability to raise capital for successor funds, may impair our ability to carry out certain investment strategies, or may contravene provisions concerning compliance with law in agreements to which we are a party. Even if a sanction is not imposed or the sanction imposed against us or our personnel by a regulator were small in monetary amount, the adverse publicity relating to the regulatory activity or imposition of these sanctions could harm our reputation and cause us to lose existing fund investors or fail to gain new fund investors. In addition, actions by regulators against other investment managers can cause changes in business practices that could materially adversely affect our business, financial condition and results of operations.

In particular, the private equity industry has come under increased regulatory and news media scrutiny with governmental officials and regulators, including the SEC, focusing on the private equity industry’s fees, allocation of expenses to funds, valuation practices, allocation of fund investment opportunities, particularly co-invest opportunities, and disclosures to fund investors. SEC focus areas in the private fund area have recently included the acceleration of monitoring fees, the allocation of broken-deal expenses, the disclosure, use and compensation of operating partners or consultants, outside business activities of firm principals and employees, group purchasing arrangements, disclosure of affiliated service providers, general conflicts of interest disclosures, cybersecurity, foreign bribery and corruption, policies covering insider trading and business continuity and transition planning.

Any changes or potential changes in the regulatory framework applicable to our business, including the changes and potential changes described below, as well as adverse news media attention, may impose additional expenses or capital requirements on us, limit our fundraising for our investment products, result in limitations in the manner in which our business is conducted, have an adverse impact upon our financial condition, results of operations, reputation or prospects, impair employee retention or recruitment and require substantial attention by senior management. It is impossible to determine the extent of the impact of any new laws, regulations, initiatives or regulatory guidance that may be proposed or may become law on our business or the markets in which we operate. If enacted, any new regulation or regulatory framework could negatively impact our funds and us in a number of ways, including increasing our costs and the cost for our funds of investing, borrowing, hedging or operating, increasing the funds’ or our regulatory operating costs, imposing additional burdens on the funds’ or our

staff, and potentially requiring the disclosure of sensitive information. In addition, we may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. New laws or regulations could make compliance more difficult or more expensive, affect the manner in which we conduct business and divert significant management and operational resources and attention from our business. Moreover, we anticipate the potential for an increase in regulatory investigations and new or enhanced reporting requirements of the trading and other investment activities of alternative investment management funds and firms, including our funds and us. Such investigations and reporting obligations will likely impose additional expenses on us, may require the attention of senior management and increase the complexity of managing our business and may result in fines or other sanctions if we or any of our funds are deemed to have violated any law or regulations.

**Regulation under the Dodd-Frank Act.** There have been a number of legislative and regulatory proposals affecting the financial sector in the United States. In particular, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or Dodd-Frank Act, that President Obama signed into law on July 21, 2010, created a significant amount of new regulation. Among other things, the Dodd-Frank Act:

- established the Financial Stability Oversight Council, or FSOC, an inter-agency body charged with, among other things, designating systemically important nonbank financial companies for heightened prudential supervision and making recommendations regarding the imposition of enhanced regulatory standards regarding capital, leverage, conflicts and other requirements for financial firms deemed to pose a systemic threat to U.S. financial stability;
- requires private equity and hedge fund advisers to register with the SEC under the Investment Advisers Act (as described elsewhere in this report, Kohlberg Kravis Roberts & Co. L.P. and its wholly-owned subsidiaries KKR Credit Advisors (US) LLC and Prisma Capital Partners LP are registered with the SEC as investment advisers under the Investment Advisers Act), to maintain extensive records and to file reports for purposes of systemic risk assessment by certain governmental bodies;
- directs federal regulatory agencies to review and, in certain cases, prohibit compensation arrangements at financial institutions that give employees incentives to engage in conduct deemed to encourage inappropriate risk taking by covered financial institutions;
- requires public companies to adopt and disclose policies requiring, in the event the company is required to issue an accounting restatement, the clawback of related incentive compensation from current and former executive officers;
- restricts the ability of banking organizations to sponsor or invest in private equity and hedge funds;
- granted the U.S. government resolution authority to liquidate or take emergency measures with regard to troubled financial institutions that fall outside the existing resolution authority of the Federal Deposit Insurance Corporation, or FDIC; and
- created the Consumer Financial Protection Bureau within the U.S. Federal Reserve.

U.S. financial regulators have taken action to address the majority of mandatory rulemaking provisions of the Dodd-Frank Act, but these regulations remain subject to the discretion of regulatory bodies, such as the SEC, CFTC and FSOC. For example, the following regulations have been enacted that may apply to us or our subsidiaries:

- On April 3, 2012, the FSOC issued a final rule and interpretive guidance regarding the process by which it designates nonbank financial companies as systemically important. The rule and guidance detail a three-stage review process, with the level of scrutiny increasing at each stage. During the first stage, the FSOC applies a broad set of uniform quantitative metrics to identify nonbank financial companies that warrant additional review. In this first stage, the FSOC considers whether a nonbank financial company has at least \$50 billion in total consolidated assets and whether it meets other thresholds relating to credit default swaps outstanding, derivative liabilities, loans and bonds outstanding, a minimum leverage ratio of total consolidated assets to total equity of 15 to 1, and a short-term debt ratio of debt (with maturities less than 12 months) to total consolidated assets of 10%. A company that meets both the asset test and at least one of the other thresholds will be subject to additional review in Stage 2. While we have less than \$50 billion in total consolidated assets as of December 31, 2016 and we believe we do not currently meet the Stage 1 criteria outlined above, those criteria as well as our business may evolve over time. Additional uncertainty is created because the FSOC retains authority to designate any nonbank financial company as systemically important, even if the company does not meet the Stage 1 criteria. The FSOC will consider in the future whether to establish “an additional set of metrics or thresholds tailored to evaluate hedge funds and private equity firms and their advisers.”

The preamble to the final rule notes that less regulatory data is generally available for hedge funds and private equity firms, but indicates that, in developing any such additional metrics or thresholds, it intends to review financial disclosures that private fund advisers are required to file with the SEC and CFTC, as further described below.

- On December 18, 2014, the FSOC issued a notice seeking public comment on potential systemic risks from asset management products and activities, focusing in particular on (1) liquidity and redemption risks, (2) use of leverage, (3) operational functions, and (4) resolution-related issues. On November 16, 2016, the FSOC reiterated its focus on these risk areas, as well as securities lending, in a public statement on its review of asset management products and activities. According to the notice and statement, the FSOC has not made any final determination regarding the existence or nature of any potential risks to financial stability posed by the asset management industry.
- If the FSOC were to determine that we were a systemically important nonbank financial company, we would be subject to a heightened degree of regulation, including more stringent standards relating to capital, leverage, liquidity, risk management, resolution planning, credit exposure reporting, and concentration limits, restrictions on acquisitions and annual stress testing by the Federal Reserve. There can be no assurance that nonbank financial firms such as us will not become subject to the aforementioned restrictions or other requirements for financial firms deemed to be systemically important to the financial stability of the U.S. economy.
- The Dodd-Frank Act, under what has become known as the “Volcker Rule,” broadly prohibits depository institution holding companies (including foreign banks with U.S. branches or agencies), insured depository institutions and their subsidiaries and controlled affiliates (or banking entities), from investing in third-party private equity funds like ours. See “-Our inability to raise additional or successor funds (or raise successor funds of a comparable size as our predecessor funds) could have a material adverse impact on our business.”
- On October 26, 2011, the SEC adopted a rule requiring certain advisers to private funds to periodically file reports on Form PF. Large private fund advisers including advisers with at least \$1.5 billion in assets under management attributable to hedge funds and advisers with at least \$2 billion in assets under management attributable to private equity funds are subject to more detailed and in certain cases more frequent reporting requirements. The information is to be used by the FSOC in monitoring risks to the U.S. financial system.
- In April and May 2016, the SEC issued for public comment revised proposed rules as part of a joint rule-making effort with other federal regulatory agencies designed to prohibit certain incentive-based compensation arrangements deemed to encourage inappropriate risk taking by covered financial institutions by providing “excessive” compensation, fees or benefits or that could lead to material losses. To date, however, the SEC has not adopted the revised proposed rules. As proposed, the rule would cover financial institutions with total consolidated assets of at least \$1 billion, including investment advisers and broker-dealers, and provide heightened requirements for financial institutions with total consolidated assets of at least \$50 billion. Depending on the outcome of the rule making process, the application of this rule to us could require us to substantially revise our compensation strategy, increase our compensation and other costs, and adversely affect our ability to recruit and retain qualified employees.
- On June 28, 2016, the SEC proposed a rule that would require registered investment advisers to adopt and implement written business continuity plans and transition plans based upon the particular risks associated with the individual adviser’s operations and address several specified factors. While it remains to be seen what the final rule will require, compliance with such a rule may impose additional costs on us.
- The Dodd-Frank Act amended the Exchange Act to compensate and protect whistleblowers who voluntarily provide original information to the SEC and establishes a fund to be used to pay whistleblowers who will be entitled to receive a payment equal to between 10% and 30% of certain monetary sanctions imposed in a successful government action resulting from the information provided by the whistleblower.

As mandated by the Dodd-Frank Act, the Commodity Futures Trading Commission, or CFTC, has proposed or adopted a series of rules to establish a comprehensive new regulatory framework for swaps. Under Title VII of the Dodd-Frank Act, the CFTC has assumed regulatory authority over many types of swaps. As a result:

- Operating pooled funds, or providing investment advice to clients that trade swaps is now a basis for registration with the CFTC, absent an applicable exemption. Although not mandated by the Dodd-Frank Act, the CFTC in 2012 issued a final rule that rescinded an exemption from CFTC registration for commodity pool operators in connection with privately offered funds. Operating our funds in a manner consistent with one or more exemptions from registration with the CFTC may limit the activities of certain of our funds, and monitoring and analysis of these exemptions

requires management and operational resources and attention. Registration with the CFTC, if required, could impact our operations and add additional costs associated with ongoing compliance.

- The Dodd-Frank Act also imposes regulatory requirements on the trading of swaps, including requirements that most swaps be executed on an exchange or “swap execution facility” and cleared through a central clearing house. Although these requirements presently apply only to certain classes of interest rate and credit default swaps, the CFTC is expected to mandate central execution and clearing with respect to additional classes of swaps in the future.
- The CFTC issued regulations with quantitative tests and thresholds to determine whether entities are “swap dealers” or “major swap participants” that must register in the appropriate category and comply with capital, margin, record keeping, reporting, and business conduct rules. Our funds could become subject to the requirement to register as major swap participants due to changes to the funds’ investment strategy or valuations, or revisions to the thresholds for registration.
- On December 5, 2016, the CFTC re-proposed rules instituting position limits on certain physical commodity futures contracts that, if finalized as proposed, would limit positions in 28 agricultural, energy and metals commodities, including swaps, futures and options that are economically equivalent to those commodity contracts. If the proposed rules are adopted in substantially the form proposed and to the extent that we do not qualify for an exemption, we may be required to aggregate the positions of our various investment funds and the positions of our portfolio companies, which in turn may require us and our portfolio companies to limit our trading activities, and impact the ability of our investment funds to invest or remain invested in certain derivatives, or engage in otherwise profitable acquisitions in particular industries. The Dodd-Frank Act also requires SEC to establish position limits on security-based swaps, which rules could have a similar impact on our business.
- The CFTC and banking regulators have adopted, and the SEC has proposed, rules regarding margin and capital requirements for most uncleared or “over-the-counter” swaps. These rules generally require swap dealers and major swap participants to collect and post a minimum amount of margin when trading with other covered entities and financial end-users. The imposition of these requirements could increase the cost of trading in the derivative markets, which could in turn make it more expensive and difficult for us or our funds to enter into swaps and other derivatives in the normal course of our business and reduce the effectiveness of the funds’ and our investment strategies. In certain cases, using forward transactions to hedge non-deliverable currencies such as the Indian rupee, South Korean won, Malaysian ringgit and Indonesian rupiah may be cost prohibitive or impractical to execute, because of the capital reserve required to be held against potential derivative liabilities. These rules could also adversely impact liquidity in derivatives markets, which could expose our funds and us to greater risks and reduce hedging opportunities in connection with their trading activities. The compliance dates applicable to our funds and us for the CFTC and banking margin rules are expected to be phased in through 2020, depending on the aggregate notional amount of over-the-counter swaps traded by the funds and us. In addition, the CFTC has proposed but not adopted rules that may limit the total amount of hedging that investment funds controlled by a single corporate group may enter into. While these rules currently apply only to agricultural products, the CFTC may expand them to cover oil and gas which could materially adversely impact our private equity and energy funds.

Additionally, rules adopted by the federal banking and housing agencies implementing the Dodd-Frank Act’s five percent risk retention requirement for originators of asset-backed securities became fully effective on December 24, 2016. The risk retention rules require a “securitizer” or “sponsor” (which, in the case of a CLO, is considered the collateral manager) to retain directly or through a majority-owned affiliate, at least 5% of the credit risk of the securitized assets. These rules could adversely affect the profitability of our CLO activities and may adversely affect the leveraged loan market generally, including the primary or secondary market for CLO securities, including the level of liquidity and trading of CLO securities, which in turn could adversely affect our CLO management business. In addition, certain of our affiliates have been required to execute agreements agreeing to certain undertakings intended to ensure that the CLOs comply with the risk retention rules. In the event one of our affiliates breaches one or more of such undertakings, we or such affiliates could be exposed to claims by the other parties thereto, including for any losses incurred as a result of such breach.

In September 2016, the Federal Reserve issued for public comment a proposed rule that, if enacted as proposed, would impose significant capital and other prudential requirements on the physical commodities activities of certain banking organizations. The implementation of these or other new regulations could increase the cost of trading in the commodities and derivative markets, which could in turn make it more expensive and difficult for us or our funds to enter into swaps and other derivatives in the normal course of our business. Moreover, these increased regulatory responsibilities and increased costs could reduce trading levels in the commodities and derivative markets by a number of market participants, which could in turn adversely impact liquidity in the markets and expose our funds to greater risks in connection with their trading activities.

Although it is possible that the change in administration in the United States could result in modifications and a relaxation of regulatory requirements and restrictions adopted in response to the financial crisis, the timing and scope of such modifications remain uncertain and may not materialize.

**EU-Wide Regulations.** The EU Alternative Investment Fund Managers Directive (AIFMD) entered into effect on July 22, 2013. The AIFMD establishes a comprehensive regulatory and supervisory framework for alternative investment fund managers (AIFMs) managing or marketing alternative investment funds (AIFs) in the EU. The AIFMD imposes various substantive requirements on authorized AIFMs including rules on the structure of remuneration for certain personnel that are similar to those applicable under CRD III and IV (as defined below), a threshold for regulatory capital, reporting obligations in respect of controlled EU portfolio companies and increased transparency towards investors and regulators and allows authorized AIFMs to market AIFs to professional investors throughout the EU under an “EU passport”. The AIFMD also imposes a new, strict depositary regime.

The EU passport has been available to authorized EU AIFMs, since July 2013 but has yet to become available to non EU AIFMs. In the meantime (and until at least 2019), non-EU AIFMs may continue to market within the EU under the private placement regimes (NPPRs) of the individual member states, where available, subject to complying with certain minimum requirements imposed by the AIFMD and any additional requirements that individual member states may impose. In 2015 and 2016, the European Securities and Markets Authority (ESMA) published advice in relation to the application of the EU passport to non-EU AIFMs and AIFs from certain jurisdictions and its opinion on the function of the EU passport for EU AIFMs and NPPRs. Upon the effectiveness of any measures adopted by the EU Commission extending the EU passport to non-EU AIFMs and AIFs, the NPPRs allowing marketing by non-EU authorized AIFMs in certain member states will likely be further restricted, and NPPRs may become unavailable for marketing by non-EU authorized AIFMs in all member states as early as 2020. While our authorized EU AIFs continue to be marketed under an EU passport, the availability of the NPPRs and the uncertainty regarding the application of the EU passport to non EU AIFMs and AIFs may adversely impact the marketing of new strategies.

The AIFMD, the Level 2 Regulation and EU member state implementing measures could have an adverse effect on our businesses by, among other things, (i) imposing disclosure obligations and restrictions on distributions by EU portfolio companies of the funds we manage, (ii) potentially requiring changes in our compensation structures for key personnel, thereby potentially affecting our ability to recruit and retain these personnel, and (iii) generally increasing our compliance costs. Although a subsidiary of ours is registered as an Irish AIFM, we may not be able to benefit from the EU marketing passport for all of our funds under the AIFMD and the EU marketing passport may not apply to marketing to investors in the United Kingdom if and when its withdrawal from the EU becomes effective. See “-- Brexit”. In addition, there are areas of the AIFMD that are subject to legal uncertainty, including the scope of the legal structures qualifying as AIFs whose management and marketing requires authorization, and failure to comply even in areas where there is legal uncertainty can result in fines. Compliance with the AIFMD has also increased the cost and complexity of raising capital for our funds and consequently may also slow the pace of fundraising.

In July 2014, revisions to the Markets in Financial Instruments Directive (known as MiFID I), consisting of the revised directive, MiFID II, and a new related regulation, MiFIR, came into force. Member States are required to adopt MiFID II into their national law in 2017, and MiFID II and MiFIR will apply to our operations from January 2018. MiFID II and MiFIR further strengthen the EU regulatory framework for the provision of investment services and trading in financial instruments by introducing a number of substantial reforms in regards to transaction reporting, market structure, securities trading and conduct of business rules, including new harmonized rules for authorization of EU branches of third country firms looking to provide certain investment services in the EU. MiFID II implementing measures are being finalized. The application of MiFID II and MiFIR will result in new regulatory burdens, including the requirement to trade certain derivatives on regulated trading venues. The increased regulatory burden could result in increased costs, and any failure to comply with the new requirements, even in areas where there is legal uncertainty, could result in fines.

On January 1, 2011, an amendment to the Capital Requirements Directive (CRD III) entered into force. Among other things, CRD III required EU member states to introduce stricter controls on remuneration for key employees and risk takers within specified credit institutions and investment firms. The CRD III was further amended by the Capital Requirements Directive IV and the Capital Requirements Regulation as discussed below, which introduced a limited number of additional remuneration requirements, including a cap on variable remuneration. Two of our subsidiaries (established in the UK and Ireland) are subject to the remuneration-related requirements of CRD IV and similar requirements under the AIFMD. Additionally, the European Banking Authority has published final guidelines on sound remuneration policies under CRD IV which set out the requirements for remuneration policies, group application and proportionality, along with criteria for the allocation of remuneration as fixed and variable and details on the disclosures required under the Capital Requirements Regulation. These measures required changes in our compensation structures for key personnel, thereby potentially affecting these subsidiaries’ ability to recruit and retain these personnel.

In 2010, the Basel Committee on Banking Supervision, an international body comprised of senior representatives of bank supervisory authorities and central banks from 27 countries, including the United States, finalized a comprehensive set of capital and liquidity standards, commonly referred to as “Basel III,” for internationally active banking organizations. These new standards, which are expected to be fully phased in by 2019, are expected to require banks to hold more capital, predominantly in the form of common equity, than under the current capital framework. In the EU, Basel III’s capital and liquidity standards have been implemented in a revision to CRD III and a new Capital Requirements Regulation, collectively referred to as CRD IV, which came into force on January 1, 2014. CRD IV replaced CRD III and created a single harmonized prudential rule book for banks, introducing new corporate governance rules and enhanced the powers of regulators. Like CRD III, CRD IV applies to specified credit institutions and investment firms. CRD IV has enhanced our financial reporting obligations and subjected us to new reporting requirements, which increases costs and the risk of non-compliance. Compliance with Basel III may result in significant costs to banking organizations, which, in turn, could result in higher borrowing costs for us and our portfolio companies, and may reduce access to certain types of credit. Other EU bank regulatory initiatives that could result in higher borrowing costs for us and our portfolio companies or reduce access to certain types of credit include the European Banking Authority’s guidelines on limits to exposures to shadow banking entities which carry out banking activities outside a regulated framework under EU law (including funds employing leverage on a substantial basis, within the meaning of AIFMD and its implementing rules, and credit funds), which entered into force on January 1, 2017, and (if adopted) guidelines on leveraged lending, proposed in November 2016 and modeled on U.S. leveraged lending guidelines.

In August 2012, the regulation on OTC Derivatives, Central Counterparties and Trade Repositories (also known as the European Market Infrastructure Regulation, or EMIR) became effective. EMIR applies to derivatives transactions in which one of the parties is established in the EU, and may in some circumstances apply to transactions between two non-EU counterparties where these contracts have a direct, substantial and foreseeable effect within the EU. Certain of the requirements of EMIR came into force in March 2013, and other obligations will be phased in. In particular, EMIR imposes a requirement that certain “standardized” OTC derivatives contracts are centrally cleared. These requirements are being phased in based on the relevant entities’ activities over a period through December 2018. Where OTC transactions are not subject to central clearing, techniques must be employed to monitor, measure and mitigate the operational and counterparty risks presented by the transaction. These risk mitigation techniques include trade confirmation, reconciliation processes, exchange of margin, and the daily mark to market of trades. Certain of these risk mitigation and reporting obligations are already in force. Initial margin requirements for uncleared trades are expected to be phased in through September 1, 2020. Variation margin requirements for uncleared trades are expected to be phased in between September 1, 2016, and March 1, 2017. The European Commission adopted an equivalence decision for the U.S. in March 2016. However, ongoing regulatory uncertainty regarding the interaction between U.S. and EU requirements for central clearing and related activities could result in duplicative regulatory obligations in the two jurisdictions and could increase our costs of compliance. The implementation of any new regulations could increase the cost of trading in the commodities and derivative markets, which could in turn make it more expensive and difficult for us or our funds to enter into swaps and other derivatives in the normal course of our business. Moreover, these increased regulatory responsibilities and increased costs could reduce trading levels in the commodities and derivative markets by a number of market participants, which could in turn adversely impact liquidity in the markets and expose our funds to greater risks in connection with their trading activities.

A number of other EU financial regulatory initiatives have the potential to adversely affect our business. Future acquisitions by KKR or our funds could lead to application of the EU’s Financial Conglomerates Directive, which introduced a prudential regime for financial conglomerates to address perceived risks associated with large cross-sector businesses, and could increase the costs of investing in insurance companies and banks in the EU. Other recent EU financial regulatory initiatives include the Short Selling Regulation, which limits sovereign and naked short selling of government bonds and stocks, the Bank Recovery and Resolution Directive (BRRD), which established a recovery and resolution framework for EU credit institutions and investment firms, a new regulation (CSDR) on central securities depositories (CSDs), which introduces common securities settlement standards across the EU and harmonizes the rules governing CSDs, and a new regulation on reporting and transparency of securities financing transactions (SFT Regulation), which requires all SFTs to be reported to trade repositories, places additional reporting requirements on investment managers, and introduces prior risk disclosures and written consent before assets are rehypothecated. A new proposed regulation on Money Market Funds (MMF) is expected to be adopted in 2017. The EU has adopted and may in the future adopt additional risk retention and due diligence requirements in respect of various types of EU-regulated investors that, among other things, restrict investors from taking positions in securitization, increase the capital costs of originator, sponsor or original lender of a securitization, and require retaining a larger net economic interest in the securitization, which may adversely affect the profitability of us, our funds or our CLOs and the leveraged loan market generally. The implementation of these new requirements could increase our and our funds’ or CLOs’ costs and the complexity of managing our business and could result in fines if we or any of our funds or CLOs were deemed to have violated any of the new regulations.



In May 2016, the European Union adopted the General Data Protection Regulation, which will impose stringent data protection requirements and will provide for significant penalties for noncompliance beginning in May 2018. Any inability, or perceived inability, to adequately address privacy and data protection concerns, or comply with applicable laws, regulations, policies, industry standards, contractual obligations, or other legal obligations, even if unfounded, could result in additional cost and liability and could damage our reputation and adversely affect our business.

**Brexit.** In June 2016, United Kingdom voters approved an exit from the European Union, known as Brexit. It is expected that its government will begin negotiating the terms of the United Kingdom's withdrawal from the European Union in 2017 and that the United Kingdom's withdrawal may become effective in 2019. Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which European Union laws to replace or replicate. In addition, following the United Kingdom's withdrawal from the European Union, our EU-authorized AIFM may no longer benefit from the EU marketing passport to market products investors in the United Kingdom. These changes in law and uncertainty with respect to the laws and regulations in the United Kingdom may increase the cost of raising capital, underwriting and distributing securities and conducting business generally and interfere with our ability to market our products. Changes in regulation may also impair our ability recruit, retain and motivate new employees and retain key employees. The United Kingdom's withdrawal could also lead to instability in the European Union, including potentially withdrawal by other Member States, which would greatly amplify the adverse events described in this paragraph. Such changes may also materially and adversely affect the valuation of our investments located in the United Kingdom.

**Other regulations of the financial markets.** Certain requirements imposed by regulators are designed primarily to ensure the integrity of the financial markets and are not designed to protect holders of interests in our business or our funds. Consequently, these regulations often serve to limit our activities. In addition to many of the regulations and proposed regulations described above under “-Regulation under the Dodd-Frank Act,” and “-EU-Wide Regulation,” U.S. federal bank regulatory agencies have issued leveraged lending guidance covering transactions characterized by a degree of financial leverage. Such guidance limits the amount or availability of debt financing and may increase the cost of financing we are able to obtain for our transactions and may cause the returns on our investments to suffer.

Regulators in the U.S. and abroad, including the Financial Stability Board, are also considering a variety of regulatory measures and recommendations that could affect various non-bank financial institutions that operate outside of the regulated banking system and the activities in which they engage. These reform measures are generally intended to mitigate against the kind of market disruptions that prevailed in 2008 and 2009 and that ultimately affected both banks and non-banks. If these regulations or recommendations are adopted, they could impose additional regulatory burdens and costs, including potentially imposing capital requirements, limiting financing and leverage and increasing costs, in each case causing the returns on our lending and credit investment activities to suffer. Certain of our businesses may also be directly subject to such new regulation, which could cause such businesses to limit or cease engaging in certain activities.

Certain of the funds and accounts we manage that engage in originating, lending and/or servicing loans, may consider investments that would subject us to state and federal regulation, borrower disclosure requirements, limits on fees and interest rates on some loans, state lender licensing requirements and other regulatory requirements in the conduct of their business. If our funds and accounts make these investments, they may also be subject to consumer disclosures and substantive requirements on consumer loan terms and other federal regulatory requirements applicable to consumer lending that are administered by the Consumer Financial Protection Bureau. These state and federal regulatory programs are designed to protect borrowers.

State and federal regulators and other governmental entities have authority to bring administrative enforcement actions or litigation to enforce compliance with applicable lending or consumer protection laws, with remedies that can include fines and monetary penalties, restitution of borrowers, injunctions to conform to law, or limitation or revocation of licenses and other remedies and penalties. In addition, lenders and servicers may be subject to litigation brought by or on behalf of borrowers for violations of laws or unfair or deceptive practices. If we enter into transactions that subject us to these risks, failure to conform to applicable regulatory and legal requirements could be costly and have a detrimental impact on certain of our funds and accounts and ultimately on us.

**Portfolio Company Legal and Regulatory Environment.** We are subject to certain laws, such as certain environmental laws, takeover laws, anti-bribery and anti-corruption laws, escheat or abandoned property laws, antitrust laws and data privacy and data protection laws that may impose requirements on us and our portfolio companies as an affiliated group. As a result, we could become jointly and severally liable for all or part of fines imposed on our portfolio companies or be fined directly for violations committed by portfolio companies, and such fines imposed directly on us could be greater than those imposed on the portfolio company. Moreover, portfolio companies may seek to hold us responsible if any fine imposed on them is increased because of their membership in a larger group of affiliated companies. For example, on April 2, 2014, the European Commission announced that it had fined 11 producers of underground and submarine high voltage power cables a total of

302 million euro for participation in a ten-year market and customer sharing cartel. Fines were also imposed on parent companies of the producers involved, including Goldman Sachs, the former parent company of one of the cartel members. In addition, compliance with certain laws or contracts could also require us to commit significant resources and capital towards information gathering and monitoring thereby increasing our operating costs. For example, because we may indirectly hold voting securities in public utilities subject to regulation by the Federal Energy Regulatory Commission (FERC), including entities that may hold FERC authorization to charge market-based rates for sales of wholesale power and energy, we may be subject to certain FERC regulations, including regulations requiring us and our portfolio companies to collect, report and keep updated substantial information concerning our ownership of such voting interests and voting interests in other related energy companies, corporate officers, and our direct and indirect investment in such utilities and related companies. Such rules may subject our portfolio companies and us to costly and burdensome data collection and reporting requirements.

In the United States, certain statutes may subject us or our funds to the liabilities of our portfolio companies. The Comprehensive Environmental Response, Compensation and Liability Act, also referred to as the Superfund, requires cleanup of sites from which there has been a release or threatened release of hazardous substances, and authorizes the EPA to take any necessary response action at Superfund sites, including ordering potentially responsible parties liable for the release to pay for such actions. Potentially responsible parties are broadly defined under CERCLA.

In addition, we or certain of our investment funds could potentially be held liable under ERISA for the pension obligations of one or more of our portfolio companies if we or the investment fund were determined to be a “trade or business” under ERISA and deemed part of the same “controlled group” as the portfolio company under such rules, and the pension obligations of any particular portfolio company could be material. On March 28, 2016, a Federal District Court judge in Massachusetts ruled that two private equity funds affiliated with Sun Capital were jointly and severally responsible for unfunded pension liabilities of a Sun Capital portfolio company. While neither fund held more than an 80% ownership interest of the portfolio company, the percentage required under existing regulations to find liability, the court found the funds had formed a partnership-in-fact conducting a trade or business and that as a result each fund was jointly and severally liable for the portfolio company's unfunded pension liabilities. If the rationale of this decision were to be applied by other courts, we or certain of our investment funds could be held liable under ERISA for certain pension obligations of portfolio companies. In addition, if the rationale of this decision were expanded to apply also for U.S. federal income tax purposes, then certain of our investors could be subject to increased U.S. income tax liability or filing obligations in certain contexts.

Similarly, our portfolio companies may be subject to contractual obligations which may impose obligations or restrictions on their affiliates. The interpretation of such contractual provisions will depend on local laws. Given that we do not control all of our portfolio companies and that our portfolio companies generally operate independently of each other, there is a risk that we could contravene one or more of such laws, regulations and contractual arrangements due to limited access and opportunities to monitor compliance. In addition, compliance with these laws or contracts could require us to commit significant resources and capital towards information gathering and monitoring thereby increasing our operating costs.

***Complex regulations may limit our ability to raise capital, increase the costs of our capital raising activities and may subject us to penalties .***

We regularly rely on exemptions in the United States from various requirements of the Securities Act, the Exchange Act, the Investment Company Act, the Commodity Exchange Act and the U.S. Employee Retirement Income Security Act of 1974, or ERISA, in conducting our investment management activities. These exemptions are sometimes highly complex and may in certain circumstances depend on compliance by third parties whom we do not control. If for any reason these exemptions were to become unavailable to us, we could become subject to additional restrictive and costly registration requirements, regulatory action, or third party claims and our business could be materially and adversely affected. For example, in raising new funds, we typically rely on private placement exemptions from registration under the Securities Act, including Regulation D, which has been amended to prohibit issuers (including our funds) from relying on certain of the exemptions from registration if the fund or any of its “covered persons” (including certain officers and directors, but also including certain third parties including, among others, promoters, placement agents and beneficial owners of 20% of outstanding voting securities of the fund) has been the subject of a “disqualifying event,” or a “bad actor,” which can include a variety of criminal, regulatory and civil matters. If any of the covered persons associated with our funds is subject to a disqualifying event, one or more of our funds could lose the ability to raise capital in a Rule 506 private offering for a significant period of time, which could significantly impair our ability to raise new funds, and, therefore, could materially adversely affect our business, financial condition and results of operations. In addition, if certain of our employees or any potential significant investor has been the subject of a disqualifying event, we could be required to reassign or terminate such an employee or we could be required to refuse the investment of such an investor, which could impair our relationships with investors, harm our reputation, or make it more difficult to raise new funds. See also “-Risks Related to Our Organizational Structure-If we were deemed to be an “investment company” subject to

regulation under the Investment Company Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.”

We are and will become further subject to additional regulatory and compliance burdens as we expand our product offerings and investment platform to include retail investors. For example, funds in our Public Markets segment are registered under the Investment Company Act as management investment companies. These funds and KKR Credit Advisors (US) LLC, which serves as their investment adviser (or in the case of a BDC, as its sub-adviser), are subject to the Investment Company Act and the rules thereunder, which, among other things, regulate the relationship between a registered investment company (or business development company) and its investment adviser and prohibit or severely restrict principal transactions and joint transactions. As our business expands we may be required to make additional registrations, including in jurisdictions outside the U.S. Compliance with these rules will increase our compliance costs and create potential for additional liabilities and penalties the management of which would divert management’s attention from our business and investments.

Rule 206(4)-5 under the Advisers Act regarding “pay to play” practices by investment advisers involving campaign contributions and other payments to government clients and elected officials able to exert influence on such clients. Among other restrictions, the rule prohibits investment advisers from providing advisory services for compensation to a government client for two years, subject to very limited exceptions, after the investment adviser, its senior executives or its personnel involved in soliciting investments from government entities make contributions to certain candidates and officials in position to influence the hiring of an investment adviser by such government client. Advisers are required to implement compliance policies designed, among other matters, to track contributions by certain of the adviser’s employees and engagements of third parties that solicit government entities and to keep certain records in order to enable the SEC to determine compliance with the rule. There has also been similar rule-making on a state-level regarding “pay to play” practices by investment advisers, including in California and New York, and FINRA has released its own set of regulations. Any failure on our part to comply with these rules could cause us to lose compensation for our advisory services or expose us to significant penalties and reputational damage.

***Federal, state and foreign anti-corruption and sanctions laws applicable to us and our portfolio companies creates the potential for significant liabilities and penalties and reputational harm .***

We are also subject to a number of laws and regulations governing payments and contributions to political persons or other third parties, including restrictions imposed by the Foreign Corrupt Practices Act, or FCPA, as well as trade sanctions and export control laws administered by the Office of Foreign Assets Control, or OFAC, the U.S. Department of Commerce and the U.S. Department of State. The FCPA is intended to prohibit bribery of foreign governments and their officials and political parties, and requires public companies in the United States to keep books and records that accurately and fairly reflect those companies’ transactions. OFAC, the U.S. Department of Commerce and the U.S. Department of State administer and enforce various export control laws and regulations, including economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign states, organizations and individuals. These laws and regulations relate to a number of aspects of our business, including servicing existing fund investors, finding new fund investors, and sourcing new investments, as well as activities by the portfolio companies in our investment portfolio or other controlled investments.

The Iran Threat Reduction and Syrian Human Rights Act of 2012, or ITRA, expanded the scope of U.S. sanctions against Iran and amended the Exchange Act. Specifically, Section 219 of the ITRA amended the Exchange Act to require public reporting companies to disclose in their annual or quarterly reports any dealings or transactions the company or its affiliates engaged in during the previous reporting period involving Iran or other individuals and entities targeted by certain OFAC sanctions. In some cases, ITRA requires companies to disclose these types of transactions even if they are permissible under U.S. law or are conducted outside of the United States by a foreign affiliate. We are required to separately file, concurrently with this annual report, a notice that such activities have been disclosed in this annual report. The SEC is required to post this notice of disclosure on its website and send the report to the U.S. President and certain U.S. Congressional committees. The U.S. President thereafter is required to initiate an investigation and, within 180 days of initiating such an investigation, to determine whether sanctions should be imposed. Disclosure of such activity, even if such activity is not subject to sanctions under applicable law, and any sanctions actually imposed on us or our affiliates as a result of these activities, could harm our reputation and have a negative impact on our business.

Similar laws in non-U.S. jurisdictions, such as EU sanctions or the U.K. Bribery Act, as well as other applicable anti-bribery, anti-corruption, anti-money laundering, or sanction or other export control laws in the U.S. and abroad, may also impose stricter or more onerous requirements than the FCPA, OFAC, the U.S. Department of Commerce and the U.S. Department of State, and implementing them may disrupt our business or cause us to incur significantly more costs to comply with those laws. Different laws may also contain conflicting provisions, making compliance with all laws more difficult. If we fail to comply with these laws and regulations, we could be exposed to claims for damages, civil or criminal financial penalties,

reputational harm, incarceration of our employees, restrictions on our operations and other liabilities, which could negatively affect our business, operating results and financial condition. In addition, we may be subject to successor liability for FCPA violations or other acts of bribery, or violations of applicable sanctions or other export control laws committed by companies in which we or our funds invest or which we or our funds acquire.

***We are subject to substantial litigation risks and may face significant liabilities and damage to our professional reputation as a result of litigation allegations and negative publicity.***

The activities of our businesses, including the investment decisions we make and the activities of our employees in connection with our portfolio companies, may subject us and them to the risk of litigation by third parties, including fund investors dissatisfied with the performance or management of their funds, debt or equity holders of our portfolio companies, and a variety of other potential litigants. See the section entitled “Litigation” appearing in Note 18 “Commitments and Contingencies” of our financial statements included elsewhere in this report. By way of example, we, our funds and certain of our employees are each exposed to the risks of litigation relating to investment activities of our funds and actions taken by the officers and directors (some of whom may be KKR employees) of portfolio companies, such as the risk of shareholder litigation by other shareholders of public companies or holders of debt instruments of companies in which our funds have significant investments. We are also exposed to risks of litigation, investigation or negative publicity in the event of any transactions that are alleged not to have been properly addressed.

To the extent investors in our investment funds suffer losses resulting from fraud, gross negligence, willful misconduct or other similar misconduct, such investors may have remedies against us, our investment funds, our employees or our affiliates. Investors in our funds do not have legal remedies against us, the general partners of our funds, our funds, our employees or our affiliates solely based on their dissatisfaction with the investment performance of those funds. While the general partners and investment advisers to our investment funds, including their directors, officers, employees and affiliates, are generally indemnified to the fullest extent permitted by law with respect to their conduct in connection with the management of the business and affairs of our investment funds, such indemnity generally does not extend to actions determined to have involved fraud, gross negligence, willful misconduct or other similar misconduct.

If any civil or criminal lawsuits were brought against us and resulted in a finding of substantial legal liability or culpability, the lawsuit could materially adversely affect our business, financial condition or results of operations or cause significant reputational harm to us, which could seriously impact our business. We depend to a large extent on our business relationships and our reputation for integrity and high caliber professional services to attract and retain fund investors and qualified professionals and to pursue investment opportunities for our funds. As a result, allegations of improper conduct by private litigants or regulators, whether the ultimate outcome is favorable or unfavorable to us, as well as negative publicity and press speculation about us, our investment activities or the private equity industry in general, whether or not valid, may harm our reputation, which may be more damaging to our business than to other types of businesses.

In addition, we have formed and may continue to form funds targeting retail investors, which may subject us to additional risk of litigation and regulatory scrutiny. See—“Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could adversely affect our business.” We have and expect to continue to distribute products through new channels, including through unaffiliated firms, we may not be able to effectively monitor or control the manner of their distribution, which could result in litigation against us, including with respect to, among other things, claims that products distributed through such channels are distributed to customers for whom they are unsuitable or distributed in any other inappropriate manner. The distribution of products through new channels whether directly or through market intermediaries, including in the retail channel, could expose us to additional regulatory risk in the form of allegations of improper conduct and/or actions by state and federal regulators against us with respect to, among other things, product suitability, conflicts of interest and the adequacy of disclosure to customers to whom our products are distributed through those channels.

With a workforce composed of many highly paid professionals, we face the risk of litigation relating to claims for compensation or other damages, which may, individually or in the aggregate, be significant in amount. The cost of settling any such claims could negatively impact our business, financial condition and results of operations.

***Misconduct of our employees, our sub-contractors or by our portfolio companies could harm us by impairing our ability to attract and retain clients and subjecting us to significant legal liability and reputational harm.***

There is a risk that our employees or sub-contractors could engage in misconduct that adversely affects our business. We are subject to a number of obligations and standards arising from our business and our authority over the assets we manage. The violation of these obligations and standards by any of our employees or sub-contractors would adversely affect our clients

and us. We may also be adversely affected if there is misconduct by senior management of portfolio companies in which our funds invest, even though we may be unable to control or mitigate such misconduct. Such misconduct may also negatively affect the valuation of the investments by our funds in such portfolio companies. Our business often requires that we deal with confidential matters of great significance to companies in which we may invest. If our employees or sub-contractors were improperly to use or disclose confidential information, we could suffer serious harm to our reputation, financial position and current and future business relationships, as well as face potentially significant litigation. It is not always possible to detect or deter such misconduct, and the precautions we take to detect and prevent this activity may not be effective in all cases. If any of our employees, our sub-contractors or the employees of portfolio companies were to engage in misconduct or were to be accused of such misconduct, our business and our reputation could be adversely affected.

***Underwriting, syndicating and securities placement activities expose us to risks.***

KKR Capital Markets LLC, or KCM, and MCS Capital Markets LLC, which are broker-dealer subsidiaries of ours, may act as an underwriter, syndicator or placement agent in securities offerings. We may incur losses and be subject to reputational harm to the extent that, for any reason, we are unable to sell securities or indebtedness we purchased or placed as an underwriter, syndicator or placement agent at the anticipated price levels. As an underwriter, syndicator or placement agent, we also may be subject to potential liability for material misstatements or omissions in prospectuses and other offering documents relating to offerings we underwrite, syndicate or place. In certain situations, our broker-dealer subsidiaries may have liabilities arising from transactions in which our investment fund may participate as a purchaser of securities which could constitute a conflict of interest or subject us to damages or reputational harm.

***We are subject to risks in using prime brokers, custodians, administrators and other agents.***

Certain of our investment funds and our principal activities depend on the services of prime brokers, custodians, administrators and other agents to carry out certain securities transactions.

In the event of the insolvency of a prime broker and/or custodian, our funds may not be able to recover equivalent assets in full as they will rank among the prime broker's and custodian's unsecured creditors in relation to assets which the prime broker or custodian borrows, lends or otherwise uses. In addition, our and our funds' cash held with a prime broker or custodian may not be segregated from the prime broker's or custodian's own cash, and our funds therefore may rank as unsecured creditors in relation thereto. The inability to recover assets from the prime broker or custodian could have a material impact on the performance of our funds and our business, financial condition and results of operations. Counterparties have generally reacted to recent market volatility by tightening their underwriting standards and increasing their margin requirements for all categories of financing, which has the result of decreasing the overall amount of leverage available and increasing the costs of borrowing. Many of our funds have credit lines, and if a lender under one or more of these credit lines were to become insolvent, we may have difficulty replacing the credit line and one or more of our funds may face liquidity problems.

Default risk may arise from events or circumstances that are difficult to detect, foresee or evaluate. In addition, concerns about, or a default by, one large participant could lead to significant liquidity problems for other participants, which may in turn expose us to significant losses. We may not accurately anticipate the impact of market stress or counterparty financial condition, and as a result, we may not have taken sufficient action to reduce these risks effectively.

***Compliance with applicable accounting requirements may materially strain our resources, materially increase our annual expenses and exposes us to other risks.***

The SEC may require in the future that we report our financial results under International Financial Reporting Standards, or IFRS, instead of under U.S. GAAP. IFRS is a set of accounting principles that has been gaining acceptance on a worldwide basis. These standards are published by the London-based International Accounting Standards Board ("IASB") and are more focused on objectives and principles and less reliant on detailed rules than U.S. GAAP. Today, there remain significant and material differences in several key areas between U.S. GAAP and IFRS which would affect us if we were required to prepare financial statements in conformity with IFRS. Additionally, U.S. GAAP provides specific guidance in classes of accounting transactions for which equivalent guidance in IFRS does not exist. The adoption of IFRS is highly complex and would have an impact on many aspects and operations of KKR, including but not limited to financial accounting and reporting systems, internal controls, taxes, borrowing covenants and cash management. It is expected that a significant amount of time, internal and external resources and expenses over a multi-year period would be required for this conversion.

**Risks Related to the Assets We Manage**

As an investment manager, we sponsor and manage funds that make investments worldwide on behalf of third-party investors and, in connection with those activities, are required to deploy our own capital in those investments. The investments

of these funds are subject to many risks and uncertainties which, to the extent they are material, are discussed below. In addition, we have investments on our balance sheet, which we manage for our own behalf. These risks, as they apply to our balance sheet investments, may have a greater impact on our results and financial conditions as we directly bear the full risk of our balance sheet. As a result, the gains and losses on such assets are reflected in our net income and the risks set forth below relating to the assets that we manage will directly affect our operating performance.

***The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds, our balance sheet or of our future results or of any returns on our common units.***

We have presented in this report certain information relating to our investment returns, such as net and gross IRRs, multiples of invested capital and realized and unrealized investment values for funds that we have sponsored and managed. The historical and potential future returns of the funds that we manage are not directly linked to returns on KKR Group Partnership Units.

Moreover, historical returns of our funds may not be indicative of the future results that you should expect from us, which could negatively impact the fees and incentive amounts received by us from such funds. In particular, the future results of our funds or balance sheet assets may differ significantly from their historical results including for the following reasons:

- the rates of returns of our funds reflect unrealized gains as of the applicable valuation date that may never be realized, which may adversely affect the ultimate value realized from those funds' investments;
- the historical returns that we present in this report derive largely from the performance of our earlier private equity funds, whereas future fund returns will depend increasingly on the performance of our newer funds, which may have little or no investment track record, and in particular you will not benefit from any value that was created in our funds prior to the KPE Transaction to the extent such value has been realized and we may be required to repay excess amounts previously received in respect of carried interest in our funds if, upon liquidation of the fund, we have received carried interest distributions in excess of the amount to which we were entitled;
- the future performance of our funds will be affected by macroeconomic factors, including negative factors arising from disruptions in the global financial markets that were not prevalent in the periods relevant to the historical return data included in this report;
- in some historical periods, the rates of return of some of our funds have been positively influenced by a number of investments that experienced a substantial decrease in the average holding period of such investments and rapid and substantial increases in value following the dates on which those investments were made; the actual or expected length of holding periods related to investments is likely longer than such historical periods; those trends and rates of return may not be repeated in the future;
- our newly established funds may generate lower returns during the period that they take to deploy their capital;
- our funds' returns have benefited from investment opportunities and general market conditions in certain historical periods that may not repeat themselves, and there can be no assurance that our current or future funds will be able to avail themselves of comparable investment opportunities or market conditions; and
- we may create new funds and investment products in the future that reflect a different asset mix in terms of allocations among funds, investment strategies, geographic and industry exposure, vintage year and economic terms.

In addition, our historical rates of return reflect our historical cost structure, which has varied and may vary further in the future. Certain of our newer funds, for example, have lower fee structures and also have performance hurdles. Future returns will also be affected by the risks described elsewhere in this report, including risks of the industry sectors and businesses in which a particular fund invests and changes in laws. See “-Risks Related to our Business-Difficult market conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial condition.”

***Valuation methodologies for certain assets in our funds and on our balance sheet can be subjective and the fair value of assets established pursuant to such methodologies may never be realized, which could result in significant losses for our funds and us.***

There are no readily ascertainable market prices for a substantial majority of illiquid investments of our investment funds, our finance vehicles or other assets on our balance sheet. When determining fair values of investments, we use the last reported market price as of the statement of financial condition date for investments that have readily observable market prices. When an investment does not have a readily available market price, the fair value of the investment represents the value, as determined by us in good faith, at which the investment could be sold in an orderly disposition over a reasonable period of time between willing parties other than in a forced or liquidation sale. There is no single standard for determining fair value in good faith and in many cases fair value is best expressed as a range of fair values from which a single estimate may be derived. When making fair value determinations for our private equity investments, we typically use a market multiples approach that considers a specified financial measure (such as EBITDA) and/or a discounted cash flow analysis. Real asset investments in infrastructure, energy and real estate are valued using one or more of the discounted cash flow analysis, market comparables analysis and direct income capitalization, which in each case incorporates significant assumptions and judgments. Credit investments are valued using values obtained from dealers or market makers, and where these values are not available, credit investments are valued by us based on ranges of valuations determined by an independent valuation firm.

Each of these methodologies requires estimates of key inputs and significant assumptions and judgments. We also consider a range of additional factors that we deem relevant, including the applicability of a control premium or illiquidity discount, the presence of significant unconsolidated assets and liabilities, any favorable or unfavorable tax attributes, the method of likely exit, financial projections, estimates of assumed growth rates, terminal values, discount rates including risk free rates, capital structure, risk premiums, commodity prices and other factors, and determining these factors may involve a significant degree of our management's judgment and the judgment of management of our portfolio companies.

Because valuations, and in particular valuations of investments for which market quotations are not readily available, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, determinations of fair value may differ materially from the values that would have resulted if a ready market had existed. Even if market quotations are available for our investments, such quotations may not reflect the value that we would actually be able to realize because of various factors, including possible illiquidity associated with a large ownership position, subsequent illiquidity in the market for a company's securities, future market price volatility or the potential for a future loss in market value based on poor industry conditions or the market's view of overall company and management performance. Our partners' capital could be adversely affected if the values of investments that we record is materially higher than the values that are ultimately realized upon the disposal of the investments and changes in values attributed to investments from quarter to quarter may result in volatility in our AUM and such changes could materially affect the results of operations that we report from period to period. There can be no assurance that the investment values that we record from time to time will ultimately be realized and that we will be able to realize the investment values that are presented in this report.

Because there is significant uncertainty in the valuation of, or in the stability of the value of, illiquid investments, the fair values of investments reflected in an investment fund's or finance vehicle's net asset value, or NAV, do not necessarily reflect the prices that would actually be obtained by us on behalf of the fund or finance vehicle when such investments are realized. For example there may be liabilities such as unknown or uncertain tax exposures with respect to investments, especially those outside the United States, which may not be fully reflected in valuations. Realizations at values significantly lower than the values at which investments have been reflected in prior fund NAVs would result in losses for the applicable fund and the loss of potential carried interest and other fees. Also, if realizations of our investments produce values materially different than the carrying values reflected in prior fund NAVs, fund investors may lose confidence in us, which could in turn result in difficulty in raising capital for future funds.

In addition, because we value our entire portfolio only on a quarterly basis, subsequent events that may have a material impact on those valuations may not be reflected until the next quarterly valuation date.

***Our investments are impacted by various economic conditions that are difficult to quantify or predict, and may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our financial condition and results of operations.***

Our investments are impacted by various economic conditions that are difficult to quantify or predict and may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our financial condition and results of operations. For example,

- Global equity markets, which may be volatile, significantly impact the valuation of our portfolio companies and, therefore, the investment income that we recognize. For our investments that are publicly listed and thus have readily observable market prices, global equity markets have a direct impact on valuation. For other investments, these markets have an indirect impact on valuation as we typically utilize market multiples (i.e. stock price of comparable companies divided by earnings or cash flow) as a critical input to ascertain fair value of our investments that do not have readily observable market prices. In addition, the valuation for any particular period may not be realized at the time of disposition. For example, because our private equity funds often hold very large amounts of the securities of their portfolio companies, the disposition of these securities often takes place over a long period of time, which can further expose us to volatility risk. In addition, the receptivity of equity markets to initial public offerings, or IPOs, as well as subsequent secondary equity offerings by companies already public, impacts our ability to realize investment gains. Unfavorable market conditions, market volatility and other factors may also adversely impact the performance of our hedge fund businesses and our strategic partnerships with hedge fund asset managers and the level or pace of subscriptions or redemptions from the funds in these businesses.
- Changes in credit markets can also impact valuations and may have offsetting results depending on the valuation methodology used. For example, we typically use a discounted cash flow analysis as one of the methodologies to ascertain the fair value of our investments that do not have readily observable market prices. If applicable interest rates rise, then the assumed cost of capital for those portfolio companies would be expected to increase under the discounted cash flow analysis, and this effect would negatively impact their valuations if not offset by other factors. Rising U.S. interest rates may also negatively impact certain foreign currencies that depend on foreign capital flows. Conversely, a fall in interest rates can positively impact valuations of certain portfolio companies if not offset by other factors. These impacts could be substantial depending upon the magnitude of the change in interest rates. In certain cases, the valuations obtained from the discounted cash flow analysis and the other primary methodology we use, the market multiples approach, may yield different and offsetting results. For example, the positive impact of falling interest rates on discounted cash flow valuations may offset the negative impact of the market multiples valuation approach and may result in less of a decline in value than for those investments that had a readily observable market price. Finally, low interest rates related to monetary stimulus and economic stagnation may also negatively impact expected returns on all investments, as the demand for relatively higher return assets increases and supply decreases.
- Foreign exchange rates can materially impact the valuations of our investments that are denominated in currencies other than the U.S. dollar. For example, U.S. dollar appreciation relative to other currencies is likely to cause a decrease in the dollar value of non-U.S. investments to the extent unhedged.
- Conditions in commodity markets impact the performance of our portfolio companies and other investments in a variety of ways, including through the direct or indirect impact on the cost of the inputs used in their operations as well as the pricing and profitability of the products or services that they sell. The price of commodities has historically been subject to substantial volatility, which among other things, could be driven by economic, monetary, political or weather related factors. If our funds' operator or our portfolio companies are unable to raise prices to offset increases in the cost of raw materials or other inputs, or if consumers defer purchases of or seek substitutes for the products of our funds or such portfolio companies, our funds or such portfolio companies could experience lower operating income which may in turn reduce the valuation of such funds' investments or those portfolio companies. The value of energy real asset investments generally increase or decrease with the increase or decrease, respectively, of energy commodity prices and in particular with long term forecasts for such energy commodity prices. Given our investments in oil and gas companies and assets, the value of this portfolio and the investment income we realize is sensitive to oil and gas prices. The volatility of commodity prices also makes it difficult to predict commodity price movements. Apart from our energy real asset investments, a number of our other investments may be dependent to varying degrees on the energy sector through, for example, the provision of equipment and services used in energy exploration and production. These companies may benefit from an increase or suffer from a decline in commodity prices.

Changes in these factors can have a significant effect on the results of the valuation methodologies used to value our portfolio, and our reported fair values for these assets could vary materially if these factors from prior quarters were to change significantly. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Business Environment.”

Global and regional economic conditions have a substantial impact on the value of investments. See “-Risks Related to Our Business-Difficult market conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial condition.”



***Dependence on significant leverage in investments by our funds and our balance sheet assets could adversely affect our ability to achieve attractive rates of return on those investments.***

Because many of our funds' investments and our balance sheet investments often rely heavily on the use of leverage, our ability to achieve attractive rates of return will depend on our continued ability to access sufficient sources of indebtedness at attractive rates. For example, our credit funds use varying degrees of leverage when making investments. Similarly, in many private equity investments, indebtedness may constitute 70% or more of a portfolio company's total debt and equity capitalization, including debt that may be incurred in connection with the investment, and a portfolio company's indebtedness may also increase in recapitalization transactions subsequent to the company's acquisition. The absence of available sources of sufficient debt financing for extended periods of time could therefore materially and adversely affect our funds and our portfolio companies. U.S. federal bank regulatory agencies have issued leveraged lending guidance covering transactions characterized by a degree of financial leverage. Such guidance limits the amount or availability of debt financing and may increase the cost of financing we are able to obtain for our transactions and may cause the returns on our investments to suffer. See also "Risks Related to Our Business - Additional proposed changes in the U.S. and foreign taxation of businesses could adversely affect us" regarding potential limits on interest deductibility.

An increase in either the general levels of interest rates or in the risk spread demanded by sources of indebtedness such as we experienced during 2009 would make it more expensive to finance those investments. In addition, increases in interest rates could decrease the value of fixed-rate debt investments that our balance sheet assets, finance vehicles or our funds make. Increases in interest rates could also make it more difficult to locate and consummate private equity and other investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital or their ability to benefit from a higher amount of cost savings following the acquisition of the asset. In addition, a portion of the indebtedness used to finance private equity investments often includes high-yield debt securities issued in the capital markets. Capital markets are volatile, and there may be times when we might not be able to access those markets at attractive rates, or at all, when completing an investment.

Investments in highly leveraged entities are also inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market and industry developments. The incurrence of a significant amount of indebtedness by an entity could, among other things:

- subject the entity to a number of restrictive covenants, terms and conditions, any violation of which would be viewed by creditors as an event of default and could materially impact our ability to realize value from our investment;
- allow even moderate reductions in operating cash flow to render it unable to service its indebtedness;
- give rise to an obligation to make mandatory prepayments of debt using excess cash flow, which might limit the entity's ability to respond to changing industry conditions to the extent additional cash is needed for the response, to make unplanned but necessary capital expenditures or to take advantage of growth opportunities;
- limit the entity's ability to adjust to changing market conditions, thereby placing it at a competitive disadvantage compared to its competitors who have relatively less debt;
- limit the entity's ability to engage in strategic acquisitions that might be necessary to generate attractive returns or further growth; and
- limit the entity's ability to obtain additional financing or increase the cost of obtaining such financing, including for capital expenditures, working capital or other general corporate purposes.

A leveraged company's income and equity also tend to increase or decrease at a greater rate than would otherwise be the case if money had not been borrowed. As a result, the risk of loss associated with a leveraged company is generally greater than for comparable companies with comparatively less debt. For example, leveraged companies could default on their debt obligations due to a decrease in revenues and cash flow precipitated by an economic downturn or by poor relative performance at such a company. Similarly, the leveraged nature of some of our investments in real assets increases the risk that a decline in the fair value of the underlying real asset will result in their abandonment or foreclosure. For example, if the property-level debt on a particular investment has reached its maturity and the underlying asset value has declined below its debt-level, we may, in absence of cooperation with the lender in regards to a partial debt-write-off, be forced to put the investment into liquidation. In addition, tax reform in the U.S. may limit the deductibility of interest payments. See "Risks Related to Our Business - Additional proposed changes in the U.S. and foreign taxation of businesses could adversely affect us."

When our existing portfolio investments reach the point when debt incurred to finance those investments matures in significant amounts and must be either repaid or refinanced, those investments may materially suffer if they have generated insufficient cash flow to repay maturing debt and there is insufficient capacity and availability in the financing markets to permit them to refinance maturing debt on satisfactory terms, or at all. If the financing for such purposes were to be unavailable or uneconomic when significant amounts of the debt incurred to finance our existing portfolio investments start to come due, these investments could be materially and adversely affected. In the event of default or potential default under applicable financing arrangements, one or more of our portfolio companies may go bankrupt, which could give rise to substantial investment losses, adverse claims or litigation against us or our employees and damage to our reputation.

Among the sectors particularly challenged by downturns in the global credit markets, including the downturn experienced from 2008 through 2010, are the CLO and leveraged finance markets. We have significant exposure to these markets through our CLO subsidiaries, which we principally acquired in the acquisitions of KFN and Avoca. As of December 31, 2016, we indirectly hold below investment grade corporate loans and securities with an \$8.5 billion estimated fair market value through our CLO subsidiaries. Each of these subsidiaries is a special purpose company that issued to us and other investors notes secured by a pool of collateral consisting primarily of corporate leveraged loans. In most cases, our CLO holdings are deeply subordinated, representing the CLO subsidiary's substantial leverage, which increases both the opportunity for higher returns as well as the magnitude of losses when compared to holders or investors that rank more senior to us in right of payment. These loans and bonds also generally involve a higher degree of risk than investment grade rated debt including the risks described in the paragraphs above. Our CLO subsidiaries have historically experienced an increase in downgrades, depreciations in market value and defaults in respect of leveraged loans in their collateral during downturns in credit markets. The CLOs' portfolio profile tests set limits on the amount of discounted obligations a CLO can hold. During any time that a CLO issuer exceeds such a limit, the ability of the CLO's manager to sell assets and reinvest available principal proceeds into substitute assets is restricted. In such circumstances, CLOs may fail certain over-collateralization tests, which would cause diversions of cash flows away from us as holders of the more junior CLO, which may impact our cash flows. The ability of the CLOs to make interest payments to the holders of the senior notes of those structures is highly dependent upon the performance of the CLO collateral. If the collateral in those structures were to experience a significant decrease in cash flow due to an increased default level, payment of all principal and interest outstanding may be accelerated as a result of an event of default or by holders of the senior notes. There can be no assurance that market conditions giving rise to these types of consequences will not occur, re-occur, persist or become more acute in the future. In July 2009, KFN surrendered for cancellation approximately \$298.4 million in aggregate of notes issued to it by certain of its CLOs. The surrendered notes were cancelled and the obligations due under such notes were deemed extinguished. Because our CLO structures involve complex collateral and other arrangements, the documentation for such structures is complex, is subject to differing interpretations and involves legal risk. These CLOs have served as long-term, non-recourse financing for debt investments and as a way to minimize refinancing risk, minimize maturity risk and secure a fixed cost of funds over an underlying market interest rate. An inability to continue to utilize CLOs or other similar financing vehicles successfully could limit our ability to fund future investments, grow our business or fully execute our business strategy and our results of operations may be adversely affected.

Our CLO subsidiaries regularly use significant leverage to finance their assets. An inability by such subsidiaries to continue to raise or utilize leverage, to refinance or extend the maturities of their outstanding indebtedness or to maintain adequate levels of collateral under the terms of their collateralized loan obligations could limit their ability to grow their business, reinvest principal cash, distribute cash to us or fully execute their business strategy, and our results of operations may be adversely affected. If these subsidiaries are unable to maintain their operating results and access to capital resources, they could face substantial liquidity problems and might be required to dispose of material assets or operations to meet debt service and other obligations. These CLO strategies and the value of the assets of such CLO subsidiaries are also sensitive to changes in interest rates because these strategies rely on borrowed money and because the value of the underlying portfolio loans can fall when interest rates rise. If interest rates on CLO borrowings increase and the interest rates on the portfolio do not also increase, the CLO strategy is unlikely to achieve its projected returns. Also, if interest rates increase in the future, our CLO portfolio will likely experience a reduction in value because it would hold assets receiving below market rates of interest.

Our hedge fund-of-funds, other credit- oriented funds and CLOs may choose to use leverage as part of their respective investment programs and regularly borrow a substantial amount of their capital. The use of leverage poses a significant degree of risk and enhances the possibility of a significant loss in the value of the investment portfolio. A fund may borrow money from time to time to purchase or carry securities or debt obligations or may enter into derivative transactions (such as total return swaps) with counterparties that have embedded leverage. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities purchased or carried and will be lost-and the timing and magnitude of such losses may be accelerated or exacerbated-in the event of a decline in the market value of such securities or debt obligations. Gains realized with borrowed funds may cause the fund's net asset value to increase at a faster rate than would be the case without borrowings. However, if investment results fail to cover the cost of borrowings, the fund's net asset value could also decrease faster than if there had been no borrowings.

Any of the foregoing circumstances could have a material adverse effect on our financial condition, results of operations and cash flow.

***The due diligence process that we undertake in connection with our investments may not reveal all facts that may be relevant in connection with an investment.***

Before making our investments, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances surrounding an investment, to identify possible risks associated with that investment and, in the case of private equity investments, to prepare a framework that may be used from the date of an acquisition to drive operational achievement and value creation. When conducting due diligence, we typically evaluate a number of important business, financial, tax, accounting, environmental and legal issues in determining whether or not to proceed with an investment. Outside consultants, legal advisors, accountants and investment banks are involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on resources available to us, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence process may at times be subjective with respect to newly organized companies or carve-out transactions for which only limited information is available.

Instances of bribery, fraud, accounting irregularities and other improper, illegal or corrupt practices can be difficult to detect, and fraud and other deceptive practices can be widespread in certain jurisdictions. Several of our funds invest in emerging market countries that may not have established laws and regulations that are as stringent as in more developed nations, or where existing laws and regulations may not be consistently enforced. For example, our funds invest throughout jurisdictions that have material perceptions of corruption according to international rating standards (such as Transparency International and Corruption Perceptions Index) such as China, India, Indonesia, Latin America, the Middle East and Africa. Due diligence on investment opportunities in these jurisdictions is frequently more complicated because consistent and uniform commercial practices in such locations may not have developed. Bribery, fraud, accounting irregularities and corrupt practices can be especially difficult to detect in such locations.

The due diligence conducted for certain of our Public Markets strategies is limited to publicly available information. Accordingly, we cannot be certain that the due diligence investigation that we will carry out with respect to any investment opportunity will reveal or highlight all relevant facts (including fraud, bribery and other illegal activities and contingent liabilities) that may be necessary or helpful in evaluating such investment opportunity, including the existence of contingent liabilities. We also cannot be certain that our 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 we used when evaluating that investment.

When we conduct due diligence in making and monitoring investments in third party hedge funds, we rely on information supplied by third party hedge funds or by service providers to such third party hedge funds. The information we receive from them may not be accurate or complete and therefore we may not have all the relevant facts necessary to properly assess and monitor our funds' investment in a particular hedge fund.

***Our investment management activities involve investments in relatively high-risk, illiquid assets, and we may fail to realize any profits from these activities for a considerable period of time or lose some or all of the capital invested.***

Many of our funds and our balance sheet may hold investments in securities that are not publicly traded. In many cases, our funds or we may be prohibited by contract or by applicable securities laws from selling such securities at many points in time. Our funds or we will generally not be able to sell these securities publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration is available, and then only at such times when we do not possess material nonpublic information. The ability of many of our funds or us to dispose of investments is heavily dependent on the capital markets and in particular the public equity markets. For example, the ability to realize any value from an investment may depend upon the ability to complete an initial public offering of the portfolio company in which such investment is made. Even if the securities are publicly traded, large holdings of securities can often be disposed of only over a substantial length of time, exposing our investment returns to risks of downward movement in market prices during the intended disposition period. Moreover, because the investment strategy of many of our funds, particularly our private equity funds, often entails or having representation on our funds' public portfolio company boards, our funds may be restricted in their ability to effect such sales during certain time periods. As certain of our funds have a finite term, we could also be forced to dispose of investments sooner than otherwise desirable. Accordingly, under certain conditions, our funds 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. Moreover, we may determine that we may be required to sell our balance sheet assets alongside our funds' investments at such

times. We have made and expect to continue to make significant capital investments in our current and future funds and other strategies. Contributing capital to these funds is risky, and we may lose some or all of the principal amount of our investments.

***Our investments are subject to a number of inherent risks.***

Our results are highly dependent on our continued ability to generate attractive returns from our investments. Investments made by our private equity, credit or other investments involve a number of significant risks inherent to private equity, credit and other investing, including the following:

- companies in which investments are made may have limited financial resources and may be unable to meet their obligations under their securities, which may be accompanied by a deterioration in the value of their equity securities or any collateral or guarantees provided with respect to their debt;
- companies in which investments are made are more likely to depend on the management talents and efforts of a small group of persons and, as a result, the death, disability, resignation or termination of one or more of those persons could have a material adverse impact on their business and prospects;
- companies in which private equity investments are made may be businesses or divisions acquired from larger operating entities which may require a rebuilding or replacement of financial reporting, information technology, operational and other functions;
- companies in which investments are made may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position;
- instances of bribery, fraud and other deceptive practices committed by senior management of portfolio companies in which our funds or we invest may undermine our due diligence efforts with respect to such companies, and if such fraud is discovered, negatively affect the valuation of a fund's investments as well as contribute to overall market volatility that can negatively impact a fund's or our investment program;
- our funds may make investments that they do not advantageously dispose of prior to the date the applicable fund is dissolved, either by expiration of such fund's term or otherwise, resulting in a lower than expected return on the investments and, potentially, on the fund itself;
- our portfolio companies generally have capital structures established on the basis of financial projections based primarily on management judgments and assumptions, and general economic conditions and other factors may cause actual performance to fall short of these financial projections, which could cause a substantial decrease in the value of our equity holdings in the portfolio company and cause our funds' or our performance to fall short of our expectations;
- executive officers, directors and employees of an equity sponsor may be named as defendants in litigation involving a company in which an investment is made or is being made, and we or our funds may indemnify such executive officers, directors or employees for liability relating to such litigation;
- we advise funds that invest in businesses that operate in a variety of industries that are subject to extensive domestic and foreign regulation (including companies that supply services to governmental agencies), such as the telecommunications industry, the defense and government services industry, the healthcare industry and oil and gas industry, that may involve greater risk due to rapidly changing market and governmental conditions in those sectors;
- our transactions involve complex tax structuring that could be challenged or disregarded, which may result in losing treaty benefits or would otherwise adversely impact our investments; and
- significant failures of our portfolio companies to comply with laws and regulations applicable to them could affect the ability of our funds or us to invest in other companies in certain industries in the future and could harm our reputation;

***Our investments in real assets such as real estate, infrastructure assets and energy may expose us to increased risks and liabilities and may expose our unitholders to adverse tax consequences.***

Investments in real assets, which may include real estate, infrastructure assets, oil and gas properties and other energy assets, may expose us to increased risks and liabilities that are inherent in the ownership of real assets. For example,

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- Ownership of real assets in our funds or vehicles may increase our risk of liability under environmental laws that impose, regardless of fault, joint and several liability for the cost of remediating contamination and compensation for damages. In addition, changes in environmental laws or regulations or the environmental condition of an investment may create liabilities that did not exist at the time of acquisition that would not have been foreseen. Even in cases where we are indemnified by a seller with respect to an investment against liabilities arising out of violations of environmental laws and regulations, there can be no assurance as to the financial viability of the seller to satisfy such indemnities or our ability to achieve enforcement of such indemnities.
- Ownership of real assets may also present additional risk of liability for personal and property injury or impose significant operating challenges and costs, for example with respect to compliance with zoning, environmental or other applicable laws.
- Real asset investments may face construction risks, without limitation: (i) labor disputes, shortages of material and skilled labor, or work stoppages; (ii) slower than projected construction progress and the unavailability or late delivery of necessary equipment; (iii) less than optimal coordination with public utilities in the relocation of their facilities; (iv) adverse weather conditions and unexpected construction conditions; (v) accidents or the breakdown or failure of construction equipment or processes; (vi) catastrophic events such as explosions, fires, and terrorist activities, and other similar events and (vii) risks associated with holding direct or indirect interests in undeveloped land or underdeveloped real property. These risks could result in substantial unanticipated delays or expenses (which may exceed expected or forecasted budgets) and, under certain circumstances, could prevent completion of construction activities once undertaken. Certain real asset investments may remain in construction phases for a prolonged period and, accordingly, may not be cash generative for a prolonged period. Recourse against the contractor may be subject to liability caps or may be subject to default or insolvency on the part of the contractor.
- The operation of real assets is exposed to potential unplanned interruptions caused by significant catastrophic or force majeure events. These risks could, among other effects, adversely impact the cash flows available from investments in real assets, cause personal injury or loss of life, damage property, or instigate disruptions of service. In addition, the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged service interruptions may result in permanent loss of customers, litigation, or penalties for regulatory or contractual non-compliance. Force majeure events that are incapable of, or too costly to, cure may also have a permanent adverse effect on an investment.
- The management of the business or operations of a real asset may be contracted to a third-party management company unaffiliated with us. Although it would be possible to replace any such operator, the failure of such an operator to adequately perform its duties or to act in ways that are in the portfolio company's best interest, or the breach by an operator of applicable agreements or laws, rules, and regulations, could have an adverse effect on the investment's financial condition or results of operations. Real asset investments may involve the subcontracting of design and construction activities in respect of projects, and as a result our investments are subject to the risk that contractual provisions passing liabilities to a subcontractor could be ineffective, the subcontractor fails to perform services which it has agreed to provide and in cases where a single subcontractor provides services to various investments, the subcontractor becomes insolvent.

Without limiting the foregoing disclosure, we note that investments that we have made and will continue to make in the oil and gas industries may present specific environmental, safety and other inherent risks, and such investments are subject to stringent and complex foreign, federal, state and local laws, ordinances and regulations specific to oil and gas industries, for example governing controls, taxes, transportation of oil and natural gas, exploration and production, permitting, and various conservation laws and regulations applicable to oil and natural gas production and related operations in addition to regulations governing occupational health and safety, the discharge of materials into the environment or otherwise relating to environmental protection. Failure to comply with applicable laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial obligations and the issuance of orders enjoining some or all of our operations in affected areas. These laws and regulations may also restrict the rate of oil and natural gas production below the rate that would otherwise be possible and increase the cost of production thus reducing profitability. Our oil and gas investments are subject to other risks, such as:

- The acquisition of oil and gas properties at appropriate prices.
- Currently unforeseen environmental incidents may occur or past non-compliance with environmental laws or regulations may be discovered making it difficult to predict the future costs or impact of compliance.
- The oil and gas industries present inherent risk of personal and property injury, for which we may not be fully insured.

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- The use of new technologies, including hydraulic fracturing.
- Our estimated oil, natural gas, and natural gas liquids reserve quantities and future production rates are based on many assumptions that may prove to be inaccurate. Any material inaccuracies in these reserve estimates or the underlying assumptions will materially affect the quantities and value of our reserves.
- The performance of our energy investments depend on the skill, ability and decisions of third party operators. The success of our investment will depend on their exploitation, development, construction and drilling activities and the timing and cost of drilling, completing and operating wells. Failure of such operators to comply with applicable laws, rules and regulations could result in liabilities to us, reduce the value of our interest in the oil and natural gas properties, adversely affect our cash flows and results of operations.
- If commodity prices decline and remain depressed for a prolonged period, a significant portion of our development projects may become uneconomic and cause write downs of the value of our oil and natural gas properties, which may reduce the value of our energy investments, have a negative impact on our ability to use these investments as collateral or otherwise have a material adverse effect on our results of operations.

Investments in real estate are subject to the risks inherent in the ownership and operation of real estate and real estate related businesses and assets. These risks include those associated with the burdens of ownership of real property, general and local economic conditions, changes in supply of and demand for competing properties in an area (as a result, for instance, of overbuilding), fluctuations in the average occupancy, the financial resources of tenants, changes in building, environmental and other laws, energy and supply shortages, various uninsured or uninsurable risks, natural disasters, changes in government regulations (such as rent control), changes in real property tax rates, changes in interest rates, the reduced availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable, negative developments in the economy that depress travel activity, environmental liabilities, contingent liabilities on disposition of assets, terrorist attacks, war and other factors that are beyond our control.

- The success of certain investments will depend on the ability to restructure and effect improvements in the operations of the applicable properties, and there is no assurance, we will be successful in identifying or implementing such restructuring programs and improvements.
- If we acquire direct or indirect interests in undeveloped land or underdeveloped real property, which may often be non-income producing, they will be subject to the risks normally associated with such assets and development activities, including risks relating to the availability and timely receipt of zoning and other regulatory or environmental approvals, the cost and timely completion of construction (including risks beyond the control of our fund, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms.
- The strategy of our real estate funds may be based, in part, on the availability for purchase of assets at favorable prices, and upon the continuation or improvement of market conditions, or on the availability of refinancing. No assurance can be given that the real estate businesses or assets can be acquired or disposed of at favorable prices or that refinancing will be available.
- Lenders in commercial real estate financing customarily will require a “bad boy” guarantee, which typically provides that the lender can recover losses from the guarantors for certain bad acts, such as fraud or intentional misrepresentation, intentional waste, willful misconduct, criminal acts, misappropriation of funds, voluntary incurrence of prohibited debt and environmental losses sustained by lender. For our acquisitions, “bad boy” guarantees would generally be extended by our funds, our balance sheet or a combination of both depending on the ownership of the relevant asset. In addition, “bad boy” guarantees typically provide that the loan will be a full personal recourse obligation of the guarantor, for certain actions, such as prohibited transfers of the collateral or changes of control and voluntary bankruptcy of the borrower. It is expected that commercial real estate financing arrangements generally will require “bad boy” guarantees and in the event that such a guarantee is called, a fund’s or our assets could be adversely affected. Moreover, “bad boy” guarantees could apply to actions of the joint venture partners associated with the investments, and in certain cases the acts of such joint venture partner could result in liability to our funds or us under such guarantees.
- The acquisition, ownership and disposition of real properties carry certain specific litigation risks. Litigation may be commenced with respect to a property acquired in relation to activities that took place prior to the acquisition of such property. In addition, at the time of disposition, other potential buyers may bring claims related to the asset or for due

diligence expenses or other damages. After the sale of a real estate asset, buyers may later sue our funds or us for losses associated with latent defects or other problems not uncovered in due diligence.

- Our funds or we may be subject to certain risks associated with investments in particular assets. Real estate investment trusts (or REITs) be affected by changes in the value of their underlying properties and by defaults by borrowers or tenants. REITs depend on their ability to generate cash flow to make distributions and may be impacted by changes in tax laws or by a failure to qualify for tax-free pass through income. Investments in real estate debt investments may be unsecured and subordinated to a substantial amount of indebtedness. Such debt investments may not be protected by financial covenants. Non-performing real estate loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of such loan. Investments in commercial mortgage loans are subject to risks of delinquency and foreclosure, and risks of loss. In the event of any default under a mortgage loan held directly by our fund or us, our fund or we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal to the extent of any deficiency between the value of the collateral the principal and accrued interest of the loan. Investments in assets or businesses that are distressed may have little or no near term cash flow and involve a high degree of risk. Such investments subject to bankruptcy or insolvency could be subordinated or disallowed.

Infrastructure investments often involve an ongoing commitment to a municipal, state, federal or foreign government or regulatory agencies. The nature of these obligations exposes the owners of infrastructure investments to a higher level of regulatory control than typically imposed on other businesses. They may also rely on complex government licenses, concessions, leases or contracts, which may be difficult to obtain or maintain. Infrastructure investments may require operators to manage such investments, and such operators' failure to comply with laws, including prohibitions against bribing of government officials, may adversely affect the value of such investments and cause us serious reputational and legal harm. Revenues for such investments may rely on contractual agreements for the provision of services with a limited number of counterparties, and are consequently subject to counterparty default risk. The operations and cash flow of infrastructure investments are also more sensitive to inflation and, in certain cases, commodity price risk. Furthermore, services provided by infrastructure investments may be subject to rate regulations by government entities that determines or limits prices that may be charged. Similarly, users of applicable services or government entities in response to such users may react negatively to any adjustments in rates reducing the profitability of such infrastructure investments.

In addition, investments in real assets may cause adverse tax consequences for certain non-U.S. unitholders regarding income effectively connected with the conduct of a U.S. trade or business and the imposition of certain tax withholding. Please see “-Risks Related to U.S. Taxation-Non- U.S. persons face unique U.S. tax issues from owning our common units that may result in adverse tax consequences to them”. Moreover, investments in real assets may also require all our unitholders to file tax returns and pay taxes in various state and local jurisdictions in the U.S. and abroad where these real assets are located. Please see “Risks Related to U.S. Taxation-Holders of our common units may be subject to state, local and foreign taxes and return filing requirements as a result of owning such common units”.

***Our growth equity strategy invests in emerging and less established companies that are heavily dependent on new technologies.***

Our growth equity funds may make investments in companies that are in a conceptual or early stage of development. These companies are often characterized by short operating histories, new technologies and products, quickly evolving markets, management teams that may have limited experience working together and in many cases, negative cash flow, all of which enhance the difficulty of evaluating these investment opportunities and the ultimate success of such investments. Other substantial operational risks to which such companies are subject include uncertain market acceptance of the company's products or services, a high degree of regulatory risk for new or untried or untested business models, products and services, high levels of competition among similarly situated companies, new competing products and technology, lower barriers to entry and downward pricing pressure, lower capitalizations and fewer financial resources and the potential for rapid organizational or strategic change. In addition, emerging growth companies may be more susceptible to macroeconomic effects and industry downturns, and their valuations may be more volatile depending on the achievement of milestones, such as receiving a governmental license or approval. Growth equity companies also generally depend heavily on intellectual property rights, including patents, trademarks and proprietary products or processes. The ability to effectively enforce patent, trademark and other intellectual property laws in a cost effective manner will affect the value of many of these companies. The presence of patents or other proprietary rights belonging to other parties may lead to the termination of the research and development of a portfolio company's particular product. In addition, if a portfolio company infringes on third-party patents or other proprietary rights, it could be prevented from using certain third-party technologies or forced to acquire licenses in order to obtain access to such technologies at a high cost.

***Certain of our funds and CLOs and our firm through our Principal Activities segment hold high-yield, below investment grade or unrated debt, or securities of companies that are experiencing significant financial or business difficulties, which generally entail greater risk, and if those losses are realized, it could adversely affect our results of operations, and our cash available for distribution to unitholders.***

Certain of our funds and CLOs in our Public Markets segment and our firm through our Principal Activities segment invest in below investment grade or unrated debt, including corporate loans and bonds, each of which generally involves a higher degree of risk than investment grade rated debt, and may be less liquid. Issuers of high yield or unrated debt may be highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations. As a result, high yield or unrated debt is often less liquid than investment grade rated debt. Also, investments may be made in loans and other forms of debt that are not marketable securities and therefore are not liquid. In the absence of appropriate hedging measures, changes in interest rates generally will also cause the value of debt investments to vary inversely to such changes. The obligor of a debt security or instrument may not be able or willing to pay interest or to repay principal when due in accordance with the terms of the associated agreement and collateral may not be available or sufficient to cover such liabilities. Commercial bank lenders and other creditors may be able to contest payments to the holders of other debt obligations of the same obligor in the event of default under their commercial bank loan agreements. Sub-participation interests in syndicated debt may be subject to certain risks as a result of having no direct contractual relationship with underlying borrowers. Debt securities and instruments may be rated below investment grade by recognized rating agencies or unrated and face ongoing uncertainties and exposure to adverse business, financial or economic conditions and the issuer's failure to make timely interest and principal payments.

Certain of our investment funds, especially in our special situations strategy, and our firm through our Principal Activities segment may hold interests in business enterprises involved in work-outs, liquidations, reorganizations, bankruptcies and similar transactions and may purchase high risk receivables. An investment in such business enterprises entails the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the fund of the security or other financial instrument in respect of which such distribution is received. In addition, if an anticipated transaction does not in fact occur, we or the fund may be required to sell the investment at a loss. Investments in troubled companies may also be adversely affected by U.S. federal and state and non-U.S. laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and a bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims. Investments in securities and private claims of troubled companies made in connection with an attempt to influence a restructuring proposal or plan of reorganization in a bankruptcy case may also involve substantial litigation, which has the potential to adversely impact us or unrelated funds or portfolio companies. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies, there is a potential risk of loss of the entire investment in such company. Such investments involve a substantial degree of risk, and a decline in value of the assets would have a material adverse effect on our financial performance.

***Our investment in Nephila is exposed to natural catastrophe and weather risk.***

Our investment in Nephila, an investment manager focused on investing in natural catastrophe and weather risk, is exposed to a risk of reduced revenues resulting from natural disasters. Because catastrophic loss events are by their nature unpredictable, historical results of operations of Nephila may not be indicative of its future results of operations. As a result of the occurrence of one or more major catastrophes in any given period, the expected returns from this investment may fall short of our expectations.

***We often pursue investment opportunities that involve business, regulatory, legal or other complexities.***

As an element of our investment style, we often pursue complex investment opportunities. This can often take the form of substantial business, regulatory or legal complexity that would deter other investment managers. Our tolerance for complexity presents risks, as such transactions can be more difficult, expensive and time consuming to finance and execute; it can be more difficult to manage or realize value from the assets acquired in such transactions; and such transactions sometimes entail a higher level of regulatory scrutiny, the application of complex tax laws or a greater risk of contingent liabilities. Our transactions involve complex tax structures that are costly to establish, monitor and maintain, and as we pursue a larger number of transactions across multiple assets classes and in multiple jurisdictions, such costs will increase and the risk that a tax matter is overlooked or inadequately or inconsistently addressed will increase. Consequently, we may fail to achieve the desired tax benefit or otherwise decrease the returns of our investments or damage the reputation of our firm. Changes in law and regulation and in the enforcement of existing law and regulation, such as antitrust laws and tax laws, also adds complexity and risk to our business. Further, we, directly or through our funds, may acquire an investment that is subject to contingent liabilities, which could be unknown to us at the time of acquisition or, if they are known to us, we may not accurately assess or



protect against the risks that they present. Acquired contingent liabilities could thus result in unforeseen losses for us or our funds. In addition, in connection with the disposition of an investment in a portfolio company, we or a fund may be required to make representations about the business and financial affairs of such portfolio company typical of those made in connection with the sale of a business. We or a fund may also be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate. These arrangements may result in the incurrence of contingent liabilities by us or a fund, even after the disposition of an investment. Any of these risks could harm the performance of us or our funds.

***Our private equity investments are typically among the largest in the industry, which involves certain complexities and risks that are not encountered in small- and medium-sized investments.***

Our private equity funds make investments in companies with relatively large capitalizations, which involves certain complexities and risks that are not encountered in small- and medium-sized investments. For example, larger transactions may be more difficult to finance and exiting larger deals may present incremental challenges. In addition, larger transactions may pose greater challenges in implementing changes in the company's management, culture, finances or operations, and may entail greater scrutiny by regulators, interest groups and other third parties. These constituencies may be more active in opposing some larger investments by certain private equity firms.

In some transactions, the amount of equity capital that is required to complete a large capitalization private equity transaction may be significant and are required to be structured as a consortium transaction. A consortium transaction involves an equity investment in which two or more other private equity firms serve together or collectively as equity sponsors. While we have sought to limit where possible the amount of consortium transactions in which we have been involved, we have participated in a significant number of those transactions. Consortium transactions generally entail a reduced level of control by our firm over the investment because governance rights must be shared with the other consortium investors. Accordingly, we may not be able to control decisions relating to a consortium investment, including decisions relating to the management and operation of the company and the timing and nature of any exit, which could result in the risks described in “-Our funds have made investments in companies that we do not control, exposing us to the risk of decisions made by others with which we may not agree.” Any of these factors could increase the risk that our larger investments could be less successful. The consequences to our investment funds of an unsuccessful larger investment could be more severe given the size of the investment. Moreover, we have significant co-investments in such large investments, and as a result the poor performance of any such large investment may have a material adverse impact on our financial results. See “-We and certain of our funds may make a limited number of investments, or investments that are concentrated in certain geographic regions or asset types, which could negatively affect our performance or the performance of our funds to the extent those concentrated investments perform poorly” and “-Because we hold interests in some of our portfolio companies both through our management of private equity funds as well as through separate investments in those funds and direct co-investments, fluctuation in the fair values of these portfolio companies may have a disproportionate impact on the investment income earned by us.”

***We and our funds have made investments in companies that we do not control, exposing us to the risk of decisions made by others with which we may not agree.***

We and our funds and accounts hold investments that include debt instruments and equity securities of companies that we do not control, and such investments may comprise an increasing part of our business. Such instruments and securities may be acquired by our funds and accounts through trading activities or through purchases of securities from the issuer or we may purchase such instruments and securities on a principal basis. In addition, our funds and accounts may acquire minority equity interests, particularly when making private equity investments in Asia, making growth equity investments or sponsoring investments as part of a large investor consortium or through many of our Public Markets funds, and may also dispose of a portion of their majority equity investments in portfolio companies over time in a manner that results in the funds or accounts retaining a minority investment. We and our funds, including our newer private equity funds, have made certain minority investments in publicly traded companies.

We have also increasingly made minority investments in companies including hedge fund managers on our balance sheet. For example, we have investments in Marshall Wace LLP, Nephila Capital Ltd., BlackGold Capital Management L.P., and Acion Partners Limited. In addition, on February 6, 2017, KKR and PAAMCO announced that they entered into a strategic transaction to create a new liquid alternatives investment firm by combining PAAMCO and KKR Prisma. KKR will retain a minority investment in the newly formed company. See "Business-Recent Developments."

Transactions made by companies we do not control could be viewed as unwanted, damage our reputation, and consequently impair our ability to source transactions in the future. Those investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not

serve our interests. These companies may be subject to complex regulatory requirements and instances of non-compliance by them may subject us to reputational harm or in certain cases, liability. We are also reliant on the systems and processes of these companies including for financial information and valuations of our investments in or with them, including hedge fund managers and their funds, but we do not control the decisions and judgments made during such processes. Our investments in hedge fund managers may subject us to additional regulatory complexities or scrutiny if we are deemed to control the company for regulatory purposes, despite our minority interest. These asset managers may also be dependent on their founders and other key persons, and the loss of these key personnel could adversely impact our investment. If any of the foregoing were to occur, the value of the investments held by our funds or accounts or by us could decrease and our financial condition, results of operations and cash flow could be adversely affected.

***We make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States.***

Many of our funds invest or have the flexibility to invest a significant portion of their assets in the equity, debt, loans or other securities of issuers that are based outside of the United States. A substantial amount of these investments consist of private equity investments made by our private equity funds. For example, as of December 31, 2016, approximately 48% of the unrealized value of the investments of those funds and accounts was attributable to non-U.S. investments. Investing in companies that are based or have significant operations in countries outside of the United States and, in particular, in emerging markets such as China and India, Eastern Europe, countries in south and southeast Asia, Brazil, Latin America and Africa, involves risks and considerations that are not typically associated with investments in companies established in the United States. These risks may include the following:

- 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;
- the imposition of non-U.S. taxes and changes in tax law;
- differences in the legal and regulatory environment, for example the recognition of information barriers, or enhanced legal and regulatory compliance;
- greater levels of corruption and potential exposure to the FCPA and other laws that prohibit improper payments or offers of payments to foreign governments, their officials and other third parties;
- violations of sanctions regimes;
- limitations on borrowings to be used to fund acquisitions or dividends;
- limitations on permissible counterparties in our transactions or consolidation rules that effectively restrict the types of businesses in which we may invest;
- political risks generally, including political hostility to investments by foreign or private equity investors;
- less liquid markets;
- reliance on a more limited number of commodity inputs, service providers and/or distribution mechanisms;
- adverse fluctuations in currency exchange rates and costs associated with conversion of investment principal and income from one currency into another;
- higher rates of inflation;
- less available current information about an issuer;
- higher transaction costs;
- less government supervision of exchanges, brokers and issuers;
- less developed bankruptcy and other laws;

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- greater application of concepts like equitable subordination, which may, in bankruptcy or insolvency, result in the subordination of debt or other senior interests held by our investment funds, vehicles or accounts in companies in which our investment funds, vehicles or accounts also hold equity interests;
- difficulty in enforcing contractual obligations;
- lack of uniform accounting, auditing and financial reporting standards;
- less stringent requirements relating to fiduciary duties;
- fewer investor protections; and
- greater price volatility.

As a result of the complexity of and lack of clear laws, precedent or authority with respect to the application of various income tax laws to our structures, the application of rules governing how transactions and structures should be reported is also subject to differing interpretations. In particular, certain jurisdictions have either proposed or adopted rules that seek to limit the amount of interest that may be deductible where the lender and the borrower are related parties (or where third party borrowings have been guaranteed by a related party) and in some cases, without regard to whether the lender is a related party, or may seek to interpret existing rules in a more restrictive manner. In addition, the tax authorities of certain countries have sought to disallow tax deductions for transaction and certain other costs at the portfolio company level either on the basis that the entity claiming the deduction does not benefit from the costs incurred or on other grounds. These measures will most likely adversely affect portfolio companies in those jurisdictions in which our investment funds have investments, and limit the benefits of additional investments in those countries. Our business is also subject to the risk that similar measures might be introduced in other countries in which our investment funds currently have investments or plan to invest in the future, or that other legislative or regulatory measures that negatively affect their respective portfolio investments might be promulgated in any of the countries in which they invest.

In addition, certain countries such as Australia, China, India, Japan, Brazil and South Korea, where we have made investments, have sought to tax investment gains derived by nonresident investors, including private equity funds, from the disposition of the equity in companies operating in those countries. In some cases this development is the result of new legislation or changes in the interpretation of existing legislation and local authority assertions that investors have a local taxable presence or are holding companies for trading purposes rather than for capital purposes, or are not otherwise entitled to treaty benefits.

Further, the tax authorities in certain countries, such as Australia, Belgium, China, India, Japan, Denmark, Germany, and South Korea have sought to deny the benefits of income tax treaties or EU Directives with respect to withholding taxes on interest and dividends and capital gains, of nonresident entities. Benefits of income tax treaties or EU Directives could be denied under each country's general anti-avoidance rules or on the basis that the entity benefiting from such treaty or Directive is not the owner of the income, is a mere conduit inserted primarily to access treaty benefits or Directives, or otherwise lacks substance.

These various proposals and initiatives could result in an increase in taxes paid by our funds and/or increased tax withholding with respect to our investors.

In July 2013, the OECD published its Action Plan on Base Erosion and Profit Shifting ("BEPS"). The OECD released its final reports in October 2015 describing measures for a reform of the international tax rules to be implemented by the member states. Some member countries have been moving forward on the BEPS agenda but, because timing of implementation and the specific measures adopted will vary among participating states, significant uncertainty remains regarding the impact of BEPS proposals. The BEPS project looks at various different ways in which domestic tax rules around the world, and the bilateral double tax treaties that govern the interplay between them, could be amended to address profit shifting among affiliated entities. Several of the proposed measures, including measures covering treaty abuse, the deductibility of interest expense, local nexus requirements, transfer pricing and hybrid mismatch arrangements are potentially relevant to some of our structures and could have an adverse tax impact on our funds, investors and/or our portfolio companies. A multilateral instrument to implement treaty-related BEPS measures was issued by the OECD in November 2016. If implemented, these proposals could result in a loss of tax treaty benefits and increased taxes on income from our investments.

As a result of the complexity of our structures, foreign jurisdictions may seek to tax an additional portion of the fee income associated with our management advisory activity. Foreign jurisdictions may assert that an additional amount of fee income is

subject to local tax, potentially reducing our profits associated with such income, although this risk may be mitigated by the availability of foreign tax credits. We or our funds may also inadvertently establish a taxable presence in a jurisdiction because of activities conducted there. Compliance with tax laws and structures in these jurisdictions and the costs of adapting to changes in tax policies require significant oversight and cost.

Although we expect that much of the capital commitments of our funds will be denominated in U.S. dollars, our investments and capital commitments that are denominated in a foreign currency, such as euro, will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. In June 2016 the United Kingdom referendum in which voters approved an exit from the European Union resulted in significant volatility in global stock markets and currency exchange rate fluctuations that generally resulted in the depreciation of foreign currencies against the U.S. dollar. A continued depreciation of foreign currencies against the U.S. dollar, if not adequately hedged, and a weaker growth in the United Kingdom and European Union would reduce the value of our investments in the region thus adversely impacting our financial results. Other factors may also affect currency values such as trade balances, the ability of countries to pay their national debt, 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. We may employ hedging techniques to minimize these risks, but we can offer no assurance that such strategies will be effective or even available at all. If we engage in hedging transactions, we may be exposed to additional risks associated with such transactions. See “-Risk management activities may adversely affect the return on our investments.” Legal uncertainty about the funding of euro denominated obligations following any break up of or exits from the Eurozone could also materially adversely affect a fund. More generally, a withdrawal of the United Kingdom from the European Union and the possible withdrawal of other countries may adversely affect the Eurozone economy, us and our funds that have and expect to continue to invest in European companies and companies that have operations in the Eurozone. In addition, various countries and regulatory bodies may also implement controls on foreign exchange and outbound remittances of currency, which could also impact not only the timing and amount of capital contributions that are required to be made to our funds but they may also impact the value, in U.S. dollars, of our investments and investment proceeds. For example, China has recently implemented stricter controls on foreign exchange and outbound remittances. See “Risks Related to Our Business -- Difficult market conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial prospects and condition.” See also “--Risks Related to Our Business--Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could adversely affect our business.”

***Third party investors in our funds with commitment-based structures may not satisfy their contractual obligation to fund capital calls when requested by us, which could adversely affect a fund’s operations and performance.***

Investors in certain of our funds make capital commitments to those funds that the funds are entitled to call from those investors at any time during prescribed periods. We depend on fund investors fulfilling their commitments when we call capital from them in order for such funds to consummate investments and otherwise pay their obligations (for example, management fees) when due. Any fund investor that did not fund a capital call would generally be subject to several possible penalties, including having a significant amount of existing investment forfeited in that fund. However, the impact of the penalty is directly correlated to the amount of capital previously invested by the investor in the fund and if an investor has invested little or no capital, for instance early in the life of the fund, then the forfeiture penalty may not be as meaningful. Investors may in the future also negotiate for lesser or reduced penalties at the outset of the fund, thereby inhibiting our ability to enforce the funding of a capital call. If our fund investors were to fail to satisfy a significant amount of capital calls for any particular fund or funds, the operation and performance of those funds could be materially and adversely affected.

***Our equity investments and many of our debt investments often rank junior to investments made by others, exposing us to greater risk of losing our investment.***

In many cases, the companies in which we or our funds invest have, or are permitted to have, outstanding indebtedness or equity securities that rank senior to our or our fund’s investment. By their terms, such instruments may provide that their holders are entitled to receive payments of distributions, interest or principal on or before the dates on which payments are to be made in respect of our investment. Also, in the event of insolvency, liquidation, dissolution, reorganization or bankruptcy of a company in which an investment is made, holders of securities ranking senior to our investment would typically be entitled to receive payment in full before distributions could be made in respect of its investment. In addition, debt investments made by us or our funds in our portfolio companies may be equitably subordinated to the debt investments made by third parties in our portfolio companies. After repaying senior security holders, the company may not have any remaining assets to use for repaying amounts owed in respect of our investment. To the extent that any assets remain, holders of claims that rank equally with our investment would be entitled to share on an equal and ratable basis in distributions that are made out of those assets.

Also, during periods of financial distress or following an insolvency, the ability of us or our funds to influence a company's affairs and to take actions to protect an investment may be substantially less than that of the senior creditors.

***Risk management activities may adversely affect the return on our investments.***

When managing exposure to market risks, we employ hedging strategies or certain forms of derivative instruments to limit our 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 risk management activities undertaken by us is selective and 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 we enter into generally will depend on our ability to correctly predict market changes. As a result, while we may enter into such transactions in order to reduce our exposure 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, we 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 us from achieving the intended result and could give rise to a loss. In addition, it may not be possible to fully or perfectly limit our exposure 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 our control or ability to hedge.

While hedging arrangements may reduce certain risks, such arrangements themselves may entail certain other risks. These arrangements may require the posting of cash collateral, including at a time when a fund has insufficient cash or illiquid assets such that the posting of the cash is either impossible or requires the sale of assets at prices that do not reflect their underlying value. Moreover, these hedging arrangements may generate significant transaction costs, including potential tax costs, that reduce the returns generated by a fund. The CFTC has proposed or adopted regulations governing swaps and security-based swaps, which may limit our trading activities and our ability to implement effective hedging strategies or increase the costs of compliance. See "Risks Related to Our Business-Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could result in additional burdens on our business."

***The assets of our funds and our firm through our Principal Activities segment may make a limited number of investments, or investments that are concentrated in certain issuers, geographic regions or asset types, which could negatively affect our performance or the performance of our funds to the extent those concentrated assets perform poorly.***

The governing agreements of our funds contain only limited investment restrictions and only limited requirements as to diversification of fund investments, either by geographic region or asset type. Our private equity funds generally permit up to 20% of the fund to be invested in a single company. We also advise funds that invest in a single industry such as growth equity, energy, infrastructure or real estate. During periods of difficult market conditions or slowdowns in these sectors or geographic regions, decreased revenues, difficulty in obtaining access to financing and increased funding costs may be exacerbated by this concentration of investments, which would result in lower investment returns. Because a significant portion of a fund's capital may be invested in a single investment or portfolio company, a loss with respect to such investment or portfolio company could have a significant adverse impact on such fund's capital. Accordingly, a lack of diversification on the part of a fund could adversely affect a fund's performance and therefore, our financial condition and results of operations.

Similarly, our Principal Activities segment has significant exposures to certain issuers, industries or asset classes. Because we hold interests in some of our portfolio companies both through our segment investments in our private equity funds and direct co-investments, fluctuation in the fair values of these portfolio companies may have a disproportionate impact on the investment income earned by us as compared to other portfolio companies. In these circumstances, as was the case with energy investments beginning in late 2014 through and into 2016, losses may have an even greater impact on our financial condition and results of operations, as we would directly bear the full extent of such losses. Our Principal Activities segment also has significant exposures to a single issuer subjecting our investment income and economic net income to greater volatility.

depending on such companies' operating results and other idiosyncratic factors specific to that company, and in cases where we hold publicly traded securities, our operating results would be impacted by volatility in the public markets related to our holdings of publicly traded securities. As of December 31, 2016, we hold a significant aggregate investment in First Data Corporation, which represents more than 15% of our investments on a consolidated segment basis. Volatility in the stock price of First Data Corporation has had and may continue to have a significant impact on our financial results. For example, for the year ended December 31, 2016, the reduction in the stock price of First Data Corporation reduced economic net income on a segment basis by approximately \$180 million. See also certain significant investments held in our Principal Activities segment at "-- Management's Discussion and Analysis of Financial Condition and Results of Operations -- Segment Analysis -- Segment Balance Sheet."

***Our business activities may give rise to a conflict of interest with our funds.***

As we have expanded and as we continue to expand the number and scope of our businesses, we increasingly confront potential conflicts of interest relating to investment activities among our various funds and also our own account. For example,

- In pursuing the interest of our fund investors, we may take actions that could reduce our AUM or our profits that we could otherwise realize in the short term.
- We may be required to allocate investment opportunities among investment vehicles that may have overlapping investment objectives, including vehicles that may have different fee structures, and among KKR co-investment vehicles (including vehicles in which KKR employees may invest) and third party co-investors.
- We may, on behalf of our funds or KKR itself, buy, sell, hold or otherwise deal with securities or other investments that may be purchased, sold or held by our other funds or that are otherwise issued by a portfolio company in which our funds invest. Conflicts of interest may arise between a fund, on one hand, and KKR on the other or among our funds including but not limited to those relating to the purchase or sale of investments, the structuring of, or exercise of rights with respect to investment transactions and the advice we provide to our funds. For example we may sell an investment at a different time or for different consideration than our funds.
- We may invest on behalf of our fund or for our own account in a portfolio company of one fund that is a competitor, service provider, supplier, customer, or other counterparty with respect to a portfolio company of another fund.
- We may structure an investment in a manner that may be attractive to fund investors or to KKR Holdings L.P., from a tax perspective but that may require corporate taxation to unitholders.
- A decision to acquire material non-public information about a company while pursuing an investment opportunity for a particular fund or our own account may result in our having to restrict the ability of other funds to take any action.
- Our fiduciary obligations to our fund investors may preclude us from pursuing attractive proprietary investment opportunities, in particular as we enter into strategic relationships with broad investment mandates similar to the investments we make with our balance sheet. Notwithstanding the foregoing, we also allocate certain investments, which we believe are not suitable for our funds to our balance sheet.
- Conflicts may arise in allocating investments, time, services, expenses or resources among the investment activities of our funds, KKR, other KKR-affiliated entities and the employees of KKR.
- Our principals have made personal investments in a variety of our investment funds, which may result in conflicts of interest among investors of our funds or unitholders regarding investment decisions for these funds.
- The general partner's entitlement to receive carried interest from many of our funds may create an incentive for that general partner to make riskier and more speculative investments on behalf of a fund than would be the case in the absence of such an arrangement. In addition, for our funds that pay carried interest based on accrued rather than realized gains, the amount of carried interest to which the general partner is entitled and the timing of its receipt of carried interest will depend on the valuation by the general partner of the fund's investment.
- From time to time, one of our funds may seek to effect a purchase or sale of an investment with one or more of our other funds in a so-called "cross transaction", or we as a principal may seek to effect a purchase or sale of our investment with one or more of our fund in a so-called "principal transaction".

- The investors in our investment vehicles are based in a wide variety of jurisdictions and take a wide variety of forms, and consequently have diverging interests among themselves from a regulatory, tax or legal perspective or with respect to investment policies and target risk/return profiles.
- We or our affiliates, including our capital markets business, may receive fees or other compensation in connection with specific transactions or different clients that may give rise to conflicts. The decision to take on an opportunity in one of our businesses may, as a practical matter, also limit the ability of one or our other businesses to take advantage of other related opportunities.

In addition, our funds and accounts also invest in a broad range of asset classes throughout the corporate capital structure. These investments include investments in corporate loans and debt securities, preferred equity securities and common equity securities. In certain cases, we may manage separate funds or accounts that invest in different parts of the same company's capital structure. For example, our credit funds may invest in different classes of the same company's debt and may make debt investments in a company that is owned by one of our private equity funds. In those cases, the interests of our funds may not always be aligned, which could create actual or potential conflicts of interest or the appearance of such conflicts. For example, one of our private equity funds could have an interest in pursuing an acquisition, divestiture or other transaction that, in its judgment, could enhance the value of the private equity investment, even though the proposed transaction would subject one of our credit fund's debt investments to additional or increased risks. Finally, our ability to effectively implement a public securities strategy may be limited to the extent that contractual obligations entered into in the ordinary course of our private equity business impose restrictions on our engaging in transactions that we may be interested in otherwise pursuing.

We may also cause different investment funds to invest in a single portfolio company, for example where the fund that made an initial investment no longer has capital available to invest. Conflicts may also arise where we make balance sheet investments for our own account or permit employees to invest alongside our investment vehicles or our balance sheet for their own account. In certain cases, we may require that a transaction or investment be approved by fund investors or their advisory committees, be approved by an independent valuation expert, be subject to a fairness opinion, be based on arms-length pricing data or be calculated in accordance with a formula provided for in a fund's governing documents prior to the completion of the relevant transaction to address potential conflicts of interest. Such instances include principal transactions where we or our affiliates warehouse an investment in a portfolio company for the benefit of one or more of our funds or accounts pending the contribution of committed capital by the investors in such funds or accounts, follow-on investments by a fund other than a fund which made an initial investment in a company or transactions in which we arrange for one of our funds or accounts to buy a security from, or sell a security to, another one of our funds or accounts.

Appropriately dealing with conflicts of interest is complex and difficult and we could suffer reputational damage or potential liability if we fail, or appear to fail, to deal appropriately with conflicts as they arise. Regulatory scrutiny of, or litigation in connection with, conflicts of interest could have a material adverse effect on our reputation which could in turn materially adversely affect our business in a number of ways, including as a result of an inability to raise additional funds and a reluctance of counterparties to do business with us.

***Investors in certain of our Public Markets funds may redeem their investments in these funds with minimal notice.***

Investors in our funds of funds along with those in certain of our leveraged credit investment vehicles may generally submit redemptions to redeem their investments on a quarterly or monthly basis following the expiration of a specified period of time or in certain cases capital may be withdrawn earlier subject to a fee, in each case subject to the applicable fund's specific redemption provisions. For certain KKR Prisma funds managed as part of a single investor's mandate the length of time to redeem an investment may vary and will depend on the liquidity constraints of each KKR Prisma fund's underlying hedge fund portfolio. Factors which could result in investors leaving our funds include changes in interest rates that make other investments more attractive, changes in investor perception regarding our focus or alignment of interest, unhappiness with a fund's performance or investment strategy, changes in our reputation, departures or changes in responsibilities of key investment professionals, performance and liquidity needs of fund investors. In a declining market or period of economic disruption or uncertainty, the pace of redemptions and consequent reduction in our AUM could accelerate. The decrease in revenues that would result from significant redemptions from our funds of funds or other similar investment vehicles could have a material adverse effect on our business, revenues, net income and cash flows.

A portion of assets invested in our fund of hedge funds strategy are managed through separately managed accounts or entities structured for investment by one investor or related investors whereby we earn management and incentive fees, and we intend to continue to seek additional separately managed account or single entity mandates. The investment management agreements we enter into in connection with managing separately managed accounts or entities on behalf of certain clients may be terminated by such clients on as little as 30 days' prior written notice, or less in certain prescribed circumstances. In

addition, the boards of directors of certain funds we manage could terminate our advisory engagement of those companies, on as little as 30 days' prior written notice. Similarly, we provide subadvisory services to other investment advisors and managers. Such investment advisors and managers could terminate our subadvisory agreements on as little as 30 days' prior written notice. In the case of any such terminations, the management and incentive fees we earn in connection with managing such account or company would immediately cease, which could result in a significant adverse impact on our revenues.

In addition, certain funds in our Public Markets business are registered under the Investment Company Act as management investment companies. These funds and KKR Credit Advisors (US) LLC, which serves as their investment adviser (or, in the case of a business development company, as its sub-adviser), are subject to the Investment Company Act and the rules thereunder. One of these funds is a New York Stock Exchange-listed closed-end fund. In addition, the management fees we are paid for managing investment companies will generally be subject to contractual rights the company's board of directors (or, in the case of the business development companies we manage, the investment adviser) has to terminate our management of an account on as short as 60 days' prior notice. Termination of these agreements would reduce the fees we earn from the relevant funds, which could have a material adverse effect on our results of operations.

***Our KKR Prisma business and in the future our stake in the combined business of PAAMCO and KKR Prisma, if such transaction were to close, may subject us to risks related to the limited rights a fund of funds manager has to withdraw, transfer or otherwise liquidate its investments.***

A fund of funds is subject to risks related to the limited rights it has to withdraw, transfer or otherwise liquidate its investments from the underlying hedge funds or other funds in which it invests. Hedge funds, including those in which our fund of funds are invested and the hedge funds we offer to our fund investors, may make investments or hold trading positions in markets that are volatile and which may become illiquid. Timely divestiture or sale of trading positions can be impaired by decreased trading volume, increased price volatility, concentrated trading positions, limitations on the ability to transfer positions in highly specialized or structured transactions to which they may be a party, and changes in industry and government regulations. It may be impossible or costly for hedge funds to liquidate positions rapidly in order to meet margin calls, withdrawal requests or otherwise, particularly if there are other market participants seeking to dispose of similar assets at the same time or the relevant market is otherwise moving against a position or in the event of trading halts or daily price movement limits on the market or otherwise.

Moreover, these risks may be exacerbated for funds of funds such as those we manage. For example, if one of our funds of funds were to invest a significant portion of its assets in two or more hedge funds that each had illiquid positions in the same issuer, the illiquidity risk for our funds of hedge funds would be compounded. In 2008 many hedge funds experienced significant declines in value. In many cases, these declines in value were both provoked and exacerbated by margin calls and forced selling of assets, often at distressed prices. Moreover, certain funds of funds were invested in hedge funds that halted redemptions in the face of illiquidity and other issues, which precluded those funds of funds from receiving their capital back on request. There can be no guarantee that such a situation would not recur, particularly in times of market distress.

Terms of the governing documents may also limit a fund of funds' ability to withdraw, transfer or otherwise liquidate their investments in underlying portfolio funds. Under the terms of the governing documents of the relevant portfolio funds or other investments, the ability of a fund of funds or account to redeem any amount invested therein may be subject to certain restrictions and conditions, including restrictions on the redemption of capital for an initial period, restrictions on the amount of redemptions and the frequency with which redemptions can be made, and investment minimums that must be maintained. Additionally, portfolio funds typically reserve the right to reduce ("gate") or suspend redemptions, to set aside ("side pocket") capital that cannot be redeemed for so long as an event or circumstance has not occurred or ceased to exist, respectively, and to satisfy redemptions by making distributions in-kind, under certain circumstances. The ability of our funds of funds or accounts to redeem portfolio fund interests may be adversely affected to varying degrees by such restrictions depending on, among other things, the length of any restricted periods imposed by the portfolio fund, the amount and timing of a requested redemption in relation to the time remaining of any restricted periods imposed by portfolio funds, the aggregate amount of redemption requests, the next regularly scheduled redemption dates of such portfolio funds, the imposition of "gates" or suspensions, the use of "side pockets", the decision by a portfolio fund to satisfy redemptions in-kind, and the satisfaction of other conditions.



***Investments by our fund of funds business, other hedge funds and similar investment vehicles and strategic partnerships with hedge fund managers are subject to numerous additional risks.***

Investments by one or more hedge funds and investment vehicles with similar characteristics that we currently advise or may organize in the future are subject to numerous additional risks including the following:

- Generally, there are few limitations on the execution of investment strategies of a hedge fund or fund of funds, which are subject to the sole discretion of the management company or the general partner of such funds.
- Hedge funds may engage in short selling, which is subject to 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 prices of the securities to rise further, thereby exacerbating the loss.
- We may enter into credit default swaps (or CDS) as investments or hedges. CDS involve greater risks than investing in the reference obligation directly. In addition to general market risks, CDS are subject to risks related to changes in interest rates, credit spreads, credit quality and expected recovery rates of the underlying credit instrument. A CDS is a contract in which the protection “buyer” is generally obligated to pay the protection “seller” an upfront or a periodic stream of payments over the term of the contract provided that no credit event, such as a default, on a reference obligation has occurred. If a credit event occurs, the seller generally must pay the buyer the “par value” (full notional value) of the swap in exchange for an equal face amount of deliverable obligations of the issuer (also known as the reference entity) of the underlying credit instrument referenced in the CDS, or, if the swap is cash settled, the seller may be required to deliver the related net cash amount. The protection buyer will lose its investment and recover nothing should no event of default occur. If an event of default were to occur, the value of the reference obligation received by the protection seller (if any), coupled with the periodic payments previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value to the seller. If we act as the protection seller in respect of a CDS contract, we would be exposed to many of the same risks of leverage described herein since if an event of default occurs the seller must pay the buyer the full notional value of the reference obligation.
- Hedge funds and investment vehicles with similar characteristics are exposed to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the fund to suffer a loss. Counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the fund has concentrated its transactions with a single or small group of counterparties. Generally, hedge funds and investment vehicles with similar characteristics are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. Moreover, the fund’s internal consideration of the creditworthiness of their counterparties may prove insufficient. The absence of a regulated market to facilitate settlement may increase the potential for losses.
- Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This systemic risk may adversely affect the financial intermediaries (such as clearing agencies, clearing houses, banks, securities firms and exchanges) with which the hedge funds and investment vehicles with similar characteristics interact on a daily basis.
- The efficacy of investment and trading strategies depend largely on the ability to establish and maintain an overall market position in a combination of financial instruments. A hedge fund’s trading orders may not be executed in a timely and efficient manner due to various circumstances, including systems failures or human error. In such event, the funds might only be able to acquire some but not all of the components of the position, or if the overall position were to need adjustment, the funds might not be able to make such adjustment. As a result, the funds would not be able to achieve the market position selected by the management company or general partner of such funds, and might incur a loss in liquidating their position.
- These funds may make investments that they do not advantageously dispose of prior to the date the applicable fund is dissolved, either by expiration of such fund’s term or otherwise. Although we generally expect that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, and the general partners of the funds have a limited ability to extend the term of the fund with the consent of fund investors or the advisory board of the fund, as applicable, our funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous

time as a result of dissolution. This would result in a lower than expected return on the investments and, perhaps, on the fund itself.

- These funds may rely on computer programs, internal infrastructure and services, quantitative models (both proprietary models and those supplied by third parties) and information and data provided by third parties to trade, clear and settle securities and other transactions, among other activities, that are critical to the oversight of certain funds' activities. If any such models, information or data prove to be incorrect or incomplete, any decisions made in reliance thereon could expose the funds to potential risks. Any hedging based on faulty models, information or data may prove to be unsuccessful and adversely impact a fund's profits.
- Hedge fund investments are also subject to risks relating to investments in commodities, futures, options and other derivatives, the prices of which are highly volatile and may be subject to the theoretically unlimited risk of loss in certain circumstances, including if the fund writes a call option. Price movements of commodities, futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the commodities underlying them. In addition, hedge funds' assets are subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses or counterparties. Most U.S. commodities exchanges limit fluctuations in certain commodity interest prices during a single day by imposing "daily price fluctuation limits" or "daily limits," the existence of which may reduce liquidity or effectively curtail trading in particular markets. Our fund of hedge fund business may also be subject to and may subject our firm to extensive regulations, including those of the Commodity Futures Trading Commission and the regulations described under "-Risks Related to Our Business-Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could result in additional burdens on our business".

The hedge fund managers with which we have strategic partnerships are subject to the risks above. To the extent the financial condition of these hedge fund managers is adversely affected by these risks, our revenues, AUM and FPAUM may decline.

### **Risks Related to Our Common Units**

*As a limited partnership, we qualify for some exemptions from the corporate governance and other requirements of the NYSE.*

We are a limited partnership and, as a result, qualify for exceptions from certain corporate governance and other requirements of the rules of the NYSE. Pursuant to these exceptions, limited partnerships may elect, and we have elected, not to comply with certain corporate governance requirements of the NYSE, including the requirements: (i) that the listed company have a nominating and corporate governance committee that is composed entirely of independent directors; (ii) that the listed company have a compensation committee that is composed entirely of independent directors and (iii) that the compensation committee be required to consider certain independence factors when engaging compensation consultants, legal counsel and other committee advisers. In addition, as a limited partnership, we are not required to obtain unitholder approval for (a) the issuance of common units to certain related parties where the number of common units exceeds one percent of the outstanding common units or voting power, (b) the issuance of common units that equals or exceeds 20% of the outstanding common units or voting power, or (c) a change of control transaction, and we are not required to hold annual unitholder meetings. Accordingly, you do not have the same protections afforded to equity holders of entities that are subject to all of the corporate governance requirements of the NYSE.

*Our founders are able to determine or influence the outcome of any matter that may be submitted for a vote of our limited partners.*

Very few matters are required to be submitted to a vote of our unitholders, and generally such matters require a majority or more of all the outstanding voting units. As of February 22, 2017, KKR Holdings owns 353,757,398 KKR Group Partnership Units, or 43.9% of the outstanding KKR Group Partnership Units. Depending upon the number of units actually voted, we believe our senior employees should generally have sufficient voting power to substantially influence matters subject to a majority or more of all outstanding voting units. Matters that require a vote of a majority of all outstanding voting units include a merger or consolidation of our business, a sale of all or substantially all of our assets and amendments to our partnership agreement that may be material to holders of our common units. In addition, our limited partnership agreement contains provisions that require a majority vote of all outstanding voting units to make certain amendments to our partnership agreement that would materially and adversely affect all holders of our common units or a particular class of holders of common units, and since approximately 43.9% of our voting units, as of February 22, 2017, are controlled by KKR Holdings, we believe KKR

Holdings should generally have the ability to substantially influence amendments that could materially and adversely affect the holders of our common units either as a whole or as a particular class.

The voting rights of holders of our common units are further restricted by provisions in our limited partnership agreement stating that any of our common units held by a person that beneficially owns 20% or more of any class of our common units then outstanding (other than our Managing Partner or its affiliates, or a direct or subsequently approved transferee of our Managing Partner or its affiliates) cannot be voted on any matter. Our limited partnership agreement also contains provisions limiting the ability of the holders of our common units to call meetings, to acquire information about our operations, and to influence the manner or direction of our management. Our limited partnership agreement does not restrict our Managing Partner's ability to take actions that may result in our partnership being treated as an entity taxable as a corporation for U.S. federal (and applicable state) income tax purposes. Furthermore, holders of our common units would not be entitled to dissenters' rights of appraisal under our limited partnership agreement or applicable Delaware law in the event of a merger or consolidation, a sale of substantially all of our assets or any other transaction or event.

***Our limited partnership agreement contains provisions that reduce or eliminate duties (including fiduciary duties) of our Managing Partner and limit remedies available to unitholders for actions that might otherwise constitute a breach of duty. It will be difficult for unitholders to successfully challenge a resolution of a conflict of interest by our Managing Partner or by its conflicts committee.***

Our limited partnership agreement contains provisions that require holders of our common units to waive or consent to conduct by our Managing Partner and its affiliates that might otherwise raise issues about compliance with fiduciary duties or applicable law. For example, our limited partnership agreement provides that when our Managing Partner is acting in its individual capacity, as opposed to in its capacity as our Managing Partner, it may act without any fiduciary obligations to holders of our common units, whatsoever. When our Managing Partner, in its capacity as our general partner, or our conflicts committee is permitted to or required to make a decision in its "sole discretion" or "discretion" or that it deems "necessary or appropriate" or "necessary or advisable," then our Managing Partner or the conflicts committee will be entitled to consider only such interests and factors as it desires, including its own interests, and will have no duty or obligation (fiduciary or otherwise) to give any consideration to any interest of or factors affecting us or any holder of our common units and will not be subject to any different standards imposed by our limited partnership agreement, the Delaware Revised Uniform Limited Partnership Act, which is referred to as the Delaware Limited Partnership Act, or under any other law, rule or regulation or in equity. These standards reduce the obligations to which our Managing Partner would otherwise be held. See also "-We are a Delaware limited partnership, and there are provisions in our limited partnership agreement regarding exculpation and indemnification of our officers and directors that differ from the Delaware General Corporation Law (DGCL) in a manner that may be less protective of the interests of our common unitholders."

The above modifications of fiduciary duties are expressly permitted by Delaware law. Hence, we and holders of our common units will only have recourse and be able to seek remedies against our Managing Partner if our Managing Partner breaches its obligations pursuant to our limited partnership agreement. Unless our Managing Partner breaches its obligations pursuant to our limited partnership agreement, we and holders of our common units will not have any recourse against our Managing Partner even if our Managing Partner were to act in a manner that was inconsistent with traditional fiduciary duties. Furthermore, even if there has been a breach of the obligations set forth in our limited partnership agreement, our limited partnership agreement provides that our Managing Partner and its officers and directors will not be liable to us or holders of our common units, for errors of judgment or for any acts or omissions unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that our Managing Partner or its officers and directors acted in bad faith or engaged in fraud or willful misconduct. These provisions are detrimental to the holders of our common units because they restrict the remedies available to unitholders for actions that without such limitations might constitute breaches of duty including fiduciary duties.

Whenever a potential conflict of interest exists between us and our Managing Partner, our Managing Partner may resolve such conflict of interest. If our Managing Partner determines that its resolution of the conflict of interest is on terms no less favorable to us than those generally being provided to or available from unrelated third parties or is fair and reasonable to us, taking into account the totality of the relationships between us and our Managing Partner, then it will be presumed that in making this determination, our Managing Partner acted in good faith. A holder of our common units seeking to challenge this resolution of the conflict of interest would bear the burden of overcoming such presumption. This is different from the situation with a typical Delaware corporation, where a conflict resolution by an interested party would be presumed to be unfair and the interested party would have the burden of demonstrating that the resolution was fair.

Also, if our Managing Partner obtains the approval of the conflicts committee of our Managing Partner, the resolution will be conclusively deemed to be fair and reasonable to us and not a breach by our Managing Partner of any duties it may owe to us or holders of our common units. This is different from the situation with a typical Delaware corporation, where a conflict resolution by a committee consisting solely of independent directors may, in certain circumstances, merely shift the burden of

demonstrating unfairness to the plaintiff. If you purchase, receive or otherwise hold a common unit, you will be treated as having consented to the provisions set forth in our limited partnership agreement, including provisions regarding conflicts of interest situations that, in the absence of such provisions, might be considered a breach of fiduciary or other duties under applicable state law. As a result, unitholders will, as a practical matter, not be able to successfully challenge an informed decision by the conflicts committee.

We have also agreed to indemnify our Managing Partner and any of its affiliates and any member, partner, tax matters partner, officer, director, employee agent, fiduciary or trustee of our partnership, our Managing Partner or any of our affiliates and certain other specified persons, to the fullest extent permitted by law, against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts incurred by our Managing Partner or these other persons. We have agreed to provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons acted in bad faith or engaged in fraud or willful misconduct. We have also agreed to provide this indemnification for criminal proceedings.

Our Managing Partner may exercise its right to call and purchase common units as provided in our limited partnership agreement or assign this right to one of its affiliates or to us. Our Managing Partner may use its own discretion, free of fiduciary duty restrictions, in determining whether to exercise this right. As a result, a unitholder may have his common units purchased from him at an undesirable time or price. For additional information, see our limited partnership agreement filed as an exhibit to this annual report.

Any claims, suits, actions or proceedings concerning the matters described above or any other matter arising out of or relating in any way to the limited partnership agreement may only be brought in the Court of Chancery of the State of Delaware or, if such court does not have subject matter jurisdiction thereof, any other court in the State of Delaware with subject matter jurisdiction.

***The market price and trading volume of our common units may be volatile, which could result in rapid and substantial losses for our common unitholders.***

The market price of our common units may be highly volatile, could be subject to wide fluctuations and could decline significantly in the future. In addition, the trading volume in our common units may fluctuate and cause significant price variations to occur. If the market price of our common units declines significantly, you may be unable to sell your common units at an attractive price, if at all. Some of the factors that could negatively affect the price of our common units or result in fluctuations in the price or trading volume of our common units include:

- variations in our quarterly operating results, which may be substantial;
- changes in the amount of our distributions or our distribution policy;
- taking a long-term perspective on making investment, operational and strategic decisions, which may result in significant and unpredictable variations in our quarterly returns;
- failure to meet analysts' earnings estimates;
- publication of research reports about us or the investment management industry or the failure of securities analysts to cover our common units sufficiently;
- additions or departures of our key management and investment personnel;
- adverse market reaction to any indebtedness we may incur or securities we may issue in the future;
- changes in market valuations of similar companies;
- speculation in the press or investment community;
- changes or proposed changes in laws or regulations or differing interpretations thereof affecting our business or enforcement of these laws and regulations, or announcements relating to these matters;
- a concentrated ownership of our common units or ownership of them by short-term investors;

- a lack of liquidity in the trading of our common units;
- adverse publicity about the investment management or private equity industry generally or individual scandals, specifically; and
- general market and economic conditions.

***An investment in our common units is not an investment in any of our funds, and the assets and revenues of our funds are not directly available to us.***

Our common units are only securities of KKR & Co. L.P., the holding company of the KKR business. While our historical consolidated and combined financial information includes financial information, including assets and revenues, of certain funds on a consolidated basis, and our future financial information will continue to consolidate certain of these funds, such assets and revenues are available to the fund and not to us except to a limited extent through management fees, carried interest or other incentive income, distributions and other proceeds arising from agreements with funds, as discussed in more detail in this report.

***Our common unit price may decline due to the large number of common units eligible for future sale, for exchange, and issuable pursuant to our equity incentive plan and acquisitions.***

The market price of our common units could decline as a result of sales of a large number of common units in the market or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell common units in the future at a time and at a price that we deem appropriate. As of February 22, 2017, we have 452,723,038 common units outstanding, which amount excludes common units beneficially owned by KKR Holdings in the form of KKR Group Partnership Units discussed below and common units available for future issuance under the KKR & Co. L.P. 2010 Equity Incentive Plan.

As of February 22, 2017, KKR Holdings owns 353,757,398 KKR Group Partnership Units that may be exchanged, on a quarterly basis, for our common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. The market price of our common units could decline as a result of the exchange or the perception that an exchange may occur of a large number of KKR Group Partnership Units for our common units. These exchanges, or the possibility that these exchanges may occur, also might make it more difficult for holders of our common units to sell our common units in the future at a time and at a price that they deem appropriate.

In addition, we will continue to issue additional common units pursuant to our Equity Incentive Plan, and such issuances may increase in the future as equity awards granted by KKR Holdings decrease. See "Risks Related to Our Business- If we cannot retain and motivate our principals and other key personnel and recruit, retain and motivate new principals and other key personnel, our business, results and financial condition could be adversely affected." The total number of common units which may be issued under our Equity Incentive Plan is equivalent to 15% of the number of fully exchanged and diluted common units outstanding as of the beginning of the year. The amount may be increased each year to the extent that we issue additional equity. As of February 22, 2017, KKR may issue common units registered on KKR's registration statement on Form S-8 (no. 333-171601) for this purpose and may also issue 24.8 million common units under the Equity Incentive Plan that were not registered on KKR's registration statement on Form S-8. In addition previously issued awards that were canceled or are canceled in the future, or in certain cases, withheld in respect of tax withholding obligations, are or will become available for further grant under the terms of the Equity Incentive Plan. See "Executive Compensation-KKR & Co. L.P. Equity Incentive Plan".

In addition, our limited partnership agreement authorizes us to issue an unlimited number of additional partnership securities and options, rights, warrants and appreciation rights relating to partnership securities for the consideration and on the terms and conditions established by our Managing Partner in its sole discretion without the approval of our unitholders. In accordance with the Delaware Limited Partnership Act and the provisions of our partnership agreement, we may also issue additional partner interests that have designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to our common units. Similarly, the partnership agreements of the KKR Group Partnerships authorize the general partners of the KKR Group Partnerships to issue an unlimited number of additional securities of the KKR Group Partnerships with such designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to the KKR Group Partnerships Units, and which may be exchangeable for KKR Group Partnership Units. In the past, we have issued and sold common units of KKR & Co. L.P. to generate cash proceeds to pay withholding taxes, social benefit payments or similar payments payable by us in respect of awards granted pursuant to the Equity Incentive Plan or the amount of cash delivered in respect of awards granted pursuant to the Equity Incentive Plan that are settled in cash instead of

common units. As of February 22, 2017, we may issue up to 0.8 million common units as registered on our registration statement on Form S-3 (no. 333-196059) in respect of such withholding taxes and cash settled equity awards.

We have used and in the future may continue to use common units as consideration in acquisitions and strategic investments. For example, in connection with KKR's acquisition of KFN, KKR issued approximately 104.3 million common units of KKR & Co. L.P., in connection with KKR's acquisition of Avoca, we issued securities exchangeable into 4.9 million common units and in connection with KKR's acquisition of Marshall Wace, we issued approximately 7.3 million common units. In addition, in connection with the Marshall Wace transaction or other investments or acquisitions, we may make certain contingent payments in the form of common units. If our valuations of these transactions are not accurate or if the value of these acquisitions and investments is not realized, our distributions per common unit and the value of our common units may decline.

### **Risks Related to Our Organizational Structure**

***Potential conflicts of interest may arise among our Managing Partner, our affiliates and us. Our Managing Partner and our affiliates have limited fiduciary duties to us and the holders of KKR Group Partnership Units, which may permit them to favor their own interests to our detriment and that of the holders of KKR Group Partnership Units.***

Our Managing Partner, which is our general partner, will manage the business and affairs of our business, and will be governed by a board of directors that is co-chaired by our founders, who also serve as our Co-Chief Executive Officers. Conflicts of interest may arise among our Managing Partner and its affiliates, on the one hand, and us and our unitholders, on the other hand. As a result of these conflicts, our Managing Partner may favor its own interests and the interests of its affiliates over us and our unitholders. These conflicts include, among others, the following:

- Our Managing Partner indirectly through its holding of controlling entities determines the amount and timing of the KKR Group Partnership's investments and dispositions, cash expenditures, including those relating to compensation, indebtedness, issuances of additional partner interests, tax liabilities and amounts of reserves, each of which can affect the amount of cash that is available for distribution to holders of KKR Group Partnership Units;
- Our Managing Partner is allowed to take into account the interests of parties other than us in resolving conflicts of interest, which has the effect of limiting its duties, including fiduciary duties, to us. For example, our affiliates that serve as the general partners of our funds or as broker-dealers have fiduciary and/or contractual obligations to our fund investors or other third parties. Such obligations may cause such affiliates to regularly take actions with respect to the allocation of investments among our investment funds (including funds that have different fee structures), the purchase or sale of investments in our investment funds, the structuring of investment transactions for those funds and the advice and services we provide that comply with these fiduciary and contractual obligations but that might adversely affect our near-term results of operations or cash flow. Our Managing Partner will have no obligation to intervene in, or to notify us of, such actions by such affiliates;
- Because certain of our principals indirectly hold their KKR Group Partnership Units through KKR Holdings L.P. and its subsidiaries, which are not subject to corporate income taxation and we hold some of the KKR Group Partnership Units through one or more wholly-owned subsidiaries that are taxable as a corporation, conflicts may arise between our principals and us relating to the selection and structuring of investments or transactions, declaring distributions and other matters; without limiting the foregoing, certain investments made by us or through our funds may be determined to be held through KKR Management Holdings L.P., which would result in less taxation to our principals who are limited partners in KKR Holdings as compared to our unitholders;
- Our Managing Partner, including its directors and officers, has limited its and their liability and reduced or eliminated its and their duties, including fiduciary duties, under our partnership agreement to the fullest extent permitted by law, while also restricting the remedies available to holders of common units for actions that, without these limitations, might constitute breaches of duty, including fiduciary duties. In addition, we have agreed to indemnify our Managing Partner, including its directors and officers, and our Managing Partner's affiliates to the fullest extent permitted by law, except with respect to conduct involving bad faith, fraud or willful misconduct;
- Our partnership agreement does not restrict our Managing Partner from paying us or our affiliates for any services rendered, or from entering into additional contractual arrangements with any of these entities on our behalf, so long as the terms of any such additional contractual arrangements are fair and reasonable to us as determined under our partnership agreement. Neither our limited partnership agreement nor any of the other agreements, contracts and arrangements between us on the one hand, and our Managing Partner and its affiliates on the other, are or will be the

result of arm's-length negotiations. The conflicts committee will be responsible for, among other things, enforcing our rights and those of our unitholders under certain agreements against KKR Holdings and certain of its subsidiaries and designees, a general partner or limited partner of KKR Holdings, or a person who holds a partnership or equity interest in the foregoing entities;

- Our Managing Partner and its affiliates will have no obligation to permit us to use any facilities or assets of our Managing Partner and its affiliates, except as may be provided in contracts entered into specifically dealing with such use. There will not be any obligation of our Managing Partner and its affiliates to enter into any contracts of this kind.
- Our Managing Partner determines how much debt we incur and whether to issue preferred securities and those decisions may adversely affect any credit ratings we receive;
- Our Managing Partner determines which costs incurred by it and its affiliates are reimbursable by us;
- Other than as set forth in the confidentiality and restrictive covenant agreements, which in certain cases may only be agreements between our principals and KKR Holdings and which may not be enforceable by us or otherwise waived, modified or amended, affiliates of our Managing Partner and existing and former personnel employed by our Managing Partner are not prohibited from engaging in other businesses or activities, including those that might be in direct competition with us;
- Our Managing Partner controls the enforcement of obligations owed to the KKR Group Partnerships by us and our affiliates; and
- Our Managing Partner or our Managing Partner conflicts committee decides whether to retain separate counsel, accountants or others to perform services for us.

See "Certain Relationships and Related Transactions, and Director Independence."

***Certain actions by our Managing Partner's board of directors require the approval of the Class A shares of our Managing Partner, all of which are held by our senior employees.***

All of our Managing Partner's outstanding Class A shares are held by our senior employees. Although the affirmative vote of a majority of the directors of our Managing Partner is required for any action to be taken by our Managing Partner's board of directors, certain specified actions approved by our Managing Partner's board of directors will also require the approval of a majority of the Class A shares of our Managing Partner. These actions consist of the following:

- the entry into a debt financing arrangement by us in an amount in excess of 10% of our existing long-term indebtedness (other than the entry into certain intercompany debt financing arrangements);
- the issuance by our partnership or our subsidiaries of any securities that would (i) represent, after such issuance, or upon conversion, exchange or exercise, as the case may be, at least 5% on a fully diluted, as converted, exchanged or exercised basis, of any class of our or their equity securities or (ii) have designations, preferences, rights, priorities or powers that are more favorable than those of KKR Group Partnership Units;
- the adoption by us of a shareholder rights plan;
- the amendment of our limited partnership agreement or the limited partnership agreements of the KKR Group Partnerships;
- the exchange or disposition of all or substantially all of our assets or the assets of any KKR Group Partnership;
- the merger, sale or other combination of the partnership or any KKR Group Partnership with or into any other person;
- the transfer, mortgage, pledge, hypothecation or grant of a security interest in all or substantially all of the assets of the KKR Group Partnerships;
- the appointment or removal of a Chief Executive Officer or a Co-Chief Executive Officer of our Managing Partner or our partnership;
- the termination of the employment of any of our officers or the officers of any of our subsidiaries or the termination of the association of a partner with any of our subsidiaries, in each case, without cause;

- the liquidation or dissolution of the partnership, our Managing Partner or any KKR Group Partnership; and
- the withdrawal, removal or substitution of our Managing Partner as our general partner or any person as the general partner of a KKR Group Partnership, or the transfer of beneficial ownership of all or any part of a general partner interest in our partnership or a KKR Group Partnership to any person other than one of its wholly-owned subsidiaries.

In addition, holders representing a majority of the Class A shares of our Managing Partner have the authority to unilaterally appoint our Managing Partner's directors and also have the ability to appoint the officers of our Managing Partner. Messrs. Kravis and Roberts, as the designated members of our Managing Partner, represent a majority of the total voting power of the outstanding Class A shares, when they act together. However, neither of them controls the voting of the Class A shares, when acting alone.

***Our common unitholders do not elect our Managing Partner or vote on our Managing Partner's directors and have limited ability to influence decisions regarding our business.***

Our common unitholders do not elect our Managing Partner or its board of directors and, unlike the holders of common stock in a corporation, have only limited voting rights on matters affecting our business and therefore limited ability to influence decisions regarding our business. Furthermore, if our common unitholders are dissatisfied with the performance of our Managing Partner, they have no ability to remove our Managing Partner, with or without cause.

***The control of our Managing Partner may be transferred to a third party without our consent.***

Our Managing Partner may transfer its general partner interest to a third party in a merger or consolidation or in a transfer of all or substantially all of its assets without our consent or the consent of our common unitholders. Furthermore, the members of our Managing Partner may sell or transfer all or part of their limited liability company interests in our Managing Partner without our approval, subject to certain restrictions. A new general partner may not be willing or able to form new funds and could form funds that have investment objectives and governing terms that differ materially from those of our current funds. A new owner could also have a different investment philosophy, employ investment professionals who are less experienced, be unsuccessful in identifying investment opportunities or have a track record that is not as successful as our track record. If any of the foregoing were to occur, we could experience difficulty in making new investments, and the value of our existing investments, our business, our results of operations and our financial condition could materially suffer.

***We intend to pay periodic distributions to the holders of our common and preferred units, but our ability to do so may be limited by our holding company structure and contractual restrictions.***

We intend to pay cash distributions on a quarterly basis. We are a holding company and have no material assets other than the KKR Group Partnership Units that we hold through wholly-owned subsidiaries and have no independent means of generating income. Accordingly, we intend to cause the KKR Group Partnerships to make distributions on the KKR Group Partnership Units, including KKR Group Partnership Units that we directly or indirectly hold, in order to provide us with sufficient amounts to fund distributions we may declare. If the KKR Group Partnerships make such distributions, other holders of KKR Group Partnership Units, including KKR Holdings, will be entitled to receive equivalent distributions pro rata based on their KKR Group Partnership Units.

The declaration and payment of any future distributions will be at the sole discretion of our Managing Partner, which may change our distribution policy at any time. Our Managing Partner will take into account general economic and business conditions, our strategic plans and prospects, our business and investment opportunities, our financial condition and operating results, compensation expense, working capital requirements and anticipated cash needs, debt and contractual restrictions and obligations (including payment obligations pursuant to the tax receivable agreement), legal, tax and regulatory restrictions, restrictions or other implications on the payment of distributions by us to the holders of KKR Group Partnership Units or by our subsidiaries to us and such other factors as our Managing Partner may deem relevant. Under the Delaware Limited Partnership Act, we may not make a distribution to a partner if after the distribution all our liabilities, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of our assets. If we were to make such an impermissible distribution, any limited partner who received a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Limited Partnership Act would be liable to us for the amount of the distribution for three years. Furthermore, by paying cash distributions rather than investing that cash in our businesses, we risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our operations, new investments or unanticipated capital expenditures, should the need arise.



Our ability to characterize such distributions as capital gains or qualified dividend income may be limited, and you should expect that some or all of such distributions may be regarded as ordinary income.

Our preferred units rank senior to our common units with respect to the payment of distributions. Unless distributions have been declared and paid or declared and set apart for payment on the preferred units for a quarterly distribution period, during the remainder of that distribution period we may not declare or pay or set apart payment for distributions on any units of KKR & Co. L.P. that are junior to the preferred units, including our common units, and we may not repurchase any such junior units.

Distributions on the preferred units are discretionary and non-cumulative. Holders of preferred units will only receive distributions of their preferred units when, as and if declared by the board of directors of our Managing Partner. If distributions on a series of the preferred units have not been declared and paid for the equivalent of six or more quarterly distribution periods, whether or not consecutive, holders of the preferred units, together as a class with holders of any other series of parity units with like voting rights, will be entitled to vote for the election of two additional directors to the board of directors of our Managing Partner. When quarterly distributions have been declared and paid on such series of the preferred units for four consecutive quarters following such a nonpayment event, the right of the holders of the preferred units and such parity units to elect these two additional directors will cease, the terms of office of these two directors will forthwith terminate and the number of directors constituting the board of directors of our Managing Partner will be reduced accordingly. Additional risks related to our 6.75% Series A Preferred Units and 6.50% Series B Preferred Units are contained in the prospectus supplement relating to the respective securities.

***We will be required to pay our principals for most of the benefits relating to any additional tax depreciation or amortization deductions we may claim as a result of the tax basis step-up we receive in connection with subsequent exchanges of our common units and related transactions.***

We and one or more of our intermediate holding companies are required to acquire KKR Group Partnership Units from time to time pursuant to our exchange agreement with KKR Holdings. To the extent this occurs, the exchanges are expected to result in an increase in one of our intermediate holding company's share of the tax basis of the tangible and intangible assets of KKR Management Holdings L.P., primarily attributable to a portion of the goodwill inherent in our business, that would not otherwise have been available. This increase in tax basis may increase (for tax purposes) depreciation and amortization and therefore reduce the amount of income tax our intermediate holding companies would otherwise be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

We are party to a tax receivable agreement with KKR Holdings requiring our intermediate holding company to pay to KKR Holdings or transferees of its KKR Group Partnership Units 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that the intermediate holding companies actually realize as a result of this increase in tax basis, as well as 85% of the amount of any such savings the intermediate holding companies actually realize as a result of increases in tax basis that arise due to future payments under the agreement. A termination of the agreement or a change of control could give rise to similar payments based on tax savings that we would be deemed to realize in connection with such events. This payment obligation will be an obligation of our intermediate holding companies and not of either KKR Group Partnership. In the event that any of our current or future subsidiaries become taxable as corporations and acquire KKR Group Partnership Units in the future, or if we become taxable as a corporation for U.S. federal income tax purposes, we expect that each such entity will become subject to a tax receivable agreement with substantially similar terms. While the actual increase in tax basis, as well as the amount and timing of any payments under this agreement, will vary depending upon a number of factors, including the timing of exchanges, the price of our common units at the time of the exchange, the extent to which such exchanges are taxable and the amount and timing of our taxable income, we expect that as a result of the size of the increases in the tax basis of the tangible and intangible assets of the KKR Group Partnerships, the payments that we may be required to make to our existing owners will be substantial. The payments under the tax receivable agreement are not conditioned upon our existing owners' continued ownership of us. We may need to incur debt to finance payments under the tax receivable agreement to the extent our cash resources are insufficient to meet our obligations under the tax receivable agreement as a result of timing discrepancies or otherwise. In particular, our intermediate holding companies' obligations under the tax receivable agreement would be effectively accelerated in the event of an early termination of the tax receivable agreement by our intermediate holding companies or in the event of certain mergers, asset sales and other forms of business combinations or other changes of control. In these situations, our obligations under the tax receivable agreement could have a substantial negative impact on our liquidity.

Payments under the tax receivable agreement will be based upon the tax reporting positions that our Managing Partner will determine. We are not aware of any issue that would cause the IRS to challenge a tax basis increase. However, neither KKR Holdings nor its transferees will reimburse us for any payments previously made under the tax receivable agreement if such tax

basis increase, or the tax benefits we claim arising from such increase, is successfully challenged by the IRS. As a result, in certain circumstances, payments to KKR Holdings or its transferees under the tax receivable agreement could be in excess of the intermediate holding companies' cash tax savings. The intermediate holding companies' ability to achieve benefits from any tax basis increase, and the payments to be made under this agreement, will depend upon a number of factors, as discussed above, including the timing and amount of our future income.

***If we were deemed to be an "investment company" subject to regulation under the Investment Company Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.***

A person will generally be deemed to be an "investment company" for purposes of the Investment Company Act if:

- it is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities; or
- absent an applicable exemption, it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis.

We believe that we are engaged primarily in the business of providing investment management services and not in the business of investing, reinvesting or trading in securities. We regard ourselves as an investment management firm and do not propose to engage primarily in the business of investing, reinvesting or trading in securities. Accordingly, we do not believe that we are an "orthodox" investment company as defined in Section 3(a)(1)(A) of the Investment Company Act and described in the first bullet point above.

With regard to the provision described in the second bullet point above, we have no material assets other than our equity interests in subsidiaries, which in turn have no material assets other than equity interests, directly or indirectly, in the KKR Group Partnerships. Through these interests, we indirectly are the sole general partners of the KKR Group Partnerships and indirectly are vested with all management and control over the KKR Group Partnerships. We do not believe our equity interests in our subsidiaries are investment securities, and we believe that the capital interests of the general partners of our funds in their respective funds are neither securities nor investment securities. Accordingly, based on our determination, less than 40% of the partnership's total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis are comprised of assets that could be considered investment securities. However, our subsidiaries have a significant number of investment securities, and we expect to make investments in other investment securities from time to time. We monitor these holdings regularly to confirm our continued compliance with the 40% test described in the second bullet point above. The need to comply with this 40% test may cause us to restrict our business and subsidiaries with respect to the assets in which we can invest and/or the types of securities we may issue, sell investment securities, including on unfavorable terms, acquire assets or businesses that could change the nature of our business or potentially take other actions which may be viewed as adverse by the holders of our common units, in order to ensure conformity with exceptions provided by, and rules and regulations promulgated under, the Investment Company Act.

With respect to our subsidiary KFN, we believe it is not and does not propose to be primarily engaged in the business of investing, reinvesting or trading in securities, and we do not believe that KFN has held itself out as such. KFN conducts its operations primarily through its majority-owned subsidiaries, each of which is either outside of the definition of an investment company as defined in the Investment Company Act or excepted from such definition under the Investment Company Act. KFN monitors its holdings regularly to confirm its continued compliance with the 40% test described in the second bullet point above, and restricts its subsidiaries with respect to the assets in which each of them can invest and/or the types of securities each of them may issue in order to ensure conformity with exceptions provided by, and rules and regulations promulgated under, the Investment Company Act. If the SEC were to disagree with KFN's treatment of one or more of its subsidiaries as being excepted from the Investment Company Act, with its determination that one or more of its other holdings are not investment securities for purposes of the 40% test, or with its determinations as to the nature of its business or the manner in which it holds itself out, KFN and/or one or more of its subsidiaries could be required either (i) to change substantially the manner in which it conducts its operations to avoid being subject to the Investment Company Act or (ii) to register as an investment company. Either of these would likely have a material adverse effect on KFN, its ability to service its indebtedness and to make distributions on its shares, and on the market price of its shares and securities, and could thereby materially adversely affect our business, financial condition and results of operations.

The Investment Company Act and the rules thereunder contain detailed parameters for the organization and operation of investment companies. Among other things, the Investment Company Act and the rules thereunder limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, generally prohibit the issuance of options and

impose certain governance requirements. We intend to conduct our operations so that we will not be deemed to be an investment company under the Investment Company Act. If anything were to happen which would cause us to be deemed to be an investment company under the Investment Company Act, requirements imposed by the Investment Company Act, including limitations on our capital structure, ability to transact business with affiliates and ability to compensate key employees, would make it impractical for us to continue our business as currently conducted, impair the agreements and arrangements between and among us, including the KKR Group Partnerships, and KKR Holdings, and materially adversely affect our business, financial condition and results of operations. In addition, we may be required to limit the amount of investments that we make as a principal, potentially divest of our investments or otherwise conduct our business in a manner that does not subject us to the registration and other requirements of the Investment Company Act.

On August 31, 2011 the SEC published an advance notice of proposed rulemaking regarding Rule 3a-7 and a concept release seeking information on Section 3(c)(5)(C), two provisions with which KKR's subsidiaries, including KFN, must comply under the 40% test described above. Among the issues for which the SEC has requested comment is whether Rule 3a-7 should be modified so that parent companies of subsidiaries that rely on Rule 3a-7 should treat their interests in such subsidiaries as investment securities for purposes of the 40% test. The SEC is also seeking information about the nature of entities that invest in mortgages and mortgage-related pools and how the SEC staff's interpretive positions in connection with Section 3(c)(5)(C) affect these entities. Any guidance or action from the SEC or its staff, including changes that the SEC may ultimately propose and adopt to the way Rule 3a-7 applies to entities or new or modified interpretive positions related to Section 3(c)(5)(C), could further inhibit KKR's ability, or the ability of any of its subsidiaries, including KFN, to pursue its current or future operating strategies, which could have a material adverse effect on us.

***We are a Delaware limited partnership, and there are certain provisions in our limited partnership agreement regarding exculpation and indemnification of our officers and directors that differ from the Delaware General Corporation Law (DGCL) in a manner that may be less protective of the interests of our common unitholders.***

Our limited partnership agreement provides that to the fullest extent permitted by applicable law our directors or officers will not be liable to us. However, under the DGCL, a director or officer would be liable to us for (i) breach of duty of loyalty to us or our shareholders, (ii) intentional misconduct or knowing violations of the law that are not done in good faith, (iii) improper redemption of shares or declaration of dividend, or (iv) a transaction from which the director derived an improper personal benefit. In addition, our limited partnership agreement provides that we indemnify our directors and officers for acts or omissions to the fullest extent provided by law. However, under the DGCL, a corporation can only indemnify directors and officers for acts or omissions if the director or officer acted in good faith, in a manner he reasonably believed to be in the best interests of the corporation, and, in criminal action, if the officer or director had no reasonable cause to believe his conduct was unlawful. Accordingly, our limited partnership agreement may be less protective of the interests of our common unitholders, when compared to the DGCL, insofar as it relates to the exculpation and indemnification of our officers and directors. See also “Our limited partnership agreement contains provisions that reduce or eliminate duties (including fiduciary duties) of our limited partner and limit remedies available for unitholders for actions that might otherwise constitute a breach of duty. It will be difficult for unitholders to successfully challenge a resolution of a conflict of interest by our Managing Partner or by its conflicts committee.”

#### **Risks Related to U.S. Taxation**

***If we were treated as a corporation for U.S. federal income tax or state tax purposes, then our distributions to you would be substantially reduced and the value of our common units could be adversely affected.***

The value of your investment in us depends in part on our being treated as a partnership for U.S. federal income tax purposes, which requires that 90% or more of our gross income for every taxable year consist of qualifying income, as defined in Section 7704 of the Code, and that our partnership not be registered under the Investment Company Act. Qualifying income generally includes dividends, interest, capital gains from the sale or other disposition of stocks and securities, gain from the sale or other disposition of real property, real property rents, income and gains from energy and oil and gas investments and certain other forms of investment income. We intend to structure our investments so as to satisfy these requirements, including by generally holding investments that generate non-qualifying income through one or more subsidiaries that are treated as corporations for U.S. federal income tax purposes. Nonetheless, we may not meet these requirements, may not correctly identify investments that should be owned through corporate subsidiaries, or current law may change so as to cause, in any of these events, us to be treated as a corporation for U.S. federal income tax purposes or otherwise subject us to U.S. federal income tax. We have not requested, and do not plan to request, a ruling from the IRS, on this or any other matter affecting us.

If we were treated as a corporation for U.S. federal income tax purposes, we would pay U.S. federal, state and local income tax on our taxable income at the applicable tax rates. Distributions to you would generally be taxed again as corporate

distributions, and no income, gains, losses, deductions or credits would otherwise flow through to you. Because a tax would be imposed upon us as a corporation, our distributions to you would be substantially reduced which could cause a reduction in the value of our common units. See also "Risks Related to Our Business - Our structure involves complex provisions of U.S. federal income tax laws for which no clear precedent or authority may be available. These structures also are subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis."

***Our unitholders may be subject to U.S. federal income tax on their share of our taxable income, regardless of whether they receive any cash distributions, and they may recognize income in excess of cash distributions.***

As long as 90% of our gross income for each taxable year constitutes qualifying income as defined in Section 7704 of the Code and we are not registered as an investment company under the Investment Company Act on a continuing basis, and assuming there is no change in law, we will be treated, for U.S. federal income tax purposes, as a partnership and not as an association or a publicly traded partnership taxable as a corporation. Accordingly, each unitholder will be required to take into account its allocable share of our items of income, gain, loss and deduction. Distributions to a unitholder will generally be taxable to the unitholder for U.S. federal income tax purposes only to the extent the amount distributed exceeds the unitholder's tax basis in the unit. That treatment contrasts with the treatment of a shareholder in a corporation. For example, a shareholder in a corporation who receives a distribution of earnings from the corporation will generally report the distribution as dividend income for U.S. federal income tax purposes. In contrast, a holder of our units who receives a distribution of earnings from us will not report the distribution as dividend income (and will treat the distribution as taxable only to the extent the amount distributed exceeds the unitholder's tax basis in the units), but will instead report the holder's allocable share of items of our income for U.S. federal income tax purposes. As a result, a unitholder may be subject to U.S. federal, state, local and possibly, in some cases, foreign income taxation on its allocable share of our items of income, gain, loss, deduction and credit (including its allocable share of those items of any entity in which we invest that is treated as a partnership or is otherwise subject to tax on a flow through basis) for each of our taxable years ending with or within the unitholder's taxable year, regardless of whether or not such unitholder receives cash distributions. See "Risks Related to Our Business-The U.S. Congress has considered legislation that would have (i) in some cases after a ten-year period, precluded us from qualifying as a partnership or required us to hold carried interest through taxable subsidiary corporations and (ii) taxed certain income and gains at increased rates. If any similar legislation were to be enacted and apply to us, the after-tax income and gain related to our business, as well as the market price of our units, could be reduced."

You should not expect to receive cash distributions equal to your allocable share of our net taxable income, because, among other things, we currently have a fixed distribution policy. In addition, certain of our holdings, including holdings, if any, in controlled foreign corporations, or a CFCs, passive foreign investment companies, or a PFICs, or entities treated as partnerships for U.S. federal income tax purposes, may produce taxable income prior to the receipt of cash relating to such income, and holders of our common units that are U.S. taxpayers may be required to take such income into account in determining their taxable income. In the event of an inadvertent termination of the partnership status for which the IRS has granted limited relief, each holder of our common units may be obligated to make such adjustments as the IRS may require to maintain our status as a partnership. Such adjustments may require the holders of our common units to recognize additional amounts in income during the years in which they hold such units. In addition, because of our methods of allocating income and gain among holders of our common units, you may be taxed on amounts that accrued economically before you became a unitholder.

We can make no assurances that our cash distributions to you will be sufficient to cover your tax liability arising from your investment in us in any given year, quarter or other period. We are under no obligation to make any distribution, and we generally do not make annual tax distributions. In addition, in certain circumstances, we may not be able to make any distributions or will only be making distributions in amounts less than your tax liability attributable to your investment in us. To the extent taxable income is allocated to you in excess of the cash distributions made, the excess amount would typically be applied to increase the tax basis of your investment in us under applicable U.S. federal tax laws. Furthermore, when we make cash distributions, we anticipate making cash distributions on a quarterly basis while allocating taxable income on a monthly basis. As a result, if you dispose of your common units, you may be allocated taxable income during the time you held your common units without receiving any cash distributions corresponding to that period. Moreover, when an investment is realized at the end of a fiscal quarter, taxable income allocable to such realization is generally made during the same taxable period, but the distribution, if any, generated by such realization may not be paid until a later period. Accordingly, you should ensure that you have sufficient cash flow from sources other than our cash distributions to pay for all of your tax liabilities.

***Our interests in certain of our businesses will be held through intermediate holding companies, which will be treated as corporations for U.S. federal income tax purposes; such corporations may be liable for significant taxes and may create other adverse tax consequences, which could potentially adversely affect the value of our common units.***

In light of the publicly traded partnership rules under U.S. federal income tax laws and other requirements, we will hold our interest in certain of our businesses through intermediate holding companies, which will be treated as corporations for U.S. federal income tax purposes. The intermediate holding companies organized in the United States or otherwise subject to regular U.S. federal income taxation will be liable for U.S. federal income taxes at regular rates on all of their taxable income as well as applicable state, local and other taxes. These taxes would reduce the amount of distributions available to be made on our common units. In addition, these taxes could be increased if the IRS were to successfully reallocate deductions or income of the related entities conducting our business. In addition, without the consent of the unitholders, our Managing Partner may also elect to convert KKR into a corporation or be taxed as a corporation for U.S. federal income tax purposes if certain conditions have been met. See "Risks Related to Our Business - Our structure involves complex provisions of U.S. federal income tax laws for which no clear precedent or authority may be available. These structures also are subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis."

***Changes in tax information collection and sharing regimes could increase our compliance and withholding tax costs***

Under legislation known as the U.S. Foreign Account Tax Compliance Act, or FATCA, U.S. withholding agents and all entities in a broadly defined class of foreign financial institutions, or FFIs, are required to comply with a complicated and expansive reporting regime or be subject to a 30% United States withholding tax on certain U.S. payments (and beginning in 2019, a 30% withholding tax on gross proceeds from the sale of U.S. stocks and securities) and non-U.S. entities which are not FFIs are required to either certify they have no substantial U.S. beneficial ownership or to report certain information with respect to their substantial U.S. beneficial ownership or be subject to a 30% U.S. withholding tax on certain U.S. payments (and beginning in 2019, a 30% withholding tax on gross proceeds from the sale of U.S. stocks and securities). Some countries have implemented regimes similar to that of FATCA and other countries are participating in a multi-jurisdictional tax information regime known as CRS, or the Common Reporting Standard. Compliance with such regimes could result in increased administrative and compliance costs for our investment entities and, in some cases, could subject our investment entities to increased withholding taxes.

***We may hold or acquire certain investments through an entity classified as a PFIC or CFC for U.S. federal income tax purposes.***

Certain of our investments may be in foreign corporations or may be acquired through a foreign subsidiary that would be classified as a corporation for U.S. federal income tax purposes. Such an entity may be PFIC for U.S. federal income tax purposes. In addition, we may hold certain investments in foreign corporations that are treated as CFCs. Unitholders may experience adverse U.S. tax consequences as a result of holding an indirect interest in a PFIC or CFC. These investments may produce taxable income prior to the receipt of cash relating to such income, and unitholders that are U.S. taxpayers will be required to take such income into account in determining their gross income subject to tax. In addition, all or a portion of gain on the sale of a CFC may be taxable at ordinary income rates. Further, with respect to gain on the sale of and excess distributions from a PFIC for which an election for current inclusions is not made, such income would be taxable at ordinary income rates and be subject to an additional tax charge equivalent to an interest charge on the deferral of income inclusions from that PFIC.

***Tax gain or loss on disposition of our common units could be more or less than expected.***

If you sell your common units, you will recognize a gain or loss equal to the difference between the amount realized and your adjusted tax basis allocated to those common units. Prior distributions to you in excess of the total net taxable income allocated to you will have decreased the tax basis in your common units. Therefore, such excess distributions will increase your taxable gain, or decrease your taxable loss, when the common units are sold and may result in a taxable gain even if the sale price is less than the original cost. A portion of the amount realized, whether or not representing gain, may be ordinary income to you.

***Unitholders may be allocated taxable gain on the disposition of certain assets, even if they did not share in the economic appreciation inherent in such assets.***

We and our intermediate holding companies will be allocated taxable gains and losses recognized by the KKR Group Partnerships based upon our percentage ownership in each KKR Group Partnership. Our share of such taxable gains and losses generally will be allocated pro rata to our unitholders. In some circumstances, under the U.S. federal income tax rules affecting

partners and partnerships, the taxable gain or loss allocated to a unitholder may not correspond to that unitholder's share of the economic appreciation or depreciation in the particular asset. This is primarily an issue of the timing of the payment of tax, rather than a net increase in tax liability, because the gain or loss allocation would generally be expected to be offset as a unitholder sells units.

***Non-U.S. persons face unique U.S. tax issues from owning our common units that may result in adverse tax consequences to them.***

We expect that a portion of our income will be treated as income effectively connected with a U.S. trade or business for U.S. federal income tax purposes, or ECI, with respect to non-U.S. unitholders, including by reason of investments in certain U.S. real property holding corporations, real estate investment trusts (or REITS), real estate assets and energy assets. To the extent our income is treated as ECI, non-U.S. unitholders generally would be subject to withholding tax on their allocable share of such income, would be required to file a U.S. federal income tax return for such year reporting their allocable share of income effectively connected with such trade or business and any other income treated as ECI, and would be subject to U.S. federal income tax at regular U.S. tax rates on any such income (state and local income taxes and filings may also apply in that event). Non-U.S. unitholders that are corporations may also be subject to a 30% branch profits tax (potentially reduced under an applicable treaty) on their actual or deemed distributions of such income. In addition, distributions to non-U.S. unitholders that are attributable to profits on the sale of a U.S. real property interest may also be subject to 30% withholding tax. Also, non-U.S. unitholders may be subject to 30% withholding on allocations of our income that are U.S. source fixed or determinable annual or periodic income under the Code, unless an exemption from or a reduced rate of such withholding applies (under an applicable treaty of the Code) and certain tax status information is provided. Finally, if we are treated as being engaged in a U.S. trade or business, a portion of any gain recognized by non-U.S. unitholders on the sale or exchange of common units may be treated for U.S. federal income tax purposes as ECI, and hence such non-U.S. unitholders could be subject to U.S. federal income tax on the sale or exchange of common units.

***Tax-exempt entities and tax-exempt or tax-deferred accounts face unique tax issues from owning common units that may result in adverse tax consequences to them.***

Generally, a tax-exempt partner of a partnership would be treated as earning unrelated business taxable income, or UBTI, if the partnership regularly engages in a trade or business that is unrelated to the exempt function of the tax-exempt partner, if the partnership derives income from debt financed property or if the partner interest itself is debt-financed. As a result of our ownership of real estate assets and energy assets and incurrence of acquisition indebtedness we will derive income that constitutes UBTI. Consequently, a holder of common units that is a tax-exempt entity (including an individual retirement account, or IRA, or a 401(k) plan participant) will likely be subject to unrelated business income tax to the extent that its allocable share of our income consists of UBTI and thus may be subject to U.S. federal income taxes and U.S. federal income tax reporting with respect to such income. In addition, a tax-exempt investor may be subject to unrelated business income tax on a sale of their common units.

***We cannot match transferors and transferees of common units, and we will therefore adopt certain income tax accounting conventions that may not conform with all aspects of applicable tax requirements. The IRS may challenge this treatment, which could adversely affect the value of our common units.***

Because we cannot match transferors and transferees of common units, we have adopted depreciation, amortization and other tax accounting positions that may not conform with all aspects of existing Treasury regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to our unitholders. It also could affect the timing of these tax benefits or the amount of gain on the sale of common units and could have a negative impact on the value of our common units or result in audits of and adjustments to our unitholders' tax returns.

In addition, our taxable income and losses are determined and apportioned among unitholders using conventions we regard as consistent with applicable law. As a result, if you transfer your common units, you may be allocated income, gain, loss and deduction realized by us after the date of transfer. Similarly, a transferee may be allocated income, gain, loss and deduction realized by us prior to the date of the transferee's acquisition of our common units. A transferee may also bear the cost of withholding tax imposed with respect to income allocated to a transferor through a reduction in the cash distributed to the transferee.

***The sale or exchange of 50% or more of our capital and profit interests will result in the termination of our partnership for U.S. federal income tax purposes.***

We will be considered to have been terminated for U.S. federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a 12-month period. A termination of our partnership would, among

other things, result in the closing of our taxable year for all unitholders and may make it more likely that we are unable to meet the qualifying income requirements necessary to maintain our status as a partnership for U.S. federal income tax purposes.

***Holders of our common units may be subject to state, local and foreign taxes and return filing requirements as a result of owning such units.***

In addition to U.S. federal income taxes, holders of our common units may be subject to other taxes, including state, local and foreign taxes, and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we do business or own property now or in the future, even if the holders of our common units do not reside in any of those jurisdictions. Holders of our common units may be required to file state and local income tax returns and pay state and local income taxes in some or all of these jurisdictions in the U.S. and abroad. Further, holders of our common units may be subject to penalties for failure to comply with those requirements. It is the responsibility of each unitholder to file all U.S. federal, state, local and foreign tax returns that may be required of such unitholder. In addition our investments in real assets may expose unitholders to additional adverse tax consequences. See “-Our investments in real assets such as real estate and energy may expose us to increased risks and liabilities and may expose our unitholders to adverse tax consequences.”

***Certain U.S. holders of common units are subject to additional tax on “net investment income.”***

U.S. holders that are individuals, estates or trusts are subject to a Medicare tax of 3.8% on “net investment income” (or undistributed “net investment income,” in the case of estates and trusts) for each taxable year, with such tax applying to the lesser of such income or the excess of such person’s adjusted gross income (with certain adjustments) over a specified amount. Net investment income includes net income from interest, dividends, annuities, royalties and rents and net gain attributable to the disposition of investment property. It is anticipated that net income and gain attributable to an investment in our common units will be included in a U.S. holder’s “net investment income” subject to this Medicare tax.

***We may not be able to furnish to each unitholder specific tax information within 90 days after the close of each calendar year, which means that holders of common units who are U.S. taxpayers should anticipate the need to file annually a request for an extension of the due date of their income tax return.***

As a publicly traded partnership, our operating results, including distributions of income, dividends, gains, losses or deductions, and adjustments to carrying basis, will be reported on Schedule K-1 and distributed to each unitholder annually. It may require longer than 90 days after the end of our fiscal year to obtain the requisite information from all lower-tier entities so that Schedule K-1s may be prepared for the unitholders. For this reason, holders of common units who are U.S. taxpayers should anticipate the need to file annually with the IRS (and certain states) a request for an extension past April 15 or the otherwise applicable due date of their income tax return for the taxable year.

***We may be liable for adjustments to our tax returns as a result of partnership audit legislation.***

Legislation enacted in 2015 that significantly changes the rules for U.S. federal income tax audits of partnerships. Such audits will continue to be conducted at a partnership level, but with respect to tax returns for taxable years beginning after December 31, 2017, unless a partnership qualifies for and affirmatively elects an alternative procedure, any adjustments to the amount of tax due (including interest and penalties) will be payable by the partnership. Under the elective alternative procedure, a partnership would issue information returns to persons who were partners in the audited year, who would then be required to take the adjustments into account in calculating their own tax liability, and the partnership would not be liable for the adjustments. If a partnership elects the alternative procedure for a given adjustment, the amount of taxes for which its partners would be liable would be increased by any applicable penalties and a special interest charge. There can be no assurance that we will be eligible to make such an election or that we will, in fact, make such an election for any given adjustment. If we do not or are not able to make such an election, then (1) our then-current unitholders, in the aggregate, could indirectly bear income tax liabilities in excess of the aggregate amount of taxes that would have been due had we elected the alternative procedure, and (2) a given unitholder may indirectly bear taxes attributable to income allocable to other unitholders or former unitholders, including taxes (as well as interest and penalties) with respect to periods prior to such holder's ownership of common units. Amounts available for distribution to our unitholders may be reduced as a result of our obligation to pay any taxes associated with an adjustment. Many issues and overall effect of this new legislation on us are uncertain, and unitholders should consult their own tax advisors regarding all aspects of this legislation as it affects their particular circumstances.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

Our principal executive offices are located in leased office space at 9 West 57th Street, New York, New York. We also lease space for our other offices. We consider these facilities to be suitable and adequate for the management and operations of our business.

On October 29, 2015, we entered into agreements relating to the construction and development of office space at 30 Hudson Yards in New York, New York to serve as our new corporate headquarters beginning in 2020. Upon the satisfaction of the conditions specified in the development agreement, we will take delivery of the completed office space.

**ITEM 3. LEGAL PROCEEDINGS**

The section entitled “Litigation” appearing in Note 18 “Commitments and Contingencies” of our financial statements included elsewhere in this report is incorporated herein by reference.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.



**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common units representing limited partner interests began trading on the New York Stock Exchange, or NYSE, on July 15, 2010 and are traded under the symbol "KKR." The following table sets forth the high and low intra-day sales prices per unit of our common units, for the periods indicated, as reported by the NYSE.

	Sales price			
	2016		2015	
	High	Low	High	High
First Quarter	\$ 15.97	\$ 10.89	\$ 25.04	\$ 22.36
Second Quarter	\$ 15.11	\$ 11.90	\$ 23.79	\$ 22.35
Third Quarter	\$ 15.43	\$ 11.63	\$ 24.79	\$ 8.00
Fourth Quarter	\$ 17.57	\$ 13.58	\$ 19.20	\$ 14.33

The number of holders of record of our common units as of February 22, 2017 was 37. This does not include the number of unitholders that hold shares in "street-name" through banks or broker-dealers.

**Distribution Policy**

The following table presents the distributions paid to holders of our common units at the close of business on the specified record date during fiscal 2015 and 2016:

Payment Date	Record Date	Distribution per unit
March 6, 2015	February 20, 2015	\$0.35
May 18, 2015	May 4, 2015	\$0.46
August 18, 2015	August 3, 2015	\$0.42
November 24, 2015	November 6, 2015	\$0.35
March 8, 2016	February 22, 2016	\$0.16
May 19, 2016	May 5, 2016	\$0.16
August 19, 2016	August 5, 2016	\$0.16
November 22, 2016	November 4, 2016	\$0.16

Our distribution policy from January 1, 2015 through the nine months ended September 30, 2015 was to make quarterly cash distributions in amounts that in the aggregate constituted substantially all of the distributable earnings of our investment management business, 40% of the net realized investment income of KKR (other than KFN), and 100% of the net realized investment income of KFN, in each case in excess of amounts determined by us to be necessary or appropriate to provide for the conduct of our business, to make appropriate investments in our business and our investment funds and to comply with applicable law and any of our debt instruments or other obligations.

On October 27, 2015, KKR announced a change to its distribution policy effective beginning with the distribution declared on February 11, 2016 with respect to the quarter ending December 31, 2015. Under this distribution policy, KKR intended to make equal quarterly distributions to holders of its common units in an amount of \$0.16 per common unit per quarter. KKR's regular distribution per common unit of \$0.16 was declared on February 9, 2017 for the quarter ended December 31, 2016.

On February 9, 2017, KKR announced that KKR intends to increase its regular quarterly distribution to common unitholders from \$0.16 to \$0.17 per common unit per quarter, effective beginning with the financial results to be reported for the first quarter of 2017.

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Because we make our investment in our business through a holding company structure and the applicable holding companies do not own any material cash-generating assets other than their direct and indirect holdings in KKR Group Partnership Units, distributions are expected to be funded in the following manner:

- First, the KKR Group Partnerships will make distributions to holders of KKR Group Partnership Units, including the holding companies through which we invest, in proportion to their percentage interests in the KKR Group Partnerships;
- Second, the holding companies through which we invest will distribute to us the amount of any distributions that they receive from the KKR Group Partnerships, after deducting any applicable taxes, and
- Third, we will distribute to holders of our units the amount of any distributions that we receive from our holding companies through which we invest.

The partnership agreements of the KKR Group Partnerships provide for cash distributions, which are referred to as tax distributions, to the partners of such partnerships if we determine that the taxable income of the relevant partnership will give rise to taxable income for its partners. However, holders should not expect the KKR Group Partnerships will make any tax distributions, and there can be no assurance that, for any particular holder, our distributions will be sufficient to pay such holder's actual U.S. or non-U.S. tax liability.

The declaration and payment of any distributions are subject to the discretion of the board of directors of our Managing Partner, which may change the distribution policy at any time, and the terms of its limited partnership agreement. There can be no assurance that distributions will be made as intended or at all, that unitholders will receive sufficient distributions to satisfy payment of their tax liabilities as limited partners of KKR & Co. L.P. or that any particular distribution policy will be maintained. When KKR & Co. L.P. receives distributions from the KKR Group Partnerships (the holding companies of the KKR business), KKR Holdings receives its pro rata share of such distributions from the KKR Group Partnerships. Furthermore, the declaration and payment of distributions is subject to legal, contractual and regulatory restrictions on the payment of distributions by us or our subsidiaries, including restrictions contained in our debt agreements, and such other factors as the board of directors of our Managing Partner considers relevant including, among others, our available cash and current and anticipated cash needs, including funding of investment commitments and debt service and future debt repayment obligations; general economic and business conditions; our strategic plans and prospects; our results of operations and financial condition; and our capital requirements.

The board of directors of our Managing Partner may change the distribution policy at any time and from time to time. We are not currently restricted by any contract from making distributions to our unitholders, although certain of our subsidiaries are bound by credit agreements that contain certain restricted payment and/or other covenants, which may have the effect of limiting the amount of distributions that we receive from our subsidiaries. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity—Sources of Cash". In addition, under Section 17-607 of the Delaware Limited Partnership Act, we will not be permitted to make a distribution if, after giving effect to the distribution, our liabilities would exceed the fair value of our assets.

**Common Unit Repurchases in the Fourth Quarter of 2016**

The table below sets forth the information with respect to purchases made by or on behalf of KKR & Co. L.P. or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934) of our common units during the fourth quarter of 2016.

**Issuer Purchases of Common Units**  
(amounts in thousands, except unit and per unit amounts)

	Total Number of Units Purchased	Average Price Paid Per Units	Cumulative Number of Units Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup>	Approximate Dollar Value of Units that May Yet Be Purchased Under the Plans or Programs <sup>(2)</sup>
Month #1 (October 1, 2016 to October 31, 2016)	362,684	\$ 13.47	31,670,412	\$ 41,281
Month #2 (November 1, 2016 to November 30, 2016)	3,750	\$ 14.77	31,674,162	\$ 41,225
Month #3 (December 1, 2016 to December 31, 2016)	—	\$ —	31,674,162	\$ 41,225
<b>Total through December 31, 2016</b>	<b>366,434</b>			
<b>Purchases subsequent to December 31, 2016:</b>				
(January 1, 2017 to February 9, 2017)	—	\$ —	31,674,162	\$ 41,225
<b>Total through February 9, 2017</b>	<b>366,434</b>			

(1) On October 27, 2015, KKR announced the authorization of a program providing for the repurchase by KKR of up to \$500 million in the aggregate of its outstanding common units. Under this unit repurchase program, units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing, manner, price and amount of any unit repurchases will be determined by KKR in its discretion and will depend on a variety of factors, including legal requirements, price and economic and market conditions. KKR expects that the program, which has no expiration date, will be in effect until the maximum approved dollar amount has been used to repurchase common units. The program does not require KKR to repurchase any specific number of common units, and the program may be suspended, extended, modified or discontinued at any time.

(2) On February 9, 2017, KKR announced an incremental \$250 million has been authorized to repurchase common units. This amount is in addition to the \$41.2 million remaining as of February 9, 2017 under the existing repurchase program described above.

During the fourth quarter of 2016, in addition to the units repurchased as described in the table above, (1) cash was used to pay the amount of withholding taxes, social benefit payments or similar payments payable by us in respect of awards granted pursuant to the Equity Incentive Plan and (2) cash was delivered in respect of certain awards granted pursuant to the Equity Incentive Plan and Other Exchangeable Securities. These payments amounted to approximately \$23.7 million, and equity awards and other Exchangeable Securities representing 1,665,190 common units were canceled. Accordingly, KKR's common unit count on a fully diluted basis was decreased by 1,665,190 common units in addition to the repurchases described in the table above.

Additionally, during the fourth quarter of 2016, 2,929,346 KKR Group Partnership Units were exchanged by KKR Holdings and its principals for an equal number of our common units, resulting in an increase in our ownership of the KKR Group Partnerships and a corresponding decrease in the ownership of the KKR Group Partnerships by KKR Holdings.

**ITEM 6. SELECTED FINANCIAL DATA**

The following tables set forth our selected historical consolidated financial data as of and for the years ended December 31, 2016, 2015, 2014, 2013 and 2012. We derived the selected historical consolidated financial data as of December 31, 2016 and 2015 and for the years ending December 31, 2016, 2015 and 2014 from the audited consolidated financial statements included elsewhere in this report. We derived the selected historical consolidated financial data as of December 31, 2014, 2013 and 2012 and for the years ended December 31, 2013 and 2012 from our audited consolidated financial statements which are not included in this report. You should read the following data together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this report.

On January 1, 2016, KKR adopted ASU 2015-02, which resulted in the de-consolidation of most of KKR's investment funds that had been consolidated prior to such date. Effective with the adoption of ASU 2015-02, assets, liabilities, and noncontrolling interests from our investment funds that had previously been consolidated are no longer included in the statement of financial condition. Additionally, when an investment fund is consolidated, management fees, fee credits and carried interest earned from consolidated funds are eliminated in consolidation and as such are not recorded in Fees and Other. The economic impact of these management fees, fee credits and carried interests that are eliminated is reflected as an adjustment to noncontrolling interests and has no impact to Net Income Attributable to KKR & Co. L.P. KKR adopted this guidance using the modified retrospective method. As a result, no retrospective adjustment is required and prior periods presented under GAAP have not been impacted.

	<b>For the Years Ended December 31,</b>				
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>(all dollars are in thousands, except unit and per unit data)</b>				
<b>Statements of Operations Data:</b>					
Fees and Other	\$ 1,908,093	\$ 1,043,768	\$ 1,110,008	\$ 762,546	\$ 568,442
Less: Total Expenses	1,695,474	1,871,225	2,196,067	1,767,138	1,598,788
Total Investment Income (Loss)	762,606	6,169,125	6,544,748	8,896,746	9,101,995
Income (Loss) Before Taxes	975,225	5,341,668	5,458,689	7,892,154	8,071,649
Income Taxes	24,561	66,636	63,669	37,926	43,405
Net Income (Loss)	950,664	5,275,032	5,395,020	7,854,228	8,028,244
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	(8,476)	(4,512)	(3,341)	62,255	34,963
Net Income (Loss) Attributable to Noncontrolling Interests and Appropriated Capital	649,833	4,791,062	4,920,750	7,100,747	7,432,445
Net Income (Loss) Attributable to KKR & Co. L.P.	309,307	488,482	477,611	691,226	560,836
Net Income Attributable to Series A Preferred Unitholders	17,337	—	—	—	—
Net Income Attributable to Series B Preferred Unitholders	4,898	—	—	—	—
Net Income (Loss) Attributable to KKR & Co. L.P. Common Unitholders	<u>\$ 287,072</u>	<u>\$ 488,482</u>	<u>\$ 477,611</u>	<u>\$ 691,226</u>	<u>\$ 560,836</u>
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P. Per Common Unit</b>					
Basic	\$ 0.64	\$ 1.09	\$ 1.25	\$ 2.51	\$ 2.35
Diluted	\$ 0.59	\$ 1.01	\$ 1.16	\$ 2.30	\$ 2.21
<b>Weighted Average Common Units Outstanding</b>					
Basic	448,905,126	448,884,185	381,092,394	274,910,628	238,503,257
Diluted	483,431,048	482,699,194	412,049,275	300,254,090	254,093,160

## For the Years Ended December 31,

	2016	2015	2014	2013	2012
(all dollars are in thousands, except unit and per unit data)					
<b>Statements of Financial Condition Data</b>					
<b>(period end):</b>					
Total Assets	\$ 39,002,897	\$ 71,042,339	\$ 65,872,745	\$ 51,427,201	\$ 44,426,353
Total Liabilities	\$ 21,884,814	\$ 21,574,754	\$ 14,168,684	\$ 4,842,383	\$ 3,020,899
Redeemable Noncontrolling Interests	\$ 632,348	\$ 188,629	\$ 300,098	\$ 627,807	\$ 462,564
Noncontrolling Interests	\$ 10,545,902	\$ 43,731,774	\$ 46,004,377	\$ 43,235,001	\$ 38,938,531
Appropriated Capital	\$ —	\$ —	\$ 16,895	\$ —	\$ —
Total KKR & Co. L.P. Partners' Capital (1)	\$ 5,939,833	\$ 5,547,182	\$ 5,382,691	\$ 2,722,010	\$ 2,004,359

- (1) Total KKR & Co. L.P. partners' capital reflects only the portion of equity attributable to KKR & Co. L.P. (56.1% interest in the KKR Group Partnerships as of December 31, 2016) and differs from book value reported on a segment basis primarily as a result of the exclusion of the equity impact of KKR Management Holdings Corp. and allocations of equity to KKR Holdings. KKR Holdings' 43.9% interest in the KKR Group Partnerships as of December 31, 2016 is reflected as noncontrolling interests and is not included in total KKR & Co. L.P. partners' capital.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis should be read in conjunction with the consolidated financial statements of KKR and the related notes included elsewhere in this report. The historical consolidated financial data discussed below reflects the historical results and financial position of KKR. In addition, this discussion and analysis contains forward looking statements and involves numerous risks and uncertainties, including those described under "Cautionary Note Regarding Forward-looking Statements" and "Risk Factors." Actual results may differ materially from those contained in any forward looking statements.*

### Overview of Business

For a discussion about our businesses, business segments and our firm, see "Item 1--Business."

### Business Environment

#### Market Conditions

**Global Economic Conditions** . As a global investment firm, we are affected by financial and economic conditions globally. Global and regional economic conditions have a substantial impact on our financial condition and results of operations, impacting the values of the investments we make, our ability to exit these investments profitably and our ability to make new investments. According to Bureau of Economic Analysis as of February 2017, real GDP in the U.S. increased at a seasonally adjusted annualized rate of 1.6% for the year ended December 31, 2016 compared to 2.6% for the year ended December 31, 2015. According to the Bureau of Labor Statistics, the U.S. unemployment rate was 4.7% as of December 31, 2016, down from 5.0% as of December 31, 2015. For the year ended December 31, 2016, Bloomberg estimates suggest that Euro Area real GDP growth was 1.6% on a year-over-year basis, compared to actual year-over-year growth of 2.0% in the prior year. On June 23, 2016, the United Kingdom held a referendum in which voters approved an exit from the European Union, commonly referred to as "Brexit." The referendum has resulted in significant volatility in global stock markets and currency exchange rate fluctuations that resulted in the depreciation of many foreign currencies against the U.S. dollar. In addition, continuing controversy and uncertainty surrounding key issues such as immigration, austerity, and globalization and risk of countries exiting the European Union continue to impair economic growth in the region and lead to financial market volatility. The United Kingdom's decision to withdraw from the European Union and the European Union's inability to resolve other key issues could have adverse repercussions across financial markets, which could adversely affect valuations of our investments. On a year-over-year, seasonally adjusted basis, China's National Bureau of Statistics indicated that real GDP grew 6.7% in the year ended December 31, 2016, slightly less than the 6.9% reported for the year ended December 31, 2015. Any future slowdown in China's growth could adversely impact the value of our investments in China. Furthermore, slowing Chinese growth could create dislocations in the global economy, particularly in other emerging markets where weaker Chinese demand for imported commodities and finished goods could impact economic growth. In addition, the sharp correction and high volatility in China's stock market coupled with the devaluation of the Chinese yuan may also adversely impact the value of our investments in China and make it more difficult to access capital in those markets. For a further discussion of how market conditions may affect our businesses, see "Risk Factors- Risks Related to Our Business - Difficult market conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial condition."

**Global Equity and Credit Markets** . Global equity and debt markets have a substantial effect on our financial condition and results of operations. In general, a climate of reasonable interest rates and high levels of liquidity in the debt and equity capital markets provide a positive environment for us to generate attractive investment returns in our funds that generate carry. Periods of volatility and dislocation in the capital markets present substantial risks, but also can present us with opportunities to invest at reduced valuations that position us for future growth.

Many of our investments are in equities, so a change in global equity prices or in market volatility directly impacts the value of our investments and our profitability as well as our ability to realize investment gains and the receptiveness of fund investors to our investment products. For the year ended December 31, 2016, global equity markets were positive, with the S&P 500 Index up 12.0% and the MSCI World Index up 8.2% on a total return basis including dividends. Equity market volatility as evidenced by the Chicago Board Options Exchange Market Volatility Index, or the VIX, a measure of volatility, ended at 14.0 as of December 31, 2016, decreasing from 18.2 as of December 31, 2015. For a further discussion of our valuation methods, see "Risk Factors-Risks Related to the Assets We Manage - Our investments are impacted by various economic conditions that are difficult to quantify or predict, and may have a significant impact on the valuation of our

investments and, therefore, on the investment income we realize and our financial condition and results of operations” and “-Critical Accounting Policies-Fair Value Measurements-Level III Valuation Methodologies” in this report.

Many of our investments are also in credit instruments, and our funds and their portfolio companies also rely on credit financing and the ability to refinance existing debt. Consequently, any decrease in the value of credit instruments that we have invested in or any increase in the cost of credit financing reduces our returns and decreases our net income. In particular due in part to holdings of credit instruments such as CLOs on our balance sheet, the performance of the credit markets has had an amplified impact on our financial results, as we directly bear the full extent of losses from credit instruments on our balance sheet. Credit markets can also impact valuations because a discounted cash flow analysis is generally used as one of the methodologies used to ascertain the fair value of our investments that do not have readily observable market prices. In addition, with respect to our credit instruments, tightened credit spreads lead to an increase in the value of these investments, if not offset by hedging or other factors. In addition, credit spreads generally tightened throughout the year ended December 31, 2016. Low interest rates related to monetary stimulus and economic stagnation also negatively impacts expected returns on all investments, as the demand for relatively higher return assets increases and supply decreases. Higher interest rates in conjunction with slower growth or weaker currencies in some emerging market economies may cause the default risk of these countries to increase, and this could impact the operations or value of our investments that operate in these regions. Areas such as the Eurozone and Japan, which have ongoing central bank quantitative easing campaigns and comparatively low interest rates relative to the United States, could potentially experience further currency volatility and weakness relative to the U.S. dollar. For a further discussion of how market conditions may affect our businesses, see “Risk Factors- Risks Related to Our Business - Difficult market conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial condition” and “Risks Related to the Assets We Manage - Our investments are impacted by various economic conditions that are difficult to quantify or predict, and may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our financial condition and results of operations.”

The subinvestment grade credit indices rose during the year ended December 31, 2016, with the S&P/LSTA Leveraged Loan Index up 10.2% and the BoAML HY Master II Index up 17.5%. For the year ended December 31, 2016, 10-year government bond yields rose 17 basis points in the United States, and rose 20 basis points in China and fell 22 basis points in Japan and 42 basis points in Germany. For further discussion of the impact of global credit markets on our financial condition and results of operations, see “Risk Factors - Risks Related to the Assets We Manage -Changes in the debt financing markets may negatively impact the ability of our investment funds, their portfolio companies and strategies pursued with our balance sheet assets to obtain attractive financing for their investments or refinance existing debt and may increase the cost of such financing if it is obtained, which could lead to lower-yielding investments and potentially decrease our net income,” “- Our investments are impacted by various economic conditions that are difficult to quantify or predict, and may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our financial condition and results of operations” and “- Because we hold interests in some of our portfolio companies both through our management of private equity funds as well as through separate investments in those funds and direct co-investments, fluctuation in the fair values of these portfolio companies may have a disproportionate impact on the investment income earned by us” and “- Critical Accounting Policies-Fair Value Measurements-Level III Valuation Methodologies” in this report.

**Foreign Exchange Rates** . Foreign exchange rates have a substantial impact on the valuations of our investments that are denominated in currencies other than the U.S. dollar. Currency volatility, which has become more pronounced in recent quarters, can also affect our businesses which deal in cross-border trade. The U.S. dollar has appreciated against a number of currencies over recent periods, which is likely to cause a decrease in the U.S. dollar value of our non-U.S. investments to the extent unhedged and making the exports of U.S. based companies less competitive leading to a decline in revenues. While this may cause a decrease in the U.S. dollar values of our existing assets and portfolio companies outside the United States, we also expect it to create opportunities to invest at more attractive U.S. dollar prices in certain countries. For the year ended December 31, 2016, the euro fell 3.2% and the British pound fell 16.3% respectively, relative to the U.S. dollar with significant depreciation following the June 23, 2016, referendum in which voters in the United Kingdom approved an exit from the European Union. The depreciation of the British pound adversely affects the value of our pound denominated investments, to the extent unhedged and adversely affects the dollar equivalent revenues of portfolio companies with substantial pound denominated revenues. See “Risk Factors- Risks Related to Our Business - Difficult market conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial condition.” In China, the potential for greater depreciation of China’s currency, the yuan, remains a large source of uncertainty. The cumulative devaluation of the yuan since August 2015, which effectively makes Chinese exports cheaper and imports more expensive, may impact global trade substantially for the reasons discussed above. For

additional information regarding our foreign exchange rate risk, see “Quantitative and Qualitative Disclosure About Market Risk - Exchange Rate Risk”.

**Commodity Markets** . Our Private Markets portfolio contains energy real asset investments and certain of our Public Markets strategies and products, including direct lending, special situations and CLOs, have meaningful investments in the energy sector. The value of these investments is heavily influenced by the price of natural gas and oil, which have varied over the course of the year. During the year ended December 31, 2016, the long-term price of WTI crude increased approximately 13%, while the long-term price of natural gas was relatively stable. The long-term price of WTI crude oil increased from approximately \$50 per barrel to \$56 per barrel, and the long-term price of natural gas decreased from approximately \$2.90 per mcf to \$2.87 per mcf as of December 31, 2015 and December 31, 2016, respectively. While commodity prices have increased over the course of the year, if commodity prices decline or if a decline is not offset by other factors, we would expect the value of our energy real asset investments to be adversely impacted. In addition, because we hold certain energy assets on our balance sheet, which had a fair value of \$0.6 billion as of December 31, 2016, these price movements would have an amplified impact on our financial results, as we would directly bear the full extent of such gains or losses. For additional information regarding our energy real assets, see “-Critical Accounting Policies-Fair Value Measurements-Level III Valuation Methodologies-Real Asset Investments” in this report and “Risk Factors - Risks Related to the Assets We Manage - Because we hold interests in some of our portfolio companies both through our management of private equity funds as well as through separate investments in those funds and direct co-investments, fluctuation in the fair values of these portfolio companies may have a disproportionate impact on the investment income earned by us”.

#### *Business Conditions*

Our segment revenues consist of fees, performance income and investment income. Our ability to grow our revenues depends in part on our ability to attract new capital and investors, our successful deployment of capital including from our balance sheet and our ability to realize investments.

- **Our ability to attract new capital and investors.** Our ability to attract new capital and investors in our funds is driven, in part, by the extent to which they continue to see the alternative asset management industry generally, and our investment products specifically, as an attractive vehicle for capital appreciation or income. Since 2010, we have expanded into strategies such as energy, infrastructure, real estate, growth equity, credit and hedge funds. In several of these strategies, our first time funds have begun raising successor funds, and we expect the cost of raising such successor funds to be lower. We have also reached out to new clients, including retail and high net worth clients. However, fundraising continues to be competitive. While our flagship Americas private equity fund exceeded the size of its predecessor fund, there is no assurance that fundraises for our other flagship private equity funds or for our newer strategies and their successor funds will experience similar success. If we are unable to successfully raise comparably sized or larger funds, our AUM, FPAUM and associated fees attributable to new capital raised in future periods may be lower than in prior years. New capital raised for the fiscal years ended December 31, 2014, 2015 and 2016 was \$13.3 billion, \$19.8 billion and \$28.8 billion.
- **Our ability to successfully deploy capital.** Our ability to maintain and grow our revenue base is dependent upon our ability to successfully deploy the capital available to us and participate in capital markets transactions. Greater competition, high valuations, increased overall cost of credit and other general market conditions may impact our ability to identify and execute attractive investments. Additionally, because we seek to make investments which have an ability to achieve our targeted returns while taking on a reasonable level of risk, we may experience periods of reduced investment activity. We have a long-term investment horizon and the capital deployed in any one quarter may vary significantly from the capital deployed in any other quarter or the quarterly average of capital deployed in any given year. Reduced levels of transaction activity also tends to result in reduced potential future investment gains, lower transaction fees and lower fees for our capital markets business, which may earn fees in the syndication of equity or debt. Capital invested for the fiscal years ended December 31, 2014, 2015 and 2016 were \$13.6 billion, \$11.5 billion and \$11.0 billion, and syndicated capital for the fiscal years ended December 31, 2014, 2015 and 2016 were \$2.6 billion, \$0.9 billion and \$1.2 billion, such that 2014 reflects unusually high levels of activity for us on a historical basis.
- **Our ability to realize investments.** The strength and liquidity of the U.S. and relevant global equity markets generally, and the initial public offering market specifically affects the value of, and our ability to successfully exit, our equity positions in our private equity portfolio companies in a timely manner. We may also realize investments through strategic sales. For the fiscal years ended December 31, 2014, 2015 and 2016, through exit activity in our investments, we realized carried interest of \$1.2 billion, \$1.0 billion and \$1.3 billion. Since December 31, 2016, we have



announced or closed the strategic sales or partial sales of Panasonic Healthcare Co. Ltd (healthcare sector), Gland Pharma Limited (manufacturing sector), Asia Dairy Holdings (consumer products sector), Capsugel (manufacturing sector), China Greenland Rundong Auto Group Limited (HK: 1365) and TVS Logistics Services Limited (services sector) and have completed secondary offerings for HCA Holdings, Inc. (NYSE: HCA), Galenica AG (VTX: GALN), and US Foods Holding Corp. (NYSE: USFD). Such sales and transactions, however, are episodic and reduced levels of sale activity in future quarters would reduce transaction fees, realized carry and distributions.

## **Basis of Accounting**

We consolidate the financial results of the KKR Group Partnerships and their consolidated subsidiaries, which include the accounts of our investment management and capital markets companies, the general partners of unconsolidated funds and vehicles, general partners of certain funds that are consolidated and their respective consolidated funds and certain other entities including certain consolidated CLOs and commercial real estate mortgage-backed securities, or "CMBS". We refer to CLOs and CMBS as collateralized financing entities or CFEs.

On January 1, 2016, KKR adopted ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis ("ASU 2015-02"). The adoption of ASU 2015-02 resulted in the de-consolidation of most of KKR's investment funds, but did not impact net income (loss) attributable to KKR & Co. L.P. under GAAP. KKR adopted this new guidance using the modified retrospective method. As a result, no retrospective adjustment is required and prior periods presented in this report under GAAP have not been impacted.

When an entity is consolidated, we reflect the accounts of the consolidated entity, including its assets, liabilities, fees, expenses, investment income, cash flows and other amounts, on a gross basis. While the consolidation of a consolidated fund or entity does not have an effect on the amounts of Net Income Attributable to KKR or KKR's partners' capital that KKR reports, the consolidation does significantly impact the financial statement presentation under GAAP. This is due to the fact that the accounts of the consolidated entities are reflected on a gross basis while the allocable share of those amounts that are attributable to third parties are reflected as single line items. The single line items in which the accounts attributable to third parties are recorded are presented as noncontrolling interests on the consolidated statements of financial condition and net income attributable to noncontrolling interests on the consolidated statements of operations. In connection with the adoption of ASU 2015-02, and the resulting de-consolidation of most of our investment funds, KKR's financial statements under GAAP no longer reflect the accounts of most of our investment funds and also reflect a significantly lower amount of noncontrolling interests and net income attributable to noncontrolling interests. Accordingly, the amounts associated with the individual financial statement captions may be substantially less than those presented in prior periods.

For a further discussion of our consolidation policies, see "Item 8. Financial Statements and Supplementary Data--Summary of Significant Accounting Policies."

## **Key Financial Measures Under GAAP**

### *Fees and Other*

Fees and other consist primarily of (i) transaction fees earned in connection with successful investment transactions and from capital markets activities, (ii) management and incentive fees from providing investment management services to unconsolidated funds, CLOs, other vehicles and separately managed accounts, (iii) monitoring fees from providing services to portfolio companies, (iv) carried interest allocations to general partners of unconsolidated funds, (v) revenue earned by oil and gas-producing entities that are consolidated and (vi) consulting fees earned by entities that employ non-employee operating consultants. These fees are based on the contractual terms of the governing agreements and are recognized when earned, which coincides with the period during which the related services are performed and in the case of transaction fees, upon closing of the transaction. Monitoring fees may provide for a termination payment following an initial public offering or change of control. These termination payments are recognized in the period when the related transaction closes.

As indicated above, on January 1, 2016, KKR adopted ASU 2015-02, which resulted in the de-consolidation of most of KKR's investment funds that had been consolidated prior to such date. Management fees, fee credits and carried interest earned from consolidated funds are eliminated in consolidation and as such are not recorded in Fees and Other. The economic impact of these management fees, fee credits and carried interests that are eliminated is reflected as an adjustment to noncontrolling interests and has no impact to Net Income Attributable to KKR & Co. L.P. As a result of the de-consolidation of most of our investment funds, the management fees, fee credits and carried interests associated with funds that had previously been consolidated are included in Fees and Other beginning on January 1, 2016 as such amounts are no longer eliminated.

For a further discussion of our fee policies, see "Item 8. Financial Statements and Supplementary Data--Summary of Significant Accounting Policies."

## **Expenses**

### *Compensation and Benefits*

Compensation and benefits expense includes cash compensation consisting of salaries, bonuses, and benefits, as well as equity-based compensation consisting of charges associated with the vesting of equity-based awards, carry pool allocations and other performance-based income compensation. All employees and employees of certain consolidated entities receive a base salary that is paid by KKR or its consolidated entities, and is accounted for as compensation and benefits expense. These employees are also eligible to receive discretionary cash bonuses based on performance, overall profitability and other matters. While cash bonuses paid to most employees are borne by KKR and certain consolidated entities and result in customary compensation and benefits expense, cash bonuses that are paid to certain employees are currently borne by KKR Holdings. These bonuses are funded with distributions that KKR Holdings receives on KKR Group Partnership Units held by KKR Holdings but are not then passed on to holders of unvested units of KKR Holdings. Because employees are not entitled to receive distributions on units that are unvested, any amounts allocated to employees in excess of an employee's vested equity interests are reflected as employee compensation and benefits expense. These compensation charges are recorded based on the unvested portion of quarterly earnings distributions received by KKR Holdings at the time of the distribution, but are adjusted to reflect actual payments expected to be made each year. Because KKR makes only fixed quarterly distributions, the distributions made on KKR Group Partnership Units underlying any unvested KKR Holdings units are generally insufficient to fund annual cash bonus compensation to the same extent as in periods prior to the fourth quarter of 2015. In addition, substantially all units in KKR Holdings have been allocated and will vest over a 5 year period, thus decreasing the amount of distributions received by KKR Holdings that are available for annual cash bonus compensation. We, therefore, expect to pay an increasing portion and eventually all of the cash bonus payments currently borne by KKR Holdings from other sources, including cash from our operations, the carry pool and other performance-based income compensation as described below. See "Risks Related to Our Business - If we cannot retain and motivate our principals and other key personnel and recruit, retain and motivate new principals and other key personnel, our business, results and financial condition could be adversely affected" regarding the adequacy of such distributions to fund future discretionary cash bonuses.

With respect to KKR's investment funds that provide for carried interest, KKR allocates 40% of the carried interest earned from such funds to its carry pool for employees and non-employee operating consultants. In addition, our carry pool is supplemented by allocating performance-based income to compensation equal to 40% of the incentive fees earned from investment funds that provide for incentive fees and, beginning with the quarter ended September 30, 2016, for investment funds that have a preferred return, also includes 40% of the management fees that would have been subject to a management fee refund. Because of the different ways management fees are refunded in preferred return and non-preferred return funds, this calculation of 40% of the portion of the management fees subject to refund for funds that have a preferred return is designed to allocate to compensation an amount comparable to the amount that would have been allocated to the carry pool had the fund not had a preferred return. For a discussion of how management fees are refunded for preferred return funds and non-preferred funds see "--Fair Value Measurements--Recognition of Carried Interest in the Statement of Operations".

The amounts allocated to the carry pool and other performance-based income compensation are accounted for as compensatory profit-sharing arrangements and recorded as compensation and benefits expense for KKR employees and general, administrative and other expense for certain non-employee consultants and service providers in the consolidated statements of operations prepared in accordance with U.S. GAAP.

### *General, Administrative and Other*

General, administrative and other expense consists primarily of professional fees paid to legal advisors, accountants, advisors and consultants, insurance costs, travel and related expenses, communications and information services, depreciation and amortization charges, changes in fair value of contingent consideration, expenses incurred by oil and gas-producing entities (including impairment charges) that are consolidated and other general and operating expenses which are not borne by fund investors and are not offset by credits attributable to fund investors' noncontrolling interests in consolidated funds. General, administrative and other expense also consists of costs incurred in connection with pursuing potential investments that do not result in completed transactions, a substantial portion of which are borne by fund investors.

## ***Investment Income (Loss)***

### *Net Gains (Losses) from Investment Activities*

On January 1, 2016, KKR adopted ASU 2015-02, which resulted in the de-consolidation of most of KKR's investment funds that had been consolidated prior to such date. Effective with the adoption of ASU 2015-02, the Net Gains (Losses) from Investment Activities attributed to third party limited partners in our investment funds that had previously been consolidated are no longer included in the statement of operations.

Net gains (losses) from investment activities consist of realized and unrealized gains and losses arising from our investment activities. A large portion of our net gains (losses) from investment activities are related to our private equity investments. Fluctuations in net gains (losses) from investment activities between reporting periods is driven primarily by changes in the fair value of our investment portfolio as well as the realization of investments. The fair value of, as well as the ability to recognize gains from, our private equity and other investments is significantly impacted by the global financial markets, which, in turn, affects the net gains (losses) from investment activities recognized in any given period. Upon the disposition of an investment, previously recognized unrealized gains and losses are reversed and an offsetting realized gain or loss is recognized in the current period. Since our investments are carried at fair value, fluctuations between periods could be significant due to changes to the inputs to our valuation process over time. For a further discussion of our fair value measurements and fair value of investments, see "[Critical Accounting Policies—Fair Value Measurements](#)."

### *Dividend Income*

Dividend income consists primarily of distributions that we and our consolidated investment funds receive from portfolio companies in which they invest. Dividend income is recognized primarily in connection with (i) dispositions of operations by portfolio companies, (ii) distributions of excess cash generated from operations from portfolio companies and (iii) other significant refinancings undertaken by portfolio companies.

On January 1, 2016, KKR adopted ASU 2015-02, which resulted in the de-consolidation of most of KKR's investment funds that had been consolidated prior to such date. Effective with the adoption of ASU 2015-02, dividends received from our investment funds that had previously been consolidated are not included in the statement of operations.

### *Interest Income*

Interest income consists primarily of interest that is received on our credit instruments in which we and our consolidated funds and other entities invest as well as interest on our cash balances and other investments.

On January 1, 2016, KKR adopted ASU 2015-02, which resulted in the de-consolidation of most of KKR's investment funds that had been consolidated prior to such date. Effective with the adoption of ASU 2015-02, interest income received from our investment funds that had previously been consolidated is not included in the statement of operations.

### *Interest Expense*

On January 1, 2016, KKR adopted ASU 2015-02, which resulted in the de-consolidation of most of KKR's investment funds that had been consolidated prior to such date. Effective with the adoption of ASU 2015-02, interest expense incurred by our investment funds that had previously been consolidated is not included in the statement of operations.

Interest expense is incurred from debt issued by KKR, including debt issued by KFN which was consolidated upon completion of the acquisition of KFN, credit facilities entered into by KKR, debt securities issued by consolidated CFEs and financing arrangements at our consolidated funds entered into primarily with the objective of managing cash flow. KFN's debt obligations are non-recourse to KKR beyond the assets of KFN. Debt securities issued by consolidated CFEs are supported solely by the investments held at the CFE and are not collateralized by assets of any other KKR entity. Our obligations under financing arrangements at our consolidated funds are generally limited to our pro-rata equity interest in such funds. However, in some circumstances, we may provide limited guarantees of the obligations of our general partners in an amount equal to or in excess of our pro rata equity interest in such funds. Our management companies bear no obligations with respect to financing arrangements at our consolidated funds. See "[Liquidity](#)".

## ***Income Taxes***

The KKR Group Partnerships and certain of their subsidiaries operate in the United States as partnerships for U.S. federal income tax purposes and as corporate entities in non-U.S. jurisdictions. Accordingly, these entities, in some cases, are subject to New York City unincorporated business taxes, or non-U.S. income taxes. Furthermore, we hold our interest in one of the KKR Group Partnerships through KKR Management Holdings Corp., which is treated as a corporation for U.S. federal income tax purposes, and certain other subsidiaries of the KKR Group Partnerships are treated as corporations for U.S. federal income tax purposes. Accordingly, such subsidiaries of KKR, including KKR Management Holdings Corp., and of the KKR Group Partnerships are subject to U.S. federal, state and local corporate income taxes at the entity level and the related tax provision attributable to KKR's share of this income is reflected in the financial statements. We also generate certain interest income to our unitholders and interest deductions to KKR Management Holdings Corp.

We use the asset and liability method to account for income taxes in accordance with GAAP. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that all or a portion of the deferred tax assets will not be realized.

Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining tax expense and in evaluating tax positions including evaluating uncertainties. We review our tax positions quarterly and adjust our tax balances as new information becomes available.

## ***Net Income (Loss) Attributable to Noncontrolling Interests***

Net income (loss) attributable to noncontrolling interests represents the ownership interests that certain third parties hold in entities that are consolidated in the financial statements as well as the ownership interests in our KKR Group Partnerships that are held by KKR Holdings. The allocable share of income and expense attributable to these interests is accounted for as net income (loss) attributable to noncontrolling interests. Historically, the amount of net income (loss) attributable to noncontrolling interests has been substantial and has resulted in significant charges and credits in the statements of operations. However, on January 1, 2016, KKR adopted ASU 2015-02, which resulted in the de-consolidation of most of KKR's investment funds that had been consolidated prior to such date. As a result of this adoption, the amount of net income (loss) attributable to noncontrolling interests is expected to be significantly lower than that reported in prior periods. However, given the consolidation of certain of our investment funds and the significant ownership interests in our KKR Group Partnerships held by KKR Holdings, we expect a portion of net income (loss) will continue to be attributed to noncontrolling interests in our business.

## ***Segment Operating and Performance Measures***

The segment key performance measures that follow are used by management in making operating and resource deployment decisions as well as assessing the overall performance of each of KKR's reportable business segments. The reportable segments for KKR's business are presented prior to giving effect to the allocation of income (loss) between KKR & Co. L.P. and KKR Holdings L.P. and as such represent the business in total. In addition, KKR's reportable segments are presented without giving effect to the consolidation of the investment funds and CFEs that KKR manages as well as other consolidated entities that are not subsidiaries of KKR & Co. L.P.

We disclose the following financial measures in this report that are calculated and presented using methodologies other than in accordance with GAAP. We believe that providing these performance measures on a supplemental basis to our GAAP results is helpful to unitholders in assessing the overall performance of KKR's businesses. These financial measures should not be considered as a substitute for similar financial measures calculated in accordance with GAAP, if available. We caution readers that these non-GAAP financial measures may differ from the calculations of other investment managers, and as a result, may not be comparable to similar measures presented by other investment managers. Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP, where applicable, are included within "Financial Statements and Supplementary Data — Note 14. Segment Reporting" and later in this report under "—Segment Balance Sheet."

*Adjusted Units*

Adjusted units are used as a measure of the total common equity ownership of KKR that is held by KKR & Co. L.P. (including equity awards issued under the KKR & Co. L.P. 2010 Equity Incentive Plan, but excluding preferred units), KKR Holdings and other holders of securities exchangeable into common units of KKR & Co. L.P. and represent the fully diluted common unit count using the if-converted method. We believe this measure is useful to unitholders as it provides an indication of the total common equity ownership of KKR as if all outstanding KKR Holdings units, equity awards issued under the Equity Incentive Plan and other exchangeable securities had been exchanged for common units of KKR & Co. L.P. The Series A and Series B Preferred Units are not exchangeable for common units of KKR & Co. L.P.

*Adjusted Units Eligible for Distribution*

Adjusted units eligible for distribution represents the portion of total adjusted units that is eligible to receive a distribution. We believe this measure is useful to unitholders as it provides insight into the calculation of amounts available for distribution on a per unit basis. Adjusted units eligible for distribution is used in the calculation of after-tax distributable earnings per unit.

*After-Tax Distributable Earnings*

After-tax distributable earnings is used by management as an operating measure of the earnings excluding mark-to-market gains (losses) of KKR. KKR believes this measure is useful to unitholders as it provides a supplemental measure to assess performance, excluding the impact of mark-to-market gains (losses). After-tax distributable earnings excludes certain realized investment losses to the extent unrealized losses on these investments were recognized prior to the combination with KPE on October 1, 2009. After-tax distributable earnings does not represent and is not used to calculate actual distributions under KKR's distribution policy.

The following table presents our after-tax distributable earnings on common units for the years ended December 31, 2016, 2015 and 2014 as described above. For a discussion of the components that drove the changes in our distributable earnings, see "—Segment Analysis."

(\$ in thousands except per unit data)	Year Ended		
	December 31, 2016	December 31, 2015	December 31, 2014
<b>Revenues</b>			
Management, Monitoring and Transaction Fees, Net	\$ 1,074,862	\$ 1,142,050	\$ 1,098,843
Realized Performance Income (loss)	1,289,554	1,046,801	1,241,468
Realized Investment Income (loss)	505,659 <sup>(2)</sup>	545,474 <sup>(1)</sup>	901,578
<b>Total Distributable Segment Revenues</b>	<b>2,870,075</b>	<b>2,734,325</b>	<b>3,241,889</b>
<b>Expenses</b>			
Cash Compensation and Benefits	395,016	409,992	380,581
Realized Performance Income Compensation	538,321	418,718	496,589
Occupancy and Related Charges	62,400	62,657	57,787
Other Operating Expenses	234,348	233,618	229,069
<b>Total Distributable Segment Expenses</b>	<b>1,230,085</b>	<b>1,124,985</b>	<b>1,164,026</b>
<b>Distributable Earnings Before Taxes, Noncontrolling Interests and Preferred Distributions</b>	<b>1,639,990</b>	<b>1,609,340</b>	<b>2,077,863</b>
Less: Corporate and local income taxes paid	87,723	140,677	131,081
Less: Income attributable to segment noncontrolling interests	2,336	16,007	14,946
Less: Preferred Distributions	22,235	—	—
<b>After-tax Distributable Earnings</b>	<b>\$ 1,527,696</b>	<b>\$ 1,452,656</b>	<b>\$ 1,931,836</b>
<b>Per Adjusted Unit Eligible for Distribution</b>	<b>\$ 1.89</b>	<b>\$ 1.78</b>	<b>\$ 2.47</b>

(1) Amount includes a \$100.0 million realized loss on a segment basis relating to the write-off of Energy Future Holdings which had previously been marked at zero on an unrealized basis. Accordingly, this write-off had no impact on our Economic Net Income during the year ended December 31, 2015.

(2) Amount includes a \$253.7 million realized loss relating to Samson Resources which had previously been marked at zero on an unrealized basis. Accordingly, this had no impact on our Economic Net Income during the year ended December 31, 2016.

#### Assets Under Management ("AUM")

Assets under management ("AUM") represent the assets managed by KKR or by its strategic partners from which KKR is entitled to receive fees or a carried interest (either currently or upon deployment of capital) and general partner capital. We believe this measure is useful to unitholders as it provides additional insight into KKR's capital raising activities and the overall activity in its investment funds and strategic partnerships. KKR calculates the amount of AUM as of any date as the sum of: (i) the fair value of the investments of KKR's investment funds; (ii) uncalled capital commitments from these funds, including uncalled capital commitments from which KKR is currently not earning management fees or carried interest; (iii) the fair value of investments in KKR's co-investment vehicles; (iv) the par value of outstanding CLOs (excluding CLOs wholly-owned by KKR); (v) KKR's pro-rata portion of the AUM managed by strategic partnerships in which KKR holds a minority ownership interest and (vi) the fair value of other assets managed by KKR. The pro-rata portion of the AUM managed by strategic partnerships is calculated based on KKR's percentage ownership interest in such entities multiplied by such entity's respective AUM. KKR's definition of AUM is not based on any definition of AUM that may be set forth in the agreements governing the investment funds, vehicles or accounts that it manages or calculated pursuant to any regulatory definitions.

#### Book Value

Book value is a measure of the net assets of KKR's reportable segments and is used by management primarily in assessing the unrealized value of KKR's investments and other assets, including carried interest. We believe this measure is useful to unitholders as it provides additional insight into the assets and liabilities of KKR excluding the assets and liabilities that are allocated to noncontrolling interest holders and to the holders of the Series A and Series B Preferred Units.

### *Capital Invested*

Capital invested is the aggregate amount of capital invested by (i) KKR's investment funds, (ii) KKR's Principal Activities segment as a co-investment, if any, alongside KKR's investment funds, and (iii) the Principal Activities segment in connection with a syndication transaction conducted by KKR's Capital Markets segment, if any. Capital invested is used as a measure of investment activity at KKR during a given period. We believe this measure is useful to unitholders as it provides a measure of capital deployment across KKR's business segments. Capital invested includes investments made using investment financing arrangements like credit facilities, as applicable. Capital invested excludes (i) investments in liquid credit strategies, (ii) capital invested by KKR's Principal Activities segment that is not a co-investment alongside KKR's investment funds, and (iii) capital invested by the Principal Activities segment that is not invested in connection with a syndication transaction by KKR's Capital Markets segment. Capital syndicated by our Capital Markets segment to third parties other than KKR's investment funds or Principal Activities segment is not included in capital invested. See also syndicated capital. In the fourth quarter of 2016, the capital invested metric was changed to include capital invested by KKR's Principal Activities segment and all prior periods in this report have been adjusted.

### *Economic Net Income (Loss) ("ENI")*

Economic net income (loss) is a measure of profitability for KKR's reportable segments and is used by management as an alternative measurement of the operating and investment earnings of KKR and its business segments. We believe this measure is useful to unitholders as it provides additional insight into the overall profitability of KKR's businesses inclusive of carried interest, incentive fees and related carry pool allocations and investment income. ENI is comprised of total segment revenues less total segment expenses and certain economic interests in KKR's segments held by third parties. Pre-tax Economic Net Income (Loss) represents Economic Net Income (Loss) after equity-based compensation. After-tax Economic Net Income (Loss) represents Economic Net Income (Loss) after equity-based compensation, provision for income taxes and preferred distributions.

### *Fee Paying AUM ("FPAUM")*

Fee paying AUM represents only those assets under management of KKR or its strategic partners from which KKR receives management fees. We believe this measure is useful to unitholders as it provides additional insight into the capital base upon which KKR earns management fees. FPAUM is the sum of all of the individual fee bases that are used to calculate KKR's fees and differs from AUM in the following respects: (i) assets and commitments from which KKR does not receive a fee are excluded (i.e. assets and commitments with respect to which it receives only carried interest or is otherwise not currently receiving a fee) and (ii) certain assets, primarily in its private equity funds, are reflected based on capital commitments and invested capital as opposed to fair value because fees are not impacted by changes in the fair value of underlying investments.

### *Fee Related Earnings ("FRE")*

Fee related earnings is a measure of the operating earnings of KKR and its business segments before performance income, related performance income compensation and investment income. KKR believes this measure may be useful to unitholders as it provides additional insight into the operating profitability of KKR's fee generating management companies and capital markets businesses.

### *Outstanding Adjusted Units*

Outstanding adjusted units represents the portion of total adjusted units that would receive assets of KKR if it were to be liquidated as of a particular date. Outstanding adjusted units is used to calculate book value per outstanding adjusted unit, which we believe is useful to unitholders as it provides a measure of net assets of KKR's reportable segments on a per unit basis.

### *Syndicated Capital*

Syndicated capital is generally the aggregate amount of capital in transactions originated by KKR and its investment funds and carry-yielding co-investment vehicles, which has been distributed to third parties in exchange for a fee. It does not include (i) capital invested in such transactions by KKR investment funds and carry-yielding co-investment vehicles, which is instead reported in capital invested and (ii) debt capital that is arranged as part of the acquisition financing of transactions originated by KKR investment funds. Syndicated capital is used as a measure of investment activity for KKR and its business segments during a given period, and we believe that this measure is useful to unitholders as it provides additional insight into levels of syndication activity in KKR's Capital Markets segment and across its investment platform.

### Uncalled Commitments

Uncalled commitments are used as a measure of unfunded capital commitments that KKR's investment funds and carry-paying co-investment vehicles have received from partners to contribute capital to fund future investments. We believe this measure is useful to unitholders as it provides additional insight into the amount of capital that is available to KKR's investment funds to make future investments. Uncalled commitments are not reduced for investments completed using fund-level investment financing arrangements.

A reconciliation of Net Income (Loss) Attributable to KKR & Co. L.P. Common Unitholders on a GAAP basis to ENI, FRE and After-tax Distributable Earnings is provided below.

(\$ in thousands)	Year Ended		
	December 31, 2016	December 31, 2015	December 31, 2014
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P. Common Unitholders</b>	\$ 287,072	\$ 488,482	\$ 477,611
Plus: Preferred Distributions	22,235	—	—
Plus: Net income (loss) attributable to noncontrolling interests held by KKR Holdings L.P.	212,878	433,693	585,135
Plus: Non-cash equity-based charges	264,890	261,579	310,403
Plus: Amortization of intangibles, placement fees and other, net	(17,267)	47,599	290,348
Plus: Income tax (benefit)	24,561	66,636	63,669
<b>Economic Net Income (Loss)</b>	<b>794,369</b>	<b>1,297,989</b>	<b>1,727,166</b>
Plus: Income attributable to segment noncontrolling interests	2,336	16,007	14,946
Less: Total investment income (loss)	(78,764)	153,512	505,153
Less: Net performance income (loss)	492,371	724,701	805,553
Plus: Expenses of Principal Activities Segment	154,321	174,713	199,938
<b>Fee Related Earnings</b>	<b>537,419</b>	<b>610,496</b>	<b>631,344</b>
Plus: Net interest and dividends	134,096	208,451	273,175
Less: Expenses of Principal Activities Segment	154,321	174,713	199,938
Plus: Realized performance income (loss), net	751,233	628,083	744,879
Plus: Net realized gains (losses)	371,563	337,023	628,403
Less: Corporate and local income taxes paid	87,723	140,677	131,081
Less: Preferred Distributions	22,235	—	—
Less: Income attributable to segment noncontrolling interests	2,336	16,007	14,946
<b>After-tax Distributable Earnings</b>	<b>\$ 1,527,696</b>	<b>\$ 1,452,656</b>	<b>\$ 1,931,836</b>



## Consolidated Results of Operations

The following is a discussion of our consolidated results of operations for the years ended December 31, 2016 and 2015. You should read this discussion in conjunction with the consolidated financial statements and related notes included elsewhere in this report. For a more detailed discussion of the factors that affected the results of operations of our four business segments in these periods, see “—Segment Analysis.” On January 1, 2016, KKR adopted ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis (“ASU 2015-02”). The adoption of ASU 2015-02 resulted in the de-consolidation of most of KKR’s investment funds, but did not impact net income (loss) attributable to KKR & Co. L.P. KKR adopted this new guidance using the modified retrospective method. As a result, no retrospective adjustment is required and prior periods presented below have not been impacted.

### Year ended December 31, 2016 compared to year ended December 31, 2015

	Year Ended		
	December 31, 2016	December 31, 2015	Change
(\$ in thousands)			
<b>Revenues</b>			
Fees and Other	\$ 1,908,093	\$ 1,043,768	\$ 864,325
<b>Expenses</b>			
Compensation and Benefits	1,063,813	1,180,591	(116,778)
Occupancy and Related Charges	64,622	65,683	(1,061)
General, Administrative and Other	567,039	624,951	(57,912)
<b>Total Expenses</b>	<b>1,695,474</b>	<b>1,871,225</b>	<b>(175,751)</b>
<b>Investment Income (Loss)</b>			
Net Gains (Losses) from Investment Activities	342,897	4,672,627	(4,329,730)
Dividend Income	187,853	850,527	(662,674)
Interest Income	1,021,809	1,219,197	(197,388)
Interest Expense	(789,953)	(573,226)	(216,727)
<b>Total Investment Income (Loss)</b>	<b>762,606</b>	<b>6,169,125</b>	<b>(5,406,519)</b>
<b>Income (Loss) Before Taxes</b>	<b>975,225</b>	<b>5,341,668</b>	<b>(4,366,443)</b>
Income Taxes	24,561	66,636	(42,075)
<b>Net Income (Loss)</b>	<b>950,664</b>	<b>5,275,032</b>	<b>(4,324,368)</b>
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	(8,476)	(4,512)	(3,964)
Net Income (Loss) Attributable to Noncontrolling Interests	649,833	4,791,062	(4,141,229)
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P.</b>	<b>309,307</b>	<b>488,482</b>	<b>(179,175)</b>
Less: Net Income Attributable to Series A Preferred Unitholders	17,337	—	17,337
Less: Net Income Attributable to Series B Preferred Unitholders	4,898	—	4,898
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P. Common Unitholders</b>	<b>\$ 287,072</b>	<b>\$ 488,482</b>	<b>\$ (201,410)</b>

*Fees and Other*

For the years ended December 31, 2016 and 2015, fees and other consisted of the following:

	Year Ended		
	December 31, 2016	December 31, 2015	Change
Management Fees	\$ 619,243	\$ 201,006	\$ 418,237
Transaction Fees	350,091	354,895	(4,804)
Monitoring Fees	146,967	336,159	(189,192)
Fee Credits	(128,707)	(17,351)	(111,356)
Carried Interest	803,185	—	803,185
Incentive Fees	8,709	16,415	(7,706)
Oil and Gas Revenue	65,754	112,328	(46,574)
Consulting Fees	42,851	40,316	2,535
<b>Total Fees and Other</b>	<b>\$ 1,908,093</b>	<b>\$ 1,043,768</b>	<b>\$ 864,325</b>

On January 1, 2016, KKR adopted ASU 2015-02, which resulted in the de-consolidation of most of KKR's investment funds that had been consolidated prior to such date. When an investment fund is consolidated, management fees, fee credits and carried interest earned from consolidated funds are eliminated in consolidation and as such are not recorded in Fees and Other. The economic impact of these management fees, fee credits and carried interests that are eliminated is reflected as an adjustment to noncontrolling interests and has no impact to Net Income Attributable to KKR & Co. L.P. As a result of the de-consolidation of most of our investment funds, the management fees, fee credits and carried interests associated with funds that had previously been consolidated are included in Fees and Other beginning on January 1, 2016 as such amounts are no longer eliminated. For a discussion of other factors that affected fees and other, see "--Segment Analysis."

The increases in carried interest, management fees and fee credits are primarily due to activity from funds that are no longer consolidated as described above. For a more detailed discussion of the factors that affected our carried interest, management fees and fee credits during the period, see "--Segment Analysis."

The carried interest gains earned during the year ended December 31, 2016 were due primarily to an overall increase in the value of our private equity portfolio. For a more detailed discussion of the factors that affected our Private Markets carried interest during the period, see "--Segment Analysis -- Private Markets -- Segment Revenues -- Performance Income."

These increases were partially offset by a decrease in monitoring fees in our Private Markets business as discussed in greater detail in "--Segment Analysis -- Private Markets -- Segment Revenues -- Management, Monitoring and Transaction Fees, Net."

The decrease in oil and gas revenue was due primarily to lower production volumes and a lower price of oil in the year ended December 31, 2016 compared to the year ended December 31, 2015.

*Compensation and Benefits Expenses*

The decrease was primarily due to lower carry pool allocations reflecting a lower level of appreciation in the value of our private equity portfolio during the year ended December 31, 2016 compared to the year ended December 31, 2015.

*General Administrative and Other Expenses*

The decrease was primarily due to (i) a reduction in the fair value of the contingent consideration liability related to the acquisition of Prisma from \$46.6 million to zero since it was determined that it was no longer probable that the sellers (certain of whom are employees of KKR) of Prisma would be entitled to any future additional payment under the arrangement, (ii) a decrease in the expenses of our consolidated oil and gas producing entities due to (a) a \$54.0 million impairment charge incurred during the year ended December 31, 2015 compared to a \$6.2 million charge incurred during the year ended December 31, 2016 and (b) a decrease in depreciation, depletion and amortization of our consolidated oil and gas producing entities caused by a lower cost basis due to previously recorded impairments and lower production volumes compared to the

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prior period. These decreases were partially offset by (i) an increase in placement fees incurred in connection with capital raising activity, the most significant of which relates to Americas Fund XII and (ii) financing costs incurred relating to debt at new consolidated CLOs for which the fair value option has been elected.

#### *Net Gains (Losses) from Investment Activities*

On January 1, 2016, KKR adopted ASU 2015-02, which resulted in the de-consolidation of most of KKR's investment funds that had been consolidated prior to such date. Effective with the adoption of ASU 2015-02, the Net Gains (Losses) from Investment Activities attributed to third party limited partners in our investment funds that had previously been consolidated are not included in the statement of operations.

The following is a summary of net gains (losses) from investment activities:

	Year Ended December 31,	
	2016	2015
	(\$ in thousands)	
Private Equity Investments	\$ 109,288	\$ 5,592,970
Credit & Other Investments	(821,542)	(661,112)
Investments of Consolidated CFE's	185,712	(274,944)
Real Assets Investments	229,398	(444,186)
Debt Obligations	14,665	(60,145)
Other Net Gains (Losses) from Investment Activities	625,376	520,044
Net Gains (Losses) from Investment Activities	<u>\$ 342,897</u>	<u>\$ 4,672,627</u>

The net gains from investment activities for the year ended December 31, 2016 were comprised of net realized gains of \$347.1 million and net unrealized losses of \$(4.2) million. For the year ended December 31, 2016, net realized gains were comprised primarily of the net impact of (i) realized gains on sales of private equity investments held directly by KKR, including the partial sales of Walgreens Boots Alliance, Inc. (NASDAQ: WBA), Zimmer Biomet Holdings, Inc. (NYSE: ZBH), and HCA Holdings, Inc. (NYSE: HCA); (ii) realized losses in connection with our investment in Samson Resources (energy sector); (iii) realized losses on assets held at consolidated CLOs and (iv) realized gains on debt held at consolidated CLOs. For the year ended December 31, 2016, net unrealized losses were driven primarily by (i) mark-to-market losses in our private equity portfolio held directly by KKR including unrealized losses in First Data Corporation (NYSE: FDC), (ii) mark-to-market losses on assets in our consolidated special situations funds, (iii) mark-to-market losses on debt held through consolidated CMBS and (iv) the reversal of unrealized gains on the partial sales of Walgreens Boots Alliance, Inc., Zimmer Biomet Holdings, Inc. and HCA Holdings, Inc., as well as the reversal of unrealized gains on debt realizations at our consolidated CLOs. Offsetting these unrealized losses were unrealized gains, the most significant of which were unrealized gains relating to (i) the reversal of unrealized losses in connection with our investment in Samson Resources, (ii) reversals of unrealized losses on asset realizations in our consolidated CLOs and (iii) mark-to-market gains on investments held through consolidated CMBS structures. For a discussion of other factors that affected KKR's investment income, see "--Segment Analysis."

For the year ended December 31, 2015, the most significant driver of the net investment gains related to gains and losses at KKR's consolidated private equity funds as discussed in greater detail in "--Segment Analysis -- Private Markets -- Segment Revenues -- Performance Income."

#### *Dividend Income*

On January 1, 2016, KKR adopted ASU 2015-02, which resulted in the de-consolidation of most of KKR's investment funds that had been consolidated prior to such date. Effective with the adoption of ASU 2015-02, dividends received from our investment funds that had previously been consolidated are not included in the statement of operations.

The decrease was primarily due to a decrease associated with investment funds no longer being consolidated in the 2016 period as a result of the adoption of ASU 2015-02. During the year ended December 31, 2016 significant dividends received included \$51.5 million from our consolidated special situations funds and dividends from US Foods Holding Corp. of \$23.4 million, Sedgwick Claims Management Services (financial services sector) of \$12.7 million and PRA Health Sciences, Inc. (NASDAQ: PRAH) of \$4.1 million. During the year ended December 31, 2015 we received dividends of \$123.7 million from WMF (consumer products sector), \$114.9 million from CITIC Envirotech Ltd. (SP: CEL), \$86.2 million from MMI Holdings

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Limited (technology sector), \$80.5 million from Academy Ltd. (retail sector), \$65.9 million from Aricent Inc. (technology sector) and an aggregate of \$379.3 million of dividends from other investments. Significant dividends from portfolio companies are generally not recurring quarterly dividends, and while they may occur in the future, their size and frequency are variable. For a discussion of other factors that affected KKR's dividend income, see "--Segment Analysis."

*Interest Income*

On January 1, 2016, KKR adopted ASU 2015-02, which resulted in the de-consolidation of most of KKR's investment funds that had been consolidated prior to such date. Effective with the adoption of ASU 2015-02, interest income received from our investment funds that had previously been consolidated is not included in the statement of operations.

The decrease was primarily due to investment funds (primarily those that are credit-oriented) no longer being consolidated in the 2016 period as a result of the adoption of ASU 2015-02. This decrease was partially offset by the consolidation of CMBS entities beginning in the second quarter of 2015 as well as interest earned on new CMBS loans acquired by KKR Real Estate Finance Trust Inc. For a discussion of other factors that affected KKR's interest income, see "--Segment Analysis."

*Interest Expense*

On January 1, 2016, KKR adopted ASU 2015-02, which resulted in the de-consolidation of most of KKR's investment funds that had been consolidated prior to such date. Effective with the adoption of ASU 2015-02, interest expense incurred by our investment funds that had previously been consolidated is not included in the statement of operations.

The increase was primarily due to (i) the consolidation of CMBS entities beginning in the second quarter of 2015, (ii) increased CMBS borrowings by KKR Real Estate Finance Trust Inc. and (iii) interest expense associated with certain notes issued by consolidated CLOs of KFN being called for redemption. Third party CLO subordinated note holders receive the residual interest after all other payments have been made and as a result of a paydown made in August 2016, KKR recorded interest expense of \$59.9 million. In addition, an incremental \$8.8 million of accelerated accretion of debt discounts was recorded in connection with the notes of this CLO being called for redemption. These increases were partially offset by a decrease in interest expense associated with financing facilities at investment funds no longer being consolidated in the first half of 2016 as a result of the adoption of ASU 2015-02 and to a lesser extent the redemption of KFN's 8.375% Notes due 2041 in November 2016. For a discussion of other factors that affected KKR's interest expense, see "--Segment Analysis."

*Income (Loss) Before Taxes*

The decrease for the year ended December 31, 2016, was due primarily to the adoption of ASU 2015-02 which resulted in the de-consolidation of most of KKR's investments funds that had been consolidated prior to such date, as described above.

*Income Taxes*

The decrease is due primarily to a lower level of fees earned by our management companies and a lower level of unrealized carried interest gains accrued by certain fund entities during the year ended December 31, 2016.

*Net Income (Loss) Attributable to Noncontrolling Interests*

Net income attributable to noncontrolling interests for the year ended December 31, 2016 relates primarily to net income attributable to KKR Holdings L.P. representing its ownership interests in the KKR Group Partnerships and to those investment funds that we consolidate. The decrease from the prior period is due primarily to noncontrolling interests attributed to third party limited partners in our investment funds that had previously been consolidated, but which are not included in the statement of operations effective with the adoption of ASU 2015-02 on January 1, 2016.

*Net Income (Loss) Attributable to KKR & Co. L.P.*

The decrease for the year ended December 31, 2016, was due primarily to a lower level of investment income, carried interest and fee income attributable to KKR & Co. L.P. as compared to the prior year.

*Year ended December 31, 2015 compared to year ended December 31, 2014*

	Year Ended		
	December 31, 2015	December 31, 2014	Change
(\$ in thousands)			
<b>Revenues</b>			
Fees and Other	\$ 1,043,768	\$ 1,110,008	\$ (66,240)
<b>Expenses</b>			
Compensation and Benefits	1,180,591	1,263,852	(83,261)
Occupancy and Related Charges	65,683	62,564	3,119
General, Administrative and Other	624,951	869,651	(244,700)
<b>Total Expenses</b>	<b>1,871,225</b>	<b>2,196,067</b>	<b>(324,842)</b>
<b>Investment Income (Loss)</b>			
Net Gains (Losses) from Investment Activities	4,672,627	4,778,232	(105,605)
Dividend Income	850,527	1,174,501	(323,974)
Interest Income	1,219,197	909,207	309,990
Interest Expense	(573,226)	(317,192)	(256,034)
<b>Total Investment Income (Loss)</b>	<b>6,169,125</b>	<b>6,544,748</b>	<b>(375,623)</b>
<b>Income (Loss) Before Taxes</b>	<b>5,341,668</b>	<b>5,458,689</b>	<b>(117,021)</b>
<b>Income Tax / (Benefit)</b>	<b>66,636</b>	<b>63,669</b>	<b>2,967</b>
<b>Net Income (Loss)</b>	<b>5,275,032</b>	<b>5,395,020</b>	<b>(119,988)</b>
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	(4,512)	(3,341)	(1,171)
Net Income (Loss) Attributable to Noncontrolling Interests and Appropriated Capital	4,791,062	4,920,750	(129,688)
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P.</b>	<b>\$ 488,482</b>	<b>\$ 477,611</b>	<b>\$ 10,871</b>

*Fees and Other*

The net decrease was primarily due to (i) an \$87.5 million decrease in transaction fees, (ii) a \$74.5 million decrease in revenues earned by consolidated oil and gas producing entities and (iii) a \$34.3 million decrease in incentive fees. These decreases were partially offset by a \$145.6 million increase in monitoring fees. The decrease in transaction fees was primarily attributable to a decrease in both our Private Markets segment and Capital Markets segment. In our Private Markets segment the decreases were primarily attributable to a decrease in the average fee earned on completed investments. During the year ended December 31, 2015, in our Private Markets segment there were 37 transaction fee-generating investments paying an average fee of \$3.9 million compared to 33 transaction fee-generating investments paying an average fee of \$6.5 million during the year ended December 31, 2014. Transaction fees vary by investment based upon a number of factors, the most significant of which are transaction size, the particular discussions as to the amount of the fees, the complexity of the transaction and KKR's role in the transaction. In our Capital Markets segment transaction fees decreased primarily due to a decrease in the number and size of capital markets transactions for the year ended December 31, 2015 compared to the year ended December 31, 2014. We completed 116 capital markets transactions for the year ended December 31, 2015 of which 16 represented equity offerings and 100 represented debt offerings, as compared to 139 transactions for the year ended December 31, 2014 of which 15 represented equity offerings and 124 represented debt offerings. The decrease in revenue earned by consolidated oil and gas producing entities was primarily the result of a decrease in oil prices for the year ended December 31, 2015 as compared to the prior period, and to a lesser extent, reduced production volumes that resulted from assets sold in the third and fourth quarters of 2014, partially offset by revenues of oil and gas producing entities of KFN, which was acquired on April 30, 2014. The

decrease in incentive fees was due primarily to a decrease in incentive fees received from KFN as a result of our acquisition of it on April 30, 2014, as incentive fees from KFN after that date were eliminated from segment results, as well as lower incentive fees in our hedge fund-of-funds platform and European credit platform driven by less favorable financial performance in the current year. The increase in monitoring fees was primarily the result of \$198.8 million of monitoring fees received during 2015 from the termination of monitoring fee arrangements in connection with the initial public offering (IPO) or partial exits of First Data Corporation (NYSE: FDC), Walgreens Boots Alliance, Inc. (NASDAQ: WBA), J.M. Smucker Company (NYSE: SJM), Zimmer Biomet Holdings, Inc. (NYSE: ZBH) and GoDaddy, Inc. (NYSE: GDDY) compared to approximately \$23.2 million of such fees received during the year ended December 31, 2014. These types of termination payments may occur in the future; however, they are infrequent in nature and are generally correlated with IPO and other realization activity in our private equity portfolio. This increase in monitoring fees from termination payments was partially offset by a decrease in recurring monitoring fees of \$46.1 million. The decrease in recurring monitoring fees was primarily the result of a decrease in the number of portfolio companies paying a monitoring fee and a decrease in the average size of the fee. For the year ended December 31, 2015, we had 43 portfolio companies that were paying an average monitoring fee of \$1.5 million compared with 50 portfolio companies that were paying an average monitoring fee of \$2.2 million for the year ended December 31, 2014. In future periods, we anticipate that recurring monitoring fees will continue to decrease as a result of realizations and other transactions such as initial public offerings, if not offset by additional portfolio companies paying recurring monitoring fees.

#### Expenses

The decrease was primarily due to a decrease in general administrative and other expense of \$244.7 million and a decrease in compensation and benefits of \$83.3 million. The decrease in general administrative and other expense was primarily attributable to (i) a lower level of impairment charges relating to long-lived assets at our consolidated oil and gas producing entities during the year ended December 31, 2015 as compared to the year ended December 31, 2014, (ii) a decrease in operating expenses of our consolidated oil and gas producing entities that resulted primarily from assets sold in the third and fourth quarters of 2014 and a reduction in depreciation in 2015 as a result of an impairment of the long-lived assets of these entities in the fourth quarter of 2014 and (iii) non-recurring amounts accrued for litigation in 2014. The decrease in compensation and benefits was due primarily to (i) lower carry pool allocations as a result of the recognition of a lower level of carried interest during the year ended December 31, 2015 as compared to the year ended December 31, 2014, (ii) lower equity-based compensation related to KKR Holdings reflecting fewer KKR Holdings units vesting for expense recognition purposes and a lower level of amounts allocated to principals in excess of such principal's vested equity interests. These decreases were partially offset by (i) an increase in cash compensation reflecting a higher level of fees which generally results in higher compensation expense and (ii) higher equity-based compensation relating primarily to additional equity grants under the Equity Incentive Plan.

#### Net Gains (Losses) from Investment Activities

The following is a summary of net gains (losses) from investment activities:

	Year Ended December 31,	
	2015	2014
	(\$ in thousands)	
Net Gains (Losses) from Private Equity Investments	\$ 5,592,970	\$ 4,586,193
Other Net Gains (Losses) from Investment Activities <sup>(1)</sup>	(920,343)	192,039
Net Gains (Losses) from Investment Activities	\$ 4,672,627	\$ 4,778,232

(1) The 2015 amount includes a realized loss of approximately \$2 billion on a consolidated basis relating to the write-off of Energy Future Holdings (energy sector) which had previously been marked at zero on an unrealized basis. Accordingly, this write-off had no impact on our Net Gains (Losses) from Investment Activities during the year ended December 31, 2015.

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The majority of our net gains (losses) from investment activities relate to our private equity portfolio. The following is a summary of the components of net gains (losses) from investment activities for private equity investments which illustrates the variances from the prior period. See “—Segment Analysis—Private Markets Segment” for further information regarding gains and losses in our private equity portfolio.

	Year Ended December 31,	
	2015	2014
	(\$ in thousands)	
Realized Gains	\$ 4,701,511	\$ 6,224,683
Unrealized Losses from Sales of Investments and Realization of Gains (a)	(4,024,214)	(6,278,529)
Realized Losses	(248,918)	(1,238,897)
Unrealized Gains from Sales of Investments and Realization of Losses (b)	239,587	1,233,070
Unrealized Gains from Changes in Fair Value	9,669,247	9,218,981
Unrealized Losses from Changes in Fair Value	(4,744,243)	(4,573,115)
Net Gains (Losses) from Investment Activities - Private Equity Investments	\$ 5,592,970	\$ 4,586,193

(a) Amounts represent the reversal of previously recognized unrealized gains in connection with realization events where such gains become realized.

(b) Amounts represent the reversal of previously recognized unrealized losses in connection with realization events where such losses become realized.

A significant driver of net gains (losses) from investment activities for the year ended December 31, 2015 was related to unrealized gains and losses from changes in fair value in our private equity investments. The net increase in the value of our private markets portfolio was driven primarily by net unrealized gains of \$1.8 billion, \$1.5 billion and \$0.9 billion in our 2006 Fund, North America Fund XI and Asian Fund II, respectively. For the year ended December 31, 2015, the value of our private equity investment portfolio increased 14.2%. This was comprised of a 19.5% increase in the share prices of various publicly held or publicly indexed investments and a 9.3% increase in value of our privately held investments. The most significant increases in share prices of various publicly held or publicly indexed investments were gains in Walgreens Boots Alliance, Inc., PRA Health Sciences, Inc. (NASDAQ: PRAH) and GoDaddy, Inc. These increases were partially offset by decreased share prices of various publicly held investments, the most significant of which were RigNet (NASDAQ: RNET), HCA Holdings, Inc. (NYSE: HCA) and CITIC Envirotech Ltd. (SP: CEL). Subsequent to December 31, 2015, world equity markets declined sharply with both the S&P 500 and the MSCI World Index down on a total return basis, including dividends, as of February 22, 2016. See “--Business Environment”. Our privately held investments contributed the remainder of the change in value, the most significant of which were gains relating to Panasonic Healthcare Co. Ltd (healthcare sector), Capital Safety Group (industrial sector) and Alliant Insurance Services (financial services sector). The unrealized gains on our privately held investments were partially offset by unrealized losses relating primarily to BIS Industries Ltd. (industrial sector), Acteon Group Ltd (energy sector) and Aceco TI S.A. (technology sector). The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) in the case of Capital Safety Group and Alliant Insurance Services, valuations that reflect agreements to sell these investments in whole or in part, (ii) an increase in the value of market comparables and (iii) individual company performance. The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) individual company performance or, in certain cases, an unfavorable business outlook and (ii) a decrease in the value of market comparables.

A significant driver of net gains (losses) from investment activities for the year ended December 31, 2014 was related to unrealized gains and losses from changes in fair value in our private equity investments. The net unrealized investment gains in our private equity portfolio were driven primarily by net unrealized gains of \$2.2 billion, \$1.2 billion and \$1.1 billion in our 2006 Fund, European Fund III and North America Fund XI, respectively. Approximately 23% of the net change in value for the year ended December 31, 2014 was attributable to changes in share prices of various publicly-listed investments, the most significant of which were gains on PRA Health Sciences, Inc., HCA Holdings, Inc., NXP Semiconductors N.V. (NASDAQ: NXPI) and Yageo Corporation (TW: 2327). These increases were partially offset by decreased share prices of various publicly held investments, the most significant of which were Tarkett S.A. (PA: TKTT), ProSiebenSat.1 Media AG (XETRA: PSM) and China Greenland Rundong Auto Group Ltd (HK: 1365). Our privately-held investments contributed the remainder of the change in value, the most significant of which were gains relating to Alliance Boots GmbH (healthcare sector), Biomet, Inc. (healthcare sector) and WILD Flavors GmbH (consumer products sector). The unrealized gains on our privately-held investments were partially offset by unrealized losses relating primarily to Northgate Information Solutions (technology sector), Samson Resources (energy sector) and Toys R Us (retail sector). The unrealized gains were also offset by unrealized losses in our energy assets from our Natural Resources Fund and Energy Income and Growth Fund of approximately \$352 million. The increased valuations of individual companies in our privately-held investments, in the aggregate, generally related to (i) an increase in the value of market comparables and individual company performance, (ii) in the case of WILD

Flavors GmbH and Biomet, Inc., an increase that primarily reflected agreements to sell these investments, with the sale of WILD Flavors GmbH completed in October 2014, and (iii) in the case of Alliance Boots GmbH, primarily due to an agreement to exit the investment and to a lesser extent an increase in the value of a publicly traded stock that was expected to be delivered pursuant to this agreement, which was completed on December 31, 2014. The decreased valuations of individual companies in our privately-held investments, in the aggregate, generally related to individual company performance or, in certain cases, an unfavorable business outlook. The decreased valuation of energy assets are generally related to decreases in commodity prices.

#### *Dividend Income*

During the year ended December 31, 2015 we received dividends of \$123.7 million from WMF (consumer products sector), \$114.9 million from CITIC Envirotech Ltd., \$86.2 million from MMI Holdings Limited (technology sector), \$80.5 million from Academy Ltd. (retail sector), \$65.9 million from Aricent Inc. (technology sector) and an aggregate of \$379.3 million of dividends from other investments. During the year ended December 31, 2014, we received dividends of \$178.6 million from Visma (technology sector), \$171.6 million from Capsugel (manufacturing sector), \$162.1 million from Capital Safety Group, \$87.7 million from WMF and an aggregate of \$574.5 million of dividends from other investments. Significant dividends from portfolio companies are generally not recurring quarterly dividends, and while they may occur in the future, their size and frequency are variable.

#### *Interest Income*

The increase was primarily due to a net increase in (i) the amount of credit instruments in our consolidated Public Markets investment vehicles, including growth in our CLO platform when compared to the prior period, (ii) the consolidation of CMBS entities beginning in the second quarter of 2015, and (iii) the acquisition of KFN on April 30, 2014 which did not contribute to our interest income for the first four months of 2014.

#### *Interest Expense*

The increase was primarily due to (i) increased interest expense in connection with the growth of our CLO platforms, the majority of which are consolidated, (ii) interest expense on our 2044 Senior Notes issued on May 29, 2014 and an additional issuance of such notes on March 18, 2015, (iii) increased interest expense related to financing facilities entered into by our consolidated investment funds for purposes of financing their operating and investing activities, (iv) the consolidation of CMBS entities beginning in the second quarter of 2015 and (v) the acquisition of KFN on April 30, 2014 which did not contribute to our interest expense for the first four months of 2014.

#### *Income (Loss) Before Taxes*

The decrease was primarily due to lower investment income and lower fees and other, partially offset by lower expenses, as described above.

#### *Income Tax (Benefit)*

Income taxes for the year ended December 31, 2015 remained largely unchanged from the year ended December 31, 2014. Because certain investment funds owned by the KKR Group Partnerships are subject to corporate taxes, unrealized losses recognized by those funds during 2015 offset an increase in KKR & Co. L.P.'s weighted average ownership percentage in the KKR Group Partnerships, which increased from approximately 49.5% for the year ended December 31, 2014 to approximately 54.9% for the year ended December 31, 2015. The increase in ownership, primarily the result of exchanges of units in KKR Holdings for KKR common units during 2015, subjects a greater level of income to corporate taxes.

#### *Net Income (Loss) Attributable to Noncontrolling Interests and Appropriated Capital*

The decrease was primarily driven by lower investment income as described above and a decrease in KKR Holdings' weighted average ownership percentage in the KKR Group Partnerships from approximately 50.5% for the year ended December 31, 2014 to approximately 45.1% for the year ended December 31, 2015. This decrease in ownership percentage is primarily due to exchanges of units in KKR Holdings for KKR common units during the year.



*Net Income (Loss) Attributable to KKR & Co. L.P.*

Net income attributable to KKR & Co L.P. for the year ended December 31, 2015 remained largely unchanged from the year ended December 31, 2014 due to the net impact of lower investment income as described above, which was offset by an increase in KKR & Co. L.P.'s weighted average ownership percentage in the KKR Group Partnerships from approximately 49.5% for the year ended December 31, 2014 to approximately 54.9% for the year ended December 31, 2015.

**Consolidated Statements of Financial Condition**

The following tables provide the Consolidated Statements of Financial Condition on a GAAP Basis as of December 31, 2016 and December 31, 2015.

(Amounts in thousands, except common unit and per common unit amounts)

	As of December 31, 2016	As of December 31, 2015
<b>Assets</b>		
Cash and Cash Equivalents	\$ 2,508,902	\$ 1,047,740
Investments	31,409,765	65,305,931
Other	5,084,230	4,688,668
<b>Total Assets</b>	<b>39,002,897</b>	<b>71,042,339</b>
<b>Liabilities and Equity</b>		
Debt Obligations	18,544,075	18,714,597
Other Liabilities	3,340,739	2,860,157
<b>Total Liabilities</b>	<b>21,884,814</b>	<b>21,574,754</b>
<b>Redeemable Noncontrolling Interests</b>	<b>632,348</b>	<b>188,629</b>
<b>Equity</b>		
Series A Preferred Units	332,988	—
Series B Preferred Units	149,566	—
KKR & Co. L.P. Capital - Common Unitholders	5,457,279	5,547,182
Noncontrolling Interests	10,545,902	43,731,774
<b>Total Equity</b>	<b>16,485,735</b>	<b>49,278,956</b>
<b>Total Liabilities and Equity</b>	<b>\$ 39,002,897</b>	<b>\$ 71,042,339</b>
<b>KKR &amp; Co. L.P. Capital Per Outstanding Common Unit - Basic</b>	<b>\$ 12.06</b>	<b>\$ 12.12</b>

### ***Consolidated Statement of Cash Flows***

The accompanying consolidated statements of cash flows include the cash flows of our consolidated entities which include certain consolidated investment funds and CFEs notwithstanding the fact that we may hold only a minority economic interest in those funds and CFEs.

On January 1, 2016, KKR adopted ASU 2015-02 which resulted in the de-consolidation of most of KKR's investment funds. KKR adopted this new guidance using the modified retrospective method. As a result, no retrospective adjustment is required and prior periods discussed below have not been impacted.

The assets of our consolidated funds and CFEs, on a gross basis, can be substantially larger than the assets of our business and, accordingly, could have a substantial effect on the cash flows reflected in our consolidated statements of cash flows. The primary cash flow activities of our consolidated funds and CFEs involve: (i) capital contributions from fund investors; (ii) using the capital of fund investors to make investments; (iii) financing certain investments with indebtedness; (iv) generating cash flows through the realization of investments; and (v) distributing cash flows from the realization of investments to fund investors. Because our consolidated funds and CFEs are treated as investment companies for accounting purposes, certain of these cash flow amounts are included in our cash flows from operations.

#### *Net Cash Provided by (Used in) Operating Activities*

Our net cash provided by (used in) operating activities was \$(1.6) billion, \$0.4 billion and \$1.5 billion during the years ended December 31, 2016, 2015 and 2014, respectively. These amounts primarily included: (i) proceeds from sales of investments net of purchases of investments of \$(1.2) billion, \$(0.7) billion and \$1.0 billion during the years ended December 31, 2016, 2015 and 2014, respectively; (ii) net realized gains (losses) on investments of \$0.3 billion, \$3.0 billion and \$5.4 billion during the years ended December 31, 2016, 2015 and 2014, respectively; and (iii) change in unrealized gains (losses) on investments of \$(4.2) million, \$1.7 billion and \$(0.7) billion during the years ended December 31, 2016, 2015 and 2014, respectively. Investment funds are, for GAAP purposes, investment companies and reflect their investments and other financial instruments at fair value.

#### *Net Cash Provided by (Used in) Investing Activities*

Our net cash provided by (used in) investing activities was \$(62.5) million, \$(425.2) million and \$(22.9) million during the years ended December 31, 2016, 2015 and 2014, respectively. Our investing activities included: (i) a change in restricted cash and cash equivalents (that primarily funds collateral requirements) of \$1.4 million, \$(164.6) million and \$(10.8) million during the years ended December 31, 2016, 2015 and 2014, respectively; (ii) the purchases of fixed assets of \$(62.7) million, \$(169.4) million and \$(12.2) million during the years ended December 31, 2016, 2015 and 2014, respectively; (iii) proceeds from sales of oil and natural gas properties, net of development of oil and natural gas properties of \$(1.3) million, \$(91.1) million and \$(151.4) million for the years ended December 31, 2016, 2015 and 2014, respectively; and (iv) net of cash acquired of \$151.5 million for the year ended December 31, 2014.

#### *Net Cash Provided by (Used in) Financing Activities*

Our net cash provided by (used in) financing activities was \$3.1 billion, \$0.2 billion and \$(1.9) billion during the years ended December 31, 2016, 2015 and 2014, respectively. Our financing activities primarily included: (i) distributions to, net of contributions by, our noncontrolling and redeemable noncontrolling interests of \$0.9 billion, \$(7.0) billion and \$(2.7) billion during the years ended December 31, 2016, 2015 and 2014, respectively; (ii) proceeds received net of repayment of debt obligations of \$2.4 billion, \$8.1 billion and \$1.7 billion during the years ended December 31, 2016, 2015 and 2014, respectively; (iii) distributions to our partners of \$(285.4) million, \$(706.6) million and \$(785.0) million during the years ended December 31, 2016, 2015 and 2014, respectively; (iv) net delivery of common units of \$(50.5) million, \$15.2 million and \$(8.8) million during the years ended December 31, 2016, 2015 and 2014, respectively; (v) unit repurchases of \$(296.8) million and \$(161.9) million during the years ended December 31, 2016 and 2015; (vi) issuance of Preferred Units of \$482.6 million during the year ended December 31, 2016 and (vii) Preferred Units distributions of \$(22.2) million during the year ended December 31, 2016.

## Segment Analysis

The following is a discussion of the results of our four reportable business segments for the years ended December 31, 2016, 2015 and 2014. You should read this discussion in conjunction with the information included under “—Basis of Financial Presentation—Segment Operating and Performance Measures” and the consolidated financial statements and related notes included elsewhere in this report.

As of December 31, 2015, KKR’s management reevaluated the manner in which it made operational and resource deployment decisions and assessed the overall performance of each of KKR’s operating segments. As a result, as of December 31, 2015, KKR modified the presentation of its segment financial information relative to the presentation in prior periods. In addition, since becoming a public company, our Principal Activities assets have grown in significance and are a meaningful contributor to our financial results.

Certain of the more significant changes between KKR’s current segment presentation and its segment presentation reported prior to December 31, 2015, are described in the following commentary.

### *Inclusion of a Fourth Segment*

All income (loss) on investments is attributed to the Principal Activities segment. Prior to December 31, 2015, income on investments held directly by KKR was reported in the Private Markets segment, Public Markets segment or Capital Markets segment based on the character of the income generated. For example, income from private equity investments was previously included in the Private Markets segment. However, the financial results of acquired businesses and strategic partnerships have been reported in our other segments.

### *Expense Allocations*

As of December 31, 2015, we have changed the manner in which expenses are allocated among our operating segments. Specifically, as described below, (i) a portion of expenses, except for broken deal expenses, previously reflected in our Private Markets, Public Markets or Capital Markets segments are now reflected in the Principal Activities segment and (ii) corporate expenses are allocated across all segments.

#### *Expenses Allocated to Principal Activities*

A portion of our cash compensation and benefits, occupancy and related charges and other operating expenses previously included in the Private Markets, Public Markets and Capital Markets segments is now allocated to the Principal Activities segment. The Principal Activities segments incurs its own direct costs, and an allocation from the other segments is also made to reflect the estimated amount of costs that are necessary to operate our Principal Activities segment, which are incremental to those costs incurred directly by the Principal Activities segment. The total amount of expenses (other than its direct costs) that is allocated to Principal Activities is based on the proportion of revenue earned by Principal Activities, relative to other operating segments, over the preceding four calendar years. This allocation percentage is updated annually or more frequently if there are material changes to our business. The method for expense allocation to be used in 2017 to allocate expense to the Principal Activities segment is currently being re-evaluated, and the percentage used to allocate such expenses for 2017 has currently not been determined. Below is a summary of the allocation to Principal Activities, relative to other operating segments, for the years ended December 31, 2016, 2015 and 2014:

- 2016 Allocation: 22.6%, based on revenues earned in 2015, 2014, 2013 and 2012
- 2015 Allocation: 25.4%, based on revenues earned in 2014, 2013, 2012 and 2011
- 2014 Allocation: 31.7%, based on revenues earned in 2013, 2012, 2011 and 2010

Once the total amount of expense to be allocated to the Principal Activities segment is estimated for each reporting period, the amount of this expense will be allocated from the Private Markets, Public Markets and Capital Markets segments based on the proportion of headcount in each of these three segments.

*Allocations of Corporate Overhead*

Corporate expenses are allocated to each of the Private Markets, Public Markets, Capital Markets and Principal Activities segments based on the proportion of revenues earned by each segment over the preceding four calendar years. In our segment presentation reported prior to December 31, 2015, all corporate expenses were allocated to the Private Markets segment. Below is a summary of the allocations to each of our operating segments for the years ended December 31, 2016, 2015 and 2014.

Segment	Expense Allocation		
	2016	2015	2014
Private Markets	61.6%	58.7%	56.2%
Public Markets	10.1%	9.8%	7.1%
Capital Markets	5.7%	6.1%	5.0%
Principal Activities	22.6%	25.4%	31.7%
Total Reportable Segments	100.0%	100.0%	100.0%
Based on revenue earned in	2015, 2014, 2013 & 2012	2014, 2013, 2012 & 2011	2013, 2012, 2011 & 2010

In connection with these modifications, segment information for the year ended December 31, 2014 has been presented in this Annual Report on Form 10-K in conformity with KKR's current segment presentation. Consequently, this information will not be consistent with historical segment financial results previously reported. While the modified segment presentation impacted the amount of economic net income reported by each operating segment, it had no impact on KKR's economic net income on a total reportable segment basis.

**Private Markets Segment**

The following tables set forth information regarding the results of operations and certain key operating metrics for our Private Markets segment for the years ended December 31, 2016 and 2015.

**Year ended December 31, 2016 compared to year ended December 31, 2015**

	Year Ended		
	December 31, 2016	December 31, 2015	Change
	(\$ in thousands)		
<b>Segment Revenues</b>			
<b>Management, Monitoring and Transaction Fees, Net</b>			
Management Fees	\$ 466,422	\$ 465,575	\$ 847
Monitoring Fees	64,354	264,643	(200,289)
Transaction Fees	132,602	144,652	(12,050)
Fee Credits	(103,579)	(195,025)	91,446
<b>Total Management, Monitoring and Transaction Fees, Net</b>	<b>559,799</b>	<b>679,845</b>	<b>(120,046)</b>
<b>Performance Income</b>			
Realized Incentive Fees	—	—	—
Realized Carried Interest	1,252,370	1,018,201	234,169
Unrealized Carried Interest	(416,060)	182,628	(598,688)
<b>Total Performance Income</b>	<b>836,310</b>	<b>1,200,829</b>	<b>(364,519)</b>
<b>Investment Income (Loss)</b>			
Net Realized Gains (Losses)	—	—	—
Net Unrealized Gains (Losses)	—	—	—
Total Realized and Unrealized	—	—	—
Interest Income and Dividends	—	—	—
Interest Expense	—	—	—
Net Interest and Dividends	—	—	—
<b>Total Investment Income (Loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Segment Revenues</b>	<b>1,396,109</b>	<b>1,880,674</b>	<b>(484,565)</b>
<b>Segment Expenses</b>			
<b>Compensation and Benefits</b>			
Cash Compensation and Benefits	194,240	193,995	245
Realized Performance Income Compensation	523,448	407,280	116,168
Unrealized Performance Income Compensation	(159,786)	74,560	(234,346)
Total Compensation and Benefits	557,902	675,835	(117,933)
Occupancy and related charges	35,785	33,640	2,145
Other operating expenses	135,425	127,836	7,589
<b>Total Segment Expenses</b>	<b>729,112</b>	<b>837,311</b>	<b>(108,199)</b>
Income (Loss) attributable to noncontrolling interests	—	1,645	(1,645)
<b>Economic Net Income (Loss)</b>	<b>\$ 666,997</b>	<b>\$ 1,041,718</b>	<b>\$ (374,721)</b>
<b>Assets Under Management</b>	<b>\$ 73,815,500</b>	<b>\$ 66,028,600</b>	<b>\$ 7,786,900</b>
<b>Fee Paying Assets Under Management</b>	<b>\$ 52,204,800</b>	<b>\$ 45,307,400</b>	<b>\$ 6,897,400</b>
<b>Capital Invested</b>	<b>\$ 6,344,000</b>	<b>\$ 6,279,500</b>	<b>\$ 64,500</b>
<b>Uncalled Commitments</b>	<b>\$ 31,478,700</b>	<b>\$ 22,766,300</b>	<b>\$ 8,712,400</b>



## ***Segment Revenues***

### ***Management, Monitoring and Transaction Fees, Net***

The net decrease was primarily due to a decrease in monitoring fees of \$200.3 million and a decrease in transaction fees of \$12.1 million, partially offset by a corresponding decrease in fee credits of \$91.4 million. The decrease in monitoring fees was primarily the result of \$198.8 million of fees received during 2015 from the termination of monitoring agreements in connection with the exits or partial exits of the following (i) Alliance Boots GmbH, which was acquired by Walgreens Co. and renamed Walgreens Boots Alliance, Inc. (NASDAQ: WBA) subsequent to the acquisition, (ii) Big Heart Pet Brands (consumer products sector), (iii) Biomet, Inc., which was acquired by Zimmer Holdings Inc. and renamed Zimmer Biomet Holdings, Inc. (NYSE: ZBH) subsequent to its acquisition, (iv) the IPO of Go Daddy Inc. (NYSE: GDDY) and (v) the IPO of First Data Corporation (NYSE: FDC) compared to \$15.3 million of such termination payments during the year ended December 31, 2016 in connection with the IPO of US Foods Holding Corp. (NYSE: USFD). The level of termination payments that were realized in 2015 and in certain other historical periods are not expected to recur in future periods, because current monitoring agreements generally provide for smaller termination payments than have been provided for in such historical periods. Termination payments may recur in future periods but are infrequent in nature and are generally correlated with IPO and other realization activity in our private equity portfolio. In addition, recurring monitoring fees decreased \$16.8 million as a result of a decrease in the average size of the fee paid by the portfolio companies. For the year ended December 31, 2016, we had 53 portfolio companies that were paying an average monitoring fee of \$0.9 million compared with 52 portfolio companies that were paying an average monitoring fee of \$1.3 million for the year ended December 31, 2015. The decrease in transaction fees was primarily attributable to a decrease in both the number and size of transaction fee generating investments. During the year ended December 31, 2016, there were 35 investments that paid an average fee of \$3.8 million compared to 37 transaction fee-generating investments paying an average fee of \$3.9 million during the year ended December 31, 2015. Transaction fees vary by investment based upon a number of factors, the most significant of which are transaction size, the particular discussions as to the amount of the fees, the complexity of the transaction and KKR's role in the transaction. The decrease in fee credits is due primarily to a lower level of monitoring fees. The increase in management fees was primarily due to an increase in capital raised in Global Infrastructure Investors II and Real Estate Partners Europe as well as more capital earning a fee in European Fund IV during 2016 as such fund was continuing its capital raising efforts in 2015. These increases were partially offset by a decrease in management fees attributable to lower invested capital in our 2006 Fund, European Fund II and Asian Fund as a result of realizations. On January 1, 2017, Americas Fund XII commenced its investment period and North America Fund XI entered its post investment period, the net effect of which is expected to be an increase in management fees by approximately \$90 million in 2017 if not offset by other factors. On a segment basis, placement fees incurred in connection with capital raising activity are amortized as a reduction of revenues. See also discussion under “- Assets Under Management” and “- Fee-Paying Assets Under Management”.

### ***Performance Income***

The net decrease is attributable to a lower level of carried interest primarily reflecting a lower level of net appreciation in value of our private equity portfolio compared to the prior period.

Realized carried interest for the year ended December 31, 2016 consisted primarily of realized gains from the sale or partial sale of Walgreens Boots Alliance, Inc., Alliance Tire Group B.V. (manufacturing sector) and HCA Holdings, Inc.

Realized carried interest for the year ended December 31, 2015 consisted primarily of realized gains from the sales or partial sales of Walgreens Boots Alliance, Inc., Capital Safety Group and Zimmer Biomet Holdings, Inc.

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The following table presents net unrealized carried interest by investment vehicle for the year ended December 31, 2016 and 2015 :

	Year Ended December 31,	
	2016	2015
	(\$ in thousands)	
Asian Fund II	\$ 146,382	\$ 163,645
North America Fund XI	124,202	209,361
Co-Investment Vehicles and Other	33,976	(39,248)
China Growth Fund	7,668	31,730
Real Estate Partners Americas	(2,452)	14,669
European Fund IV	6,291	3,813
E2 Investors	1,453	(20,564)
Global Infrastructure Investors	948	6,678
European Fund	(4,395)	(3,705)
European Fund III	(17,602)	42,923
Millennium Fund	(87,628)	(26,714)
Asian Fund	(104,797)	(116,185)
European Fund II	(191,071)	30,797
2006 Fund	(315,187)	(111,965)
Management Fee Refunds	(13,848)	(2,607)
<b>Total <sup>(1)</sup></b>	<b>\$ (416,060)</b>	<b>\$ 182,628</b>

(1) The above table excludes any funds for which there was no unrealized carried interest during either of the periods presented.

For the year ended December 31, 2016, the net unrealized carried interest loss of \$(416.1) million included \$712.2 million representing net increases in the value of various portfolio companies, and net unrealized losses of \$(1,128.3) million primarily representing reversals of previously recognized net unrealized gains in connection with the occurrence of realization events such as partial or full sales and management fee refunds.

For the year ended December 31, 2016, the value of our private equity investment portfolio increased 11.9%. This was comprised of a 3.9% increase in the share prices of various publicly held or publicly indexed investments and an 18.4% increase in value of our privately held investments. The most significant increases in share prices of various publicly held or publicly indexed investments were gains in US Foods Holding Corp. (NYSE: USFD), PRA Health Sciences Inc. (NASDAQ: PRAH) and HCA Holdings, Inc. These increases were partially offset by decreased share prices of various publicly held investments, the most significant of which were losses in First Data Corporation (NYSE:FDC), Walgreens Boots Alliance, Inc. (NYSE:WBA) and Qingdao Haier (CH: 600690). Our privately held investments contributed the remainder of the change in value, the most significant of which were gains relating to Panasonic Healthcare Co. Ltd, Capsugel (manufacturing) and Sedgwick Claims Management Services. The unrealized gains on our privately held investments were partially offset by unrealized losses relating primarily to Aricent Group (technology sector), OEG Management Partners Limited (energy sector) and Academy Ltd. (retail sector). The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) in the case of Panasonic Healthcare Co. Ltd, Capsugel and Sedgwick Claims Management Services, valuations that reflect agreements to sell all or a portion of these investments, (ii) an increase in the value of market comparables and (iii) individual company performance. The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) individual company performance or, in certain cases, an unfavorable business outlook and (ii) a decrease in the value of market comparables.

In addition to the agreements to sell a portion of Panasonic Healthcare Co. Ltd, and all of Capsugel, as indicated above, realization activity such as dividends and agreements to sell, including partial sales and secondary sales, subsequent to December 31, 2016 are expected, certain of which are subject to closing conditions, with respect to the following private equity portfolio companies: Asia Dairy Holdings, Galenica AG, Gland Pharma Limited, HCA Holdings, Inc., China Greenland Rundong Auto Group Limited, TVS Logistics Services Limited, U.S. Foods Holding Corp., and National Vision, Inc. (retail sector).



The reversals of previously recognized net unrealized gains for the year ended December 31, 2016 resulted primarily from the sale or partial sales of Walgreens Boots Alliance, Alliance Tire Group B.V. and HCA Holdings, Inc. During the year ended December 31, 2016, we recognized realized losses on Samson Resources (energy sector). This recognition of realized losses did not have a significant impact on our 2016 net carried interest because this investment had already been written down to zero value in prior periods. See "--Segment Analysis--Principal Activities Segment" and "See "--Segment Analysis--Principal Activities Segment" and "--Segment Operating and Performance Measures--After-Tax Distributable Earnings" for a discussion of how our Samson Resources investment impacted Principal Activities and our distributable earnings.

For the year ended December 31, 2015, the net unrealized carried interest income of \$182.6 million included \$1,021.5 million representing net increases in the value of various portfolio companies, which were partially offset by unrealized losses of \$838.9 million primarily representing reversals of previously recognized net unrealized gains in connection with the occurrence of realization events such as partial or full sales and management fee refunds.

For the year ended December 31, 2015, the value of our private equity investment portfolio increased 14.2%. This was comprised of a 19.5% increase in the share prices of various publicly held or publicly indexed investments and a 9.3% increase in value of our privately held investments. The most significant increases in share prices of various publicly held or publicly indexed investments were gains in Walgreens Boots Alliance, Inc., PRA Health Sciences, Inc. (NASDAQ: PRAH) and GoDaddy, Inc. These increases were partially offset by decreased share prices of various publicly held investments, the most significant of which were RigNet (NASDAQ: RNET), HCA Holdings, Inc. (NYSE: HCA) and CITIC Envirotech Ltd. Subsequent to December 31, 2015, world equity markets declined sharply with both the S&P 500 and the MSCI World Index down on a total return basis, including dividends, as of February 22, 2016. See "--Business Environment". Our privately held investments contributed the remainder of the change in value, the most significant of which were gains relating to Panasonic Healthcare Co. Ltd (healthcare sector), Capital Safety Group (industrial sector) and Alliant Insurance Services (financial services sector). The unrealized gains on our privately held investments were partially offset by unrealized losses relating primarily to BIS Industries Ltd. (industrial sector), Acteon Group Ltd (energy sector) and Aceco TI S.A. (technology sector). The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) in the case of Capital Safety Group and Alliant Insurance Services, valuations that reflect agreements to sell these investments in whole or in part, (ii) an increase in the value of market comparables and (iii) individual company performance. The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) individual company performance or, in certain cases, an unfavorable business outlook and (ii) a decrease in the value of market comparables.

The reversals of previously recognized net unrealized gains for the year ended December 31, 2015 resulted primarily from the sale or partial sales of Walgreens Boots Alliance, Inc., Capital Safety Group and Zimmer Biomet Holdings, Inc. During the year ended December 31, 2015, we wrote off Energy Future Holdings (energy sector) and recognized realized losses. This write-off did not have a significant impact on our 2015 net carried interest because this investment had already been written down to zero value in prior periods. See "--Segment Analysis--Principal Activities Segment" and "--Segment Operating and Performance Measures--After-Tax Distributable Earnings" for a discussion of how the Energy Future Holdings write-off impacted Principal Activities and our distributable earnings.

### ***Segment Expenses***

#### ***Compensation and Benefits***

The net decrease was due primarily to lower net performance income compensation resulting from a lower level of appreciation in value of our private equity portfolio as described above.

#### ***Occupancy and Other Operating Expenses***

The increase is due to a higher level of expenses that are creditable to our investment funds and information technology related expenses.

#### ***Economic Net Income (Loss)***

The decrease was primarily due to the lower levels of performance income and reduction in monitoring fees partially offset by the decrease in segment expenses as described above.

**Assets Under Management**

The following table reflects the changes in our Private Markets AUM from December 31, 2015 to December 31, 2016 :

	(\$ in thousands)
December 31, 2015	\$ 66,028,600
New Capital Raised	16,170,200
Distributions and Other	(13,557,100)
Change in Value	5,173,800
December 31, 2016	\$ 73,815,500

AUM for the Private Markets segment was \$73.8 billion at December 31, 2016 , an increase of \$7.8 billion, compared to \$66.0 billion at December 31, 2015. The increase was primarily attributable to new capital raised primarily in our Americas Fund XII, KKR Real Estate Finance Trust Inc., our Next Generation Technology Growth Fund and, to a lesser extent, an increase in the value of our Private Markets portfolio. These increases were offset by distributions to Private Markets fund investors primarily as a result of realizations most notably in our 2006 Fund, Asian Fund, and European Fund III.

The increase in the value of our Private Markets portfolio was driven primarily by net gains of \$1.4 billion in our North American Fund XI, \$1.0 billion in our 2006 Fund and \$0.9 billion in our European Fund III. The drivers of the overall change in value for Private Markets were a 3.9% increase in the share prices of various publicly held or publicly indexed investments and an 18.4% increase in value of our privately held investments. The most significant increases in share prices of various publicly held or publicly indexed investments were gains in US Foods Holding Corp. (NYSE: USFD), PRA Health Sciences Inc. (NASDAQ: PRAH) and HCA Holdings, Inc. These increases were partially offset by decreased share prices of various publicly held investments, the most significant of which were losses in First Data Corporation (NYSE:FDC), Walgreens Boots Alliance, Inc. (NYSE:WBA) and Qingdao Haier (CH: 600690). Our privately held investments contributed the remainder of the change in value, the most significant of which were gains relating to Panasonic Healthcare Co. Ltd, Capsugel (manufacturing) and Sedgwick Claims Management Services. The unrealized gains on our privately held investments were partially offset by unrealized losses relating primarily to Aricent Group (technology sector), OEG Management Partners Limited (energy sector) and Academy Ltd. (retail sector). The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) in the case of Panasonic Healthcare Co. Ltd, Capsugel and Sedgwick Claims Management Services, valuations that reflect agreements to sell all or a portion of these investments, (ii) an increase in the value of market comparables and (iii) individual company performance. The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) individual company performance or, in certain cases, an unfavorable business outlook and (ii) a decrease in the value of market comparables.

Certain investments included in our AUM are denominated in currencies other than the U.S. dollar. Those investments expose our AUM to the risk that the value of the investments will be affected by changes in exchange rates between the currency in which the investments are denominated and the currency in which the investments are made. Our policy is to minimize these risks in certain cases by employing hedging techniques, including using foreign currency options and foreign exchange forward contracts to reduce exposure to changes in exchange rates when a meaningful amount of capital has been invested in currencies other than the currencies in which the investments are denominated. We do not, however, hedge our currency exposure in all currencies or all investments. See “- Quantitative and Qualitative Disclosures about Market Risk -- Exchange Rate Risk” and “Risk Factors-Risks Related to the Assets We Manage--We make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States.”

**Fee-Paying Assets Under Management**

The following table reflects the changes in our Private Markets FPAUM from December 31, 2015 to December 31, 2016 :

	(\$ in thousands)
December 31, 2015	\$ 45,307,400
New Capital Raised	14,520,900
Distributions and Other	(5,258,000)
Net Changes in Fee Base of Certain Funds	(2,546,200)
Change in Value	180,700
December 31, 2016	\$ 52,204,800

FPAUM in our Private Markets segment was \$52.2 billion at December 31, 2016, an increase of \$6.9 billion, compared to \$45.3 billion at December 31, 2015. The increase was primarily attributable to new capital raised in our Americas Fund XII, Real Estate Partners Europe, KKR Real Estate Finance Trust Inc., and Next Generation Technology Growth Fund. These increases were partially offset by distributions and other activity and net changes in the fee base of certain funds. Distributions and other activity primarily related to (i) realizations in our 2006 Fund, Asian Fund and European Fund III and (ii) the termination of a management fee agreement with respect to one client. The decreases related to net changes in fee base primarily relates to our North America Fund XI entering its post-investment period during which it earns fees based on invested capital rather than committed capital. Additionally, upon entering its post-investment period, North America Fund XI has established a reserve on its fund investors' capital commitments on which no fee is paid unless such capital is invested. Uncalled capital commitments from investment funds from which KKR is currently not earning management fees amounted to approximately \$6.7 billion at December 31, 2016, which includes capital commitments reserved for follow-on investments for funds that have completed their investment periods. This capital will generally begin to earn management fees upon deployment of the capital or upon the commencement of the fund's investment period. The average annual management fee rate associated with this capital is approximately 0.9%. We will not begin earning fees on this capital until it is deployed or the related investment period commences, neither of which is guaranteed. If and when such management fees are earned, which will occur over an extended period of time, a portion of existing FPAUM may cease paying fees or pay lower fees, thus offsetting a portion of any new management fees earned. On January 1, 2017, Americas Fund XII commenced its investment period and North America Fund XI entered its post investment period, the net effect of which is expected to be an increase in management fees in 2017 if not offset by other factors.

### ***Capital Invested***

For the year ended December 31, 2016, capital invested in our private equity platform increased from \$4.6 billion in the prior year to \$5.1 billion in the current year. This increase was partially offset by a decrease in capital invested in our real assets and other platforms which decreased from \$1.7 billion in the prior year to \$1.2 billion in the current year. Generally, the portfolio companies acquired through our private equity funds have higher transaction values and result in higher capital invested relative to transactions in our real assets funds. The number of large private equity investments made in any quarter is volatile and consequently, a significant amount of capital invested in one quarter or a few quarters may not be indicative of a similar level of capital deployment in future quarters. As of February 9, 2017, our Private Markets business had announced transactions that were subject to closing which aggregated approximately \$3.0 billion. Transactions subject to closing are subject to closing conditions which, if not satisfied, would result in a transaction not being consummated.

### ***Uncalled Commitments***

As of December 31, 2016, our Private Markets segment had \$31.5 billion of remaining uncalled capital commitments that could be called for investments in new transactions. The increase is due primarily to new capital raised in Americas Fund XII, partially offset by capital called from fund investors to fund investments during the period.

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The following tables set forth information regarding the results of operations and certain key operating metrics for our Private Markets segment for the years ended December 31, 2015 and 2014.

*Year ended December 31, 2015 compared to year ended December 31, 2014*

	Year Ended		
	December 31, 2015	December 31, 2014	Change
(\$ in thousands)			
<b>Segment Revenues</b>			
<b>Management, Monitoring and Transaction Fees, Net</b>			
Management Fees	\$ 465,575	\$ 453,210	\$ 12,365
Monitoring Fees	264,643	135,160	129,483
Transaction Fees	144,652	214,612	(69,960)
Fee Credits	(195,025)	(198,680)	3,655
<b>Total Management, Monitoring and Transaction Fees, Net</b>	<b>679,845</b>	<b>604,302</b>	<b>75,543</b>
<b>Performance Income</b>			
Realized Incentive Fees	—	—	—
Realized Carried Interest	1,018,201	1,159,011	(140,810)
Unrealized Carried Interest	182,628	70,058	112,570
<b>Total Performance Income</b>	<b>1,200,829</b>	<b>1,229,069</b>	<b>(28,240)</b>
<b>Investment Income (Loss)</b>			
Net Realized Gains (Losses)	—	—	—
Net Unrealized Gains (Losses)	—	—	—
Total Realized and Unrealized	—	—	—
Interest Income and Dividends	—	—	—
Interest Expense	—	—	—
Net Interest and Dividends	—	—	—
<b>Total Investment Income (Loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Segment Revenues</b>	<b>1,880,674</b>	<b>1,833,371</b>	<b>47,303</b>
<b>Segment Expenses</b>			
<b>Compensation and Benefits</b>			
Cash Compensation and Benefits	193,995	153,339	40,656
Realized Performance Income Compensation	407,280	463,605	(56,325)
Unrealized Performance Income Compensation	74,560	33,430	41,130
Total Compensation and Benefits	675,835	650,374	25,461
Occupancy and related charges	33,640	30,946	2,694
Other operating expenses	127,836	125,398	2,438
<b>Total Segment Expenses</b>	<b>837,311</b>	<b>806,718</b>	<b>30,593</b>
Income (Loss) attributable to noncontrolling interests	1,645	1,424	221
<b>Economic Net Income (Loss)</b>	<b>\$ 1,041,718</b>	<b>\$ 1,025,229</b>	<b>\$ 16,489</b>
<b>Assets Under Management</b>	<b>\$ 66,028,600</b>	<b>\$ 64,611,300</b>	<b>\$ 1,417,300</b>
<b>Fee Paying Assets Under Management</b>	<b>\$ 45,307,400</b>	<b>\$ 47,262,500</b>	<b>\$ (1,955,100)</b>
<b>Capital Invested</b>	<b>\$ 6,279,500</b>	<b>\$ 9,202,700</b>	<b>\$ (2,923,200)</b>
<b>Uncalled Commitments</b>	<b>\$ 22,766,300</b>	<b>\$ 18,272,400</b>	<b>\$ 4,493,900</b>

## ***Segment Revenues***

### ***Management, Monitoring and Transaction Fees, Net***

The net increase was primarily due to an increase in monitoring fees of \$129.5 million and an increase in management fees of \$12.4 million, partially offset by a decrease in transaction fees of \$70.0 million. The increase in monitoring fees was primarily the result of \$198.8 million of monitoring fees received during 2015 from the termination of monitoring fee arrangements in connection with the initial public offering (IPO) or partial exits of First Data Corporation (NYSE: FDC), Walgreens Boots Alliance, Inc. (NASDAQ: WBA), J.M. Smucker Company (NYSE: SJM), Zimmer Biomet Holdings, Inc. (NYSE: ZBH) and GoDaddy, Inc. (NYSE: GDDY) compared to approximately \$23.2 million of such fees received during the year ended December 31, 2014. These types of termination payments may occur in the future; however, they are infrequent in nature and are generally correlated with IPO and other realization activity in our private equity portfolio. This increase in monitoring fees from termination payments was partially offset by a decrease in recurring monitoring fees of \$46.1 million. The decrease in recurring monitoring fees was primarily the result of a decrease in the number of portfolio companies paying a monitoring fee and a decrease in the average size of the fee. For the year ended December 31, 2015, we had 43 portfolio companies that were paying an average monitoring fee of \$1.5 million compared with 50 portfolio companies that were paying an average monitoring fee of \$2.2 million for the year ended December 31, 2014. In future periods, we anticipate that recurring monitoring fees will continue to decrease as a result of realizations and other transactions such as initial public offerings, if not offset by additional portfolio companies paying recurring monitoring fees. The increase in management fees was primarily due to new capital raised in European Fund IV and Global Infrastructure Investors II offset by a decrease in management fees attributable to lower invested capital in our European Fund II, 2006 Fund and European Fund III as a result of realizations. See also discussion under “- Assets Under Management” and “- Fee-Paying Assets Under Management”. The decrease in transaction fees was primarily attributable to a decrease in the average fee earned on completed investments during the year ended December 31, 2015. During the year ended December 31, 2015, there were 37 transaction fee-generating investments paying an average fee of \$3.9 million compared to 33 transaction fee-generating investments paying an average fee of \$6.5 million during the year ended December 31, 2014. Transaction fees vary by investment based upon a number of factors, the most significant of which are transaction size, the particular discussions as to the amount of the fees, the complexity of the transaction and KKR’s role in the transaction.

### ***Performance Income***

The net decrease is attributable to lower net carried interest losses primarily resulting from a lower level of investment gains at carry earning funds during the current period.

Realized carried interest for the year ended December 31, 2015 consisted primarily of realized gains from the sales or partial sale of Walgreens Boots Alliance, Inc., Capital Safety Group and Zimmer Biomet Holdings, Inc.

Realized carried interest for the year ended December 31, 2014 consisted primarily of realized gains from the sales of Oriental Brewery (consumer products sector), WILD Flavors GmbH and Versatel GmbH (telecom sector).

The following table presents net unrealized carried interest by investment vehicle for the years ended December 31, 2015 and 2014:

	Year Ended December 31,	
	2015	2014
	(\$ in thousands)	
North America Fund XI	\$ 209,361	\$ 189,063
Asian Fund II	163,645	58,967
European Fund III	42,923	(34,914)
China Growth Fund	31,730	(6,346)
European Fund II	30,797	(112,091)
Real Estate Partners Americas	14,669	(662)
Global Infrastructure Investors	6,678	—
European Fund IV	3,813	—
European Fund	(3,705)	(826)
E2 Investors	(20,564)	(20,253)
Millennium Fund	(26,714)	(40,489)
Co-Investment Vehicles and Other	(39,248)	99,026
2006 Fund	(111,965)	128,970
Asian Fund	(116,185)	(176,456)
Management Fee Refunds	(2,607)	(13,931)
<b>Total <sup>(1)</sup></b>	<b>\$ 182,628</b>	<b>\$ 70,058</b>

(1) The above table excludes any funds for which there was no unrealized carried interest during either of the periods presented.

For the year ended December 31, 2015, the net unrealized carried interest income of \$182.6 million included \$1,021.5 million representing net increases in the value of various portfolio companies, which were partially offset by unrealized losses of \$838.9 million primarily representing reversals of previously recognized net unrealized gains in connection with the occurrence of realization events such as partial or full sales and management fee refunds.

For the year ended December 31, 2015, the value of our private equity investment portfolio increased 14.2%. This was comprised of a 19.5% increase in the share prices of various publicly held or publicly indexed investments and a 9.3% increase in value of our privately held investments. The most significant increases in share prices of various publicly held or publicly indexed investments were gains in Walgreens Boots Alliance, Inc., PRA Health Sciences, Inc. (NASDAQ: PRAH) and GoDaddy, Inc. These increases were partially offset by decreased share prices of various publicly held investments, the most significant of which were RigNet (NASDAQ: RNET), HCA Holdings, Inc. (NYSE: HCA) and CITIC Envirotech Ltd. (SP: CEL). Subsequent to December 31, 2015, world equity markets declined sharply with both the S&P 500 and the MSCI World Index down on a total return basis, including dividends, as of February 22, 2016. See "--Business Environment". Our privately held investments contributed the remainder of the change in value, the most significant of which were gains relating to Panasonic Healthcare Co. Ltd (healthcare sector), Capital Safety Group (industrial sector) and Alliant Insurance Services (financial services sector). The unrealized gains on our privately held investments were partially offset by unrealized losses relating primarily to BIS Industries Ltd. (industrial sector), Acteon Group Ltd (energy sector) and Aceco TI S.A. (technology sector). The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) in the case of Capital Safety Group and Alliant Insurance Services, valuations that reflect agreements to sell these investments in whole or in part, (ii) an increase in the value of market comparables and (iii) individual company performance. The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) individual company performance or, in certain cases, an unfavorable business outlook and (ii) a decrease in the value of market comparables.

The reversals of previously recognized net unrealized gains for the year ended December 31, 2015 resulted primarily from the sale or partial sales of Walgreens Boots Alliance, Inc., Capital Safety Group and Zimmer Biomet Holdings, Inc. During the year ended December 31, 2015, we wrote off Energy Future Holdings (energy sector) and recognized realized losses. This write-off did not have a significant impact on our 2015 net carried interest because this investment had already been written down to zero value in prior periods. See "--Segment Analysis--Principal Activities Segment" and "--Liquidity--Liquidity

Needs--After-Tax Distributable Earnings" for a discussion of how the Energy Future Holdings write-off impacted Principal Activities and our distributable earnings. Subsequent to December 31, 2015, we expect to write-off our investment in Samson Resources once our losses are realized. Since this investment has already been written down to zero value in periods prior to December 31, 2015, this write-off is not expected to have a significant impact on our net carried interest in future periods.

For the year ended December 31, 2014, the net unrealized carried interest income of \$70.1 million include \$1,098.2 million representing net increases in the value of various portfolio companies, which were partially offset by unrealized losses of \$1,028.1 million primarily representing reversals of previously recognized net unrealized gains in connection with the occurrence of realization events such as partial or full sales and management fee refunds.

For the year ended December 31, 2014, the value of our private equity investment portfolio increased 12.8%. Increased share prices of various publicly held investments comprised approximately 23% of the net increase in value for the year ended December 31, 2014, the most significant of which were gains on PRA Health Sciences, Inc., HCA Holdings, Inc., NXP Semiconductors N.V. and Yageo Corporation. These increases were partially offset by decreased share prices of various publicly held investments, the most significant of which were Tarkett S.A., ProSiebenSat.1 Media AG and China Greenland Rundong Auto Group Limited. Our privately-held investments contributed the remainder of the change in value, the most significant of which were gains relating to Alliance Boots GmbH, Biomet, Inc. and WILD Flavors GmbH. The unrealized gains on our privately-held investments were partially offset by unrealized losses relating primarily to Northgate Information Solutions, Samson Resources and Toys R Us. The increased valuations of individual companies in our privately-held investments, in the aggregate, generally related to (i) an increase in the value of market comparables and individual company performance, (ii) in the case of WILD Flavors GmbH and Biomet, Inc., an increase that primarily reflected agreements to sell these investments, with the sale of WILD Flavors GmbH completed in October 2014, and (iii) in the case of Alliance Boots GmbH, primarily due to an agreement to exit the investment and to a lesser extent an increase in the value of a publicly traded stock that was expected to be delivered pursuant to this agreement, which was completed on December 31, 2014. The decreased valuations of individual companies in our privately-held investments, in the aggregate, generally related to individual company performance or, in certain cases, an unfavorable business outlook.

The reversals of previously recognized net unrealized gains for the year ended December 31, 2014 resulted primarily from the sale of Oriental Brewery, the sale of WILD Flavors GmbH, the partial sale of HCA Holdings, Inc. and the sale of Jazz Pharmaceuticals, Inc. (NASDAQ: JAZZ). During the year ended December 31, 2014, we wrote off A.T.U Auto-Teile-Unger (retail sector) and U.N. RO-RO Isletmeleri A.S. (transportation sector) and recognized realized losses. These 2014 write-offs did not have a significant impact on our 2014 net carried interest because these interests had already been substantially written down in prior periods.

### ***Segment Expenses***

#### ***Compensation and Benefits***

The net increase was due primarily to (i) higher cash compensation and benefits consistent with a higher level of fee income in the current period and (ii) a decrease in the amount of compensation expenses allocated from Private Markets to Principal Activities as result of a decrease in the proportion of revenue earned by Principal Activities relative to other operating segments during 2015. These increases were partially offset by lower allocations to carry pool driven by the lower levels of net carried interest as discussed in "Performance Income" above.

#### ***Occupancy and Other Operating Expenses***

The net increase was primarily driven by (i) higher allocations of corporate operating expenses to Private Markets due to an increase in both the amount of corporate operating expenses incurred by the firm and an increase in the proportion of revenue earned by Private Markets relative to other operating segments in 2015, (ii) a decrease in the amount of operating expenses allocated from Private Markets to Principal Activities as a result of a decrease in the proportion of revenue earned by Principal Activities relative to other operating segments during 2015 and (iii) an increase in professional fees and other expenses. These increases were partially offset by a decrease in expenses for unconsummated transactions, also known as broken deal expenses.

### ***Economic Net Income (Loss)***

The increase was primarily due to higher fee income, partially offset by an increase in segment expenses and a decrease in performance income as described above.

**Assets Under Management**

The following table reflects the changes in our Private Markets AUM from December 31, 2014 to December 31, 2015:

	(\$ in thousands)
December 31, 2014 - As Adjusted	\$ 64,611,300
New Capital Raised	6,950,200
Distributions	(11,832,500)
Change in Value	6,299,600
December 31, 2015	\$ 66,028,600

As of December 31, 2014, AUM has been adjusted to include capital commitments for which we are eligible to receive fees or carried interest upon deployment of capital. Our reported AUM for periods prior to December 31, 2014 does not include this item.

AUM for the Private Markets segment was \$66.0 billion at December 31, 2015, an increase of \$1.4 billion, compared to \$64.6 billion at December 31, 2014, on an as adjusted basis. The increase was primarily attributable to new capital raised primarily in European Fund IV and Global Infrastructure Investors II and to a lesser extent an increase in value of our Private Markets portfolio. These increases were partially offset by distributions to private equity fund investors of \$11.8 billion comprised of \$6.9 billion of realized gains and \$4.9 billion of return of original cost.

The increase in the value of our Private Markets portfolio was driven primarily by net unrealized gains of \$1.8 billion, \$1.5 billion and \$0.9 billion in our 2006 Fund, North America Fund XI and Asian Fund II, respectively. This was comprised of a 19.5% increase in the share prices of various publicly held or publicly indexed investments and a 9.3% increase in value of our privately held investments. The most significant increases in share prices of various publicly held or publicly indexed investments were gains in Walgreens Boots Alliance, Inc., PRA Health Sciences, Inc. (NASDAQ: PRAH) and GoDaddy, Inc. These increases were partially offset by decreased share prices of various publicly held investments, the most significant of which were RigNet (NASDAQ: RNET), HCA Holdings, Inc. (NYSE: HCA) and CITIC Envirotech Ltd. (SP: CEL). Subsequent to December 31, 2015, world equity markets declined sharply with both the S&P 500 and the MSCI World Index down on a total return basis, including dividends, as of February 22, 2016. See "--Business Environment". Our privately held investments contributed the remainder of the change in value, the most significant of which were gains relating to Panasonic Healthcare Co. Ltd (healthcare sector), Capital Safety Group (industrial sector) and Alliant Insurance Services (financial services sector). The unrealized gains on our privately held investments were partially offset by unrealized losses relating primarily to BIS Industries Ltd. (industrial sector), Acteon Group Ltd (energy sector) and Aceco TI S.A. (technology sector). The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) in the case of Capital Safety Group and Alliant Insurance Services, valuations that reflect agreements to sell these investments in whole or in part, (ii) an increase in the value of market comparables and (iii) individual company performance. The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) individual company performance or, in certain cases, an unfavorable business outlook and (ii) a decrease in the value of market comparables.

**Fee-Paying Assets Under Management**

The following table reflects the changes in our Private Markets FPAUM from December 31, 2014 to December 31, 2015:

	(\$ in thousands)
December 31, 2014	\$ 47,262,500
New Capital Raised	3,896,100
Distributions and Other	(5,545,200)
Change in Value	(306,000)
December 31, 2015	\$ 45,307,400

FPAUM in our Private Markets segment was \$45.3 billion at December 31, 2015, a decrease of \$2.0 billion, compared to \$47.3 billion at December 31, 2014. The decrease was primarily attributable to distributions to private equity fund investors and a reduction in FPAUM attributable to the invested capital of Samson Resources due to its bankruptcy proceedings which is included within distributions and other in the table above. These decreases were partially offset by new capital raised of \$3.9 billion primarily in our European Fund IV and Global Infrastructure Investors II funds.



***Capital Invested***

The decrease was due to a decrease in the amount of capital invested in our private equity platform, which was partially offset by an increase in capital invested in our real assets platforms (real estate, energy and infrastructure). For the years ended December 31, 2015 and 2014, capital invested in our private equity platform was \$4.6 billion and \$7.8 billion, respectively, and capital invested in our real assets platforms was \$1.7 billion and \$1.4 billion, respectively. Generally, the operating companies acquired through our private equity business have higher transaction values and result in higher capital invested relative to transactions in our real assets businesses. The number of large private equity investments made in any quarter is volatile and consequently, a significant amount of capital invested in one quarter or a few quarters may not be indicative of a similar level of capital deployment in future quarters.

***Uncalled Commitments***

As of December 31, 2015, our Private Markets segment had \$22.8 billion of remaining uncalled capital commitments that could be called for investments in new transactions.

**Public Markets Segment**

The following tables set forth information regarding the results of operations and certain key operating metrics for our Public Markets segment for the years ended December 31, 2016 and 2015.

**Year ended December 31, 2016 compared to year ended December 31, 2015**

	Year Ended		
	December 31, 2016	December 31, 2015	Change
(\$ in thousands)			
<b>Segment Revenues</b>			
<b>Management, Monitoring and Transaction Fees, Net</b>			
Management Fees	\$ 331,440	\$ 266,458	\$ 64,982
Monitoring Fees	—	—	—
Transaction Fees	30,155	28,872	1,283
Fee Credits	(28,049)	(24,595)	(3,454)
<b>Total Management, Monitoring and Transaction Fees, Net</b>	<b>333,546</b>	<b>270,735</b>	<b>62,811</b>
<b>Performance Income</b>			
Realized Incentive Fees	33,346	19,647	13,699
Realized Carried Interest	3,838	8,953	(5,115)
Unrealized Carried Interest	(4,312)	(19,083)	14,771
<b>Total Performance Income</b>	<b>32,872</b>	<b>9,517</b>	<b>23,355</b>
<b>Investment Income (Loss)</b>			
Net Realized Gains (Losses)	—	—	—
Net Unrealized Gains (Losses)	—	—	—
Total Realized and Unrealized	—	—	—
Interest Income and Dividends	—	—	—
Interest Expense	—	—	—
Net Interest and Dividends	—	—	—
<b>Total Investment Income (Loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Segment Revenues</b>	<b>366,418</b>	<b>280,252</b>	<b>86,166</b>
<b>Segment Expenses</b>			
<b>Compensation and Benefits</b>			
Cash Compensation and Benefits	77,017	73,863	3,154
Realized Performance Income Compensation	14,873	11,438	3,435
Unrealized Performance Income Compensation	(1,724)	(7,633)	5,909
Total Compensation and Benefits	90,166	77,668	12,498
Occupancy and related charges	9,517	9,808	(291)
Other operating expenses	38,439	40,591	(2,152)
<b>Total Segment Expenses</b>	<b>138,122</b>	<b>128,067</b>	<b>10,055</b>
Income (Loss) attributable to noncontrolling interests	—	1,259	(1,259)
<b>Economic Net Income (Loss)</b>	<b>\$ 228,296</b>	<b>\$ 150,926</b>	<b>\$ 77,370</b>
<b>Assets Under Management</b>	<b>\$ 55,740,200</b>	<b>\$ 53,515,700</b>	<b>\$ 2,224,500</b>
<b>Fee Paying Assets Under Management</b>	<b>\$ 49,268,600</b>	<b>\$ 46,413,100</b>	<b>\$ 2,855,500</b>
<b>Capital Invested</b>	<b>\$ 4,642,200</b>	<b>\$ 5,244,900</b>	<b>\$ (602,700)</b>
<b>Uncalled Commitments</b>	<b>\$ 6,312,600</b>	<b>\$ 6,690,800</b>	<b>\$ (378,200)</b>



**Segment Revenues***Management, Monitoring and Transaction Fees, Net*

The net increase was primarily due to an increase in management fees of \$65.0 million which included \$40.2 million of increased management fees earned relating to our strategic investment in Marshall Wace LP and its affiliates ("Marshall Wace") which was completed in the fourth quarter of 2015 and higher management fees relating to an increase in capital invested in our Special Situations Fund II, Lending Partners II Fund, and Lending Partners Europe Fund, as well as new capital raised primarily in Corporate Capital Trust (a private BDC sub-advised by KKR). This increase was partially offset by a decrease in management fees in our hedge funds solutions business as a result of a reduction in fee paying AUM due to redemptions as well as our Mezzanine Fund entering its post-investment period, when it earns fees at a lower rate and on invested rather than committed capital.

*Performance Income*

The net increase was primarily attributable to higher incentive fees and a lower level of net carried interest losses compared to the prior period. Incentive fees increased due primarily to higher incentive fees relating to our strategic partnership with Marshall Wace which was completed in the fourth quarter of 2015 and higher incentive fees at Corporate Capital Trust reflecting favorable investment performance. These incentive fee increases were partially offset by a lower level of incentive fees in our hedge funds solutions business driven by less favorable financial performance in 2016. Incentive fees are typically determined for the twelve-month periods ending in either the second or fourth quarters of the calendar year, however, such fees may be determined quarterly or at other points during the year for certain strategies. Whether incentive fees from KKR vehicles or strategic partnerships are payable in any given period, and the amount of such incentive fee payments, if any, depends on the investment performance of the vehicle and as a result is expected to vary significantly from period to period. The lower level of net carried interest losses was primarily the result of (i) carried interest losses in the prior year in our Special Situations Fund compared to no carried interest in the current year and (ii) increased carried interest in our Lending Partners II Fund, partially offset by (iii) carried interest losses in our Mezzanine Fund and Lending Partners Fund in 2016.

**Segment Expenses***Compensation and Benefits*

The increase was primarily due to higher net performance income compensation in connection with a higher level of realized incentive fees for the year ended December 31, 2016 as compared the year ended December 31, 2015 as described above. To a lesser extent there was an increase in cash compensation and benefits primarily due to a higher level of management fees which generally results in higher compensation expense.

*Occupancy and Other Operating Expenses*

The decrease was primarily driven by a reduction reflecting the cost to exit office space during 2015.

**Economic Net Income (Loss)**

The increase is primarily attributable to the increase in management fees and performance income partially offset by an increase in compensation and benefits expense as described above.

**Assets Under Management**

The following table reflects the changes in our Public Markets AUM from December 31, 2015 to December 31, 2016 :

	<b>(\$ in thousands)</b>
December 31, 2015	\$ 53,515,700
New Capital Raised	12,623,100
Distributions	(4,720,400)
Redemptions	(6,258,300)
Change in Value	580,100
December 31, 2016	<u>\$ 55,740,200</u>

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AUM in our Public Markets segment totaled \$55.7 billion at December 31, 2016, an increase of \$2.2 billion compared to AUM of \$53.5 billion at December 31, 2015. The increase for the period was primarily due to new capital raised of \$12.6 billion across multiple strategies most notably \$3.1 billion in our CLOs, \$2.5 billion in our strategic partnerships in hedge fund managers, \$2.1 billion in our liquid credit strategies and \$1.7 billion in our hedge fund solutions business. Partially offsetting these increases were redemptions and distributions of \$11.0 billion from certain investment vehicles across multiple strategies including our CLOs, our hedge fund solutions business, certain separately managed accounts and our strategic partnerships. For the year ended December 31, 2016, within our hedge funds business, new capital raised has outpaced redemptions within our strategic partnership platform, while redemptions have outpaced new capital raised in our hedge fund solutions platform.

***Fee-Paying Assets Under Management***

The following table reflects the changes in our Public Markets FPAUM from December 31, 2015 to December 31, 2016 :

	(\$ in thousands)
December 31, 2015	\$ 46,413,100
New Capital Raised	13,681,200
Distributions	(4,864,700)
Redemptions	(6,258,300)
Change in Value	297,300
December 31, 2016	\$ 49,268,600

FPAUM in our Public Markets segment was \$49.3 billion at December 31, 2016, an increase of \$2.9 billion compared to FPAUM of \$46.4 billion at December 31, 2015. The increase was primarily due to new capital raised of \$13.7 billion across multiple strategies most notably \$3.1 billion in our CLOs, \$2.5 billion in our strategic partnerships in hedge fund managers, \$2.0 billion in our liquid credit strategies and \$1.7 billion in our hedge fund solutions business. New capital raised includes capital that was raised in previous periods but began earning fees upon deployment of capital. Partially offsetting these increases were redemptions and distributions of \$11.1 billion from certain investment vehicles across multiple strategies including our CLOs, hedge fund solutions business, certain separately managed accounts and our strategic partnerships. For the year ended December 31, 2016, within our hedge fund business, new capital raised has outpaced redemptions with our strategic partnerships with hedge fund managers, while redemptions have outpaced new capital raised in our hedge fund solutions platform. Uncalled capital commitments from investment funds from which KKR is currently not earning management fees amounted to approximately \$4.2 billion. This capital will generally begin to earn management fees upon deployment of the capital or upon the commencement of the fund's investment period. The average annual management fee rate associated with this capital is approximately 1.2%. We will not begin earnings fees on this capital until it is deployed or the related investment period commences, neither of which is guaranteed. If and when such management fees are earned, which will occur over an extended period of time, a portion of existing FPAUM may cease paying fees or pay lower fees, thus offsetting a portion of any new management fees earned.

***Capital Invested***

Capital invested decreased in the year ended December 31, 2016 compared to the year ended December 31, 2015. The decrease is primarily due to a lower level of net capital deployed in our special situations strategy partially offset by a higher level of net capital deployed in our mezzanine or private credit opportunities strategy.

***Uncalled Commitments***

As of December 31, 2016, our Public Markets segment had \$6.3 billion of uncalled capital commitments that could be called for investments in new transactions. The decrease from December 31, 2015 is due to capital called from limited partners to fund investments during the period, partially offset by new capital raised primarily in Special Situations Fund II, Private Credit Opportunities Partners II Fund and a co-invest vehicle investing across multiple strategies.

The following tables set forth information regarding the results of operations and certain key operating metrics for our Public Markets segment for the years ended December 31, 2015 and 2014.

*Year ended December 31, 2015 compared to year ended December 31, 2014*

	Year Ended		
	December 31, 2015	December 31, 2014	Change
(\$ in thousands)			
<b>Segment Revenues</b>			
<b>Management, Monitoring and Transaction Fees, Net</b>			
Management Fees	\$ 266,458	\$ 272,833	\$ (6,375)
Monitoring Fees	—	—	—
Transaction Fees	28,872	27,145	1,727
Fee Credits	(24,595)	(23,357)	(1,238)
<b>Total Management, Monitoring and Transaction Fees, Net</b>	<b>270,735</b>	<b>276,621</b>	<b>(5,886)</b>
<b>Performance Income</b>			
Realized Incentive Fees	19,647	47,807	(28,160)
Realized Carried Interest	8,953	34,650	(25,697)
Unrealized Carried Interest	(19,083)	40,075	(59,158)
<b>Total Performance Income</b>	<b>9,517</b>	<b>122,532</b>	<b>(113,015)</b>
<b>Investment Income (Loss)</b>			
Net Realized Gains (Losses)	—	—	—
Net Unrealized Gains (Losses)	—	—	—
Total Realized and Unrealized	—	—	—
Interest Income and Dividends	—	—	—
Interest Expense	—	—	—
Net Interest and Dividends	—	—	—
<b>Total Investment Income (Loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Segment Revenues</b>	<b>280,252</b>	<b>399,153</b>	<b>(118,901)</b>
<b>Segment Expenses</b>			
<b>Compensation and Benefits</b>			
Cash Compensation and Benefits	73,863	64,530	9,333
Realized Performance Income Compensation	11,438	32,984	(21,546)
Unrealized Performance Income Compensation	(7,633)	16,029	(23,662)
Total Compensation and Benefits	77,668	113,543	(35,875)
Occupancy and related charges	9,808	7,214	2,594
Other operating expenses	40,591	31,501	9,090
<b>Total Segment Expenses</b>	<b>128,067</b>	<b>152,258</b>	<b>(24,191)</b>
Income (Loss) attributable to noncontrolling interests	1,259	1,636	(377)
<b>Economic Net Income (Loss)</b>	<b>\$ 150,926</b>	<b>\$ 245,259</b>	<b>\$ (94,333)</b>
<b>Assets Under Management</b>	<b>\$ 53,515,700</b>	<b>\$ 42,508,000</b>	<b>\$ 11,007,700</b>
<b>Fee Paying Assets Under Management</b>	<b>\$ 46,413,100</b>	<b>\$ 38,594,700</b>	<b>\$ 7,818,400</b>
<b>Capital Invested</b>	<b>\$ 5,244,900</b>	<b>\$ 4,425,600</b>	<b>\$ 819,300</b>
<b>Uncalled Commitments</b>	<b>\$ 6,690,800</b>	<b>\$ 2,841,300</b>	<b>\$ 3,849,500</b>

## ***Segment Revenues***

### ***Management, Monitoring and Transaction Fees, Net***

The net decrease was primarily due to a decrease in management fees of \$6.4 million. The decrease in management fees was due primarily to (i) a decrease in management fees received from KFN as a result of our acquisition of it on April 30, 2014, as management fees from KFN after that date were eliminated from segment results, (ii) redemptions in our hedge funds business and (iii) our mezzanine fund entering its post-investment period where it earns fees at a lower rate and on invested rather than committed capital. These decreases were partially offset by management fees earned from new capital raised primarily in Corporate Capital Trust as well as management fees earned relating to our investment in Marshall Wace which was completed in the fourth quarter of 2015.

### ***Performance Income***

The net decrease was primarily attributable to net carried interest losses in 2015 and a lower level of incentive fees. The net carried interest losses were primarily due to losses in our special situations strategy accounts and funds as well as lower overall appreciation in our mezzanine and direct lending strategies during 2015. The decrease in incentive fees is due primarily to a decrease in incentive fees received from KFN as a result of our acquisition of it on April 30, 2014, as incentive fees from KFN after that date were eliminated from segment results, as well as lower incentive fees in our hedge fund-of-funds platform and European credit platform driven primarily by less favorable financial performance in the current year. Incentive fees are typically determined for the twelve-month periods ending in either the second or fourth quarters of the calendar year, however, such fees may also be determined quarterly or at other points during the year. Whether an incentive fee from KKR vehicles is payable in any given period, and the amount of an incentive fee payment, if any, depends on the investment performance of the vehicle and as a result are expected to vary significantly from period to period.

## ***Segment Expenses***

### ***Compensation and Benefits***

The decrease was primarily due to (i) reversals of unrealized performance income compensation in connection with net carried interest losses in 2015 in certain carry earning funds, (ii) lower appreciation in certain carry earning funds in 2015 and (iii) a decrease in realized performance income compensation reflecting the decrease in incentive fees, each of which are described above.

### ***Occupancy and Other Operating Expenses***

The increase was primarily driven by (i) higher occupancy costs reflecting the cost of an exit of office space during the year, (ii) higher allocations of corporate other operating expenses to Public Markets due to an increase in both the amount of corporate other operating expenses incurred by the firm and an increase in the proportion of revenue earned by Public Markets relative to other operating segments in 2015 and (iii) a decrease in the amount of operating expenses allocated from Public Markets to Principal Activities as result of a decrease in the proportion of revenue earned by Principal Activities relative to other operating segments during 2015.

## ***Economic Net Income (Loss)***

The decrease is primarily attributable to the decrease in performance income and fees partially offset by lower expenses as described above.

**Assets Under Management**

The following table reflects the changes in our Public Markets AUM from December 31, 2014 to December 31, 2015:

	(\$ in thousands)
December 31, 2014 - As Adjusted	\$ 42,508,000
New Capital Raised	12,926,300
Acquisitions	6,010,800
Distributions	(4,087,900)
Redemptions	(2,873,500)
Net Changes in Fee Base of Certain Funds	(238,600)
Change in Value	(729,400)
December 31, 2015	\$ 53,515,700

As of December 31, 2014, AUM has been adjusted to include (i) capital commitments for which we are eligible to receive fees or carried interest upon deployment of capital and (ii) KKR's pro-rata portion of AUM managed by other asset managers in which KKR holds a minority stake. Our reported AUM for periods prior to December 31, 2014 does not include these items.

AUM in our Public Markets segment totaled \$53.5 billion at December 31, 2015, an increase of \$11.0 billion compared to AUM of \$42.5 billion at December 31, 2014, on an as adjusted basis. The increase for the period was primarily due to new capital raised across multiple strategies primarily in our CLOs, special situations strategy, hedge funds business and Corporate Capital Trust. In addition, in the fourth quarter of 2015, KKR acquired 24.9% of Marshall Wace, resulting in the inclusion of KKR's pro-rata portion of the AUM managed by Marshall Wace. Partially offsetting these increases were (i) redemptions and distributions of \$7.0 billion from certain investment vehicles across multiple strategies including our hedge funds business, strategic partnerships and CLOs, (ii) decreases in value of \$0.7 billion primarily in our European credit platform related to foreign currency fluctuations and (iii) a net change in fee base of \$0.2 billion reflecting our Mezzanine Fund entering its post-investment period.

**Fee-Paying Assets Under Management**

The following table reflects the changes in our Public Markets FPAUM from December 31, 2014 to December 31, 2015:

	(\$ in thousands)
December 31, 2014 - As Adjusted	\$ 38,594,700
New Capital Raised	9,212,400
Acquisitions	6,010,800
Distributions	(3,455,800)
Redemptions	(2,873,500)
Net Changes in Fee Base of Certain Funds	(325,200)
Change in Value	(750,300)
December 31, 2015	\$ 46,413,100

As of December 31, 2014, FPAUM has been adjusted to include KKR's pro-rata portion of AUM managed by other asset managers in which KKR holds a minority stake. Our reported AUM for periods prior to December 31, 2014 does not include this item.

FPAUM in our Public Markets segment was \$46.4 billion at December 31, 2015, an increase of \$7.8 billion compared to FPAUM of \$38.6 billion at December 31, 2014, on an as adjusted basis. The increase was primarily due to new capital raised of \$9.2 billion across multiple strategies primarily in our CLOs, special situations strategy, hedge funds business and Corporate Capital Trust. In addition, in the fourth quarter of 2015, KKR acquired 24.9% of Marshall Wace, resulting in the inclusion of KKR's pro-rata portion of the FPAUM managed by Marshall Wace. Partially offsetting these increases were (i) decreases of \$6.3 billion relating to redemptions and distributions from certain investment vehicles across multiple strategies primarily in CLOs, our hedge funds platform and strategic partnerships, (ii) decreases in value primarily in our European credit and hedge fund platforms related to foreign currency fluctuations and (iii) a net change in fee base of \$0.3 billion reflecting our Mezzanine Fund entering its post-investment period.

**Capital Invested**

The increase is primarily due to a higher level of investment activity in our direct lending, special situations and mezzanine strategies.



***Uncalled Commitments***

As of December 31, 2015, our Public Markets segment had \$6.7 billion of uncalled capital commitments that could be called for investments in new transactions.

**Capital Markets**

The following tables set forth information regarding the results of operations and certain key operating metrics for our Capital Markets segment for the years ended December 31, 2016 and 2015.

**Year ended December 31, 2016 compared to year ended December 31, 2015**

	Year Ended		
	December 31, 2016	December 31, 2015	Change
(\$ in thousands)			
<b>Segment Revenues</b>			
<b>Management, Monitoring and Transaction Fees, Net</b>			
Management Fees	\$ —	\$ —	\$ —
Monitoring Fees	—	—	—
Transaction Fees	181,517	191,470	(9,953)
Fee Credits	—	—	—
<b>Total Management, Monitoring and Transaction Fees, Net</b>	<b>181,517</b>	<b>191,470</b>	<b>(9,953)</b>
<b>Performance Income</b>			
Realized Incentive Fees	—	—	—
Realized Carried Interest	—	—	—
Unrealized Carried Interest	—	—	—
<b>Total Performance Income</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Investment Income (Loss)</b>			
Net Realized Gains (Losses)	—	—	—
Net Unrealized Gains (Losses)	—	—	—
Total Realized and Unrealized	—	—	—
Interest Income and Dividends	—	—	—
Interest Expense	—	—	—
Net Interest and Dividends	—	—	—
<b>Total Investment Income (Loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Segment Revenues</b>	<b>181,517</b>	<b>191,470</b>	<b>(9,953)</b>
<b>Segment Expenses</b>			
<b>Compensation and Benefits</b>			
Cash Compensation and Benefits	29,552	34,562	(5,010)
Realized Performance Income Compensation	—	—	—
Unrealized Performance Income Compensation	—	—	—
Total Compensation and Benefits	29,552	34,562	(5,010)
Occupancy and related charges	2,474	2,641	(167)
Other operating expenses	14,994	14,618	376
<b>Total Segment Expenses</b>	<b>47,020</b>	<b>51,821</b>	<b>(4,801)</b>
Income (Loss) attributable to noncontrolling interests	2,336	13,103	(10,767)
<b>Economic Net Income (Loss)</b>	<b>\$ 132,161</b>	<b>\$ 126,546</b>	<b>\$ 5,615</b>
<b>Syndicated Capital</b>	<b>\$ 1,213,500</b>	<b>\$ 868,900</b>	<b>\$ 344,600</b>

## ***Segment Revenues***

### *Management, Monitoring and Transaction Fees, Net*

Transaction fees decreased due primarily to smaller transaction sizes for the year ended December 31, 2016 compared to the year ended December 31, 2015. Overall, we completed 117 capital markets transactions for the year ended December 31, 2016 of which 11 represented equity offerings and 106 represented debt offerings, as compared to 116 transactions for the year ended December 31, 2015 of which 16 represented equity offerings and 100 represented debt offerings. We earned fees in connection with underwriting, syndication and other capital markets services. While each of the capital markets transactions that we undertake in this segment is separately negotiated, our fee rates are generally higher with respect to underwriting or syndicating equity offerings than with respect to debt offerings, and the amount of fees that we collect for like transactions generally correlates with overall transaction sizes. Our capital markets fees are sourced from our Private Markets and Public Markets businesses as well as third party companies. For the year ended December 31, 2016 approximately 28% of our transaction fees were earned from third parties as compared to approximately 24% for the year ended December 31, 2015. Our transaction fees are comprised of fees earned from North America, Europe, and Asia-Pacific, including India. For the year ended December 31, 2016 approximately 34% of our transaction fees were sourced internationally as compared to approximately 44% for the year ended December 31, 2015. Our capital markets business is dependent on the overall capital markets environment, which is influenced by equity prices, credit spreads and volatility. Our capital markets business does not generate management or monitoring fees.

## ***Segment Expenses***

### *Compensation and Benefits*

The decrease compared to the prior period is primarily related to the reduction in transaction fees noted above.

### *Occupancy and Other Operating Expenses*

The overall increase was primarily due to a lower amount of expenses allocated from the Capital Markets segment to the Principal Activities segment as a result of a decrease in the proportion of revenue earned by Principal Activities relative to other operating segments as compared to the prior period. This increase was offset by a reduction in the amount of rent expense allocated to the Capital Markets segment.

## ***Economic Net Income (Loss)***

The increase is primarily attributable to lower income attributable to noncontrolling interests and the reduction in compensation and benefits expense, which was partially offset by a decrease in transaction fees as described above.

## ***Syndicated Capital***

The increase is primarily due to an increase in the size of syndication transactions in the year ended December 31, 2016 as compared to the year ended December 31, 2015. Overall, we completed 8 syndication transactions for the year ended December 31, 2016 as compared to 10 syndications for the year ended December 31, 2015.

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The following tables set forth information regarding the results of operations and certain key operating metrics for our Capital Markets segment for the years ended December 31, 2015 and 2014.

*Year ended December 31, 2015 compared to year ended December 31, 2014*

	Year Ended		
	December 31, 2015	December 31, 2014	Change
(\$ in thousands)			
<b>Segment Revenues</b>			
<b>Management, Monitoring and Transaction Fees, Net</b>			
Management Fees	\$ —	\$ —	\$ —
Monitoring Fees	—	—	—
Transaction Fees	191,470	217,920	(26,450)
Fee Credits	—	—	—
<b>Total Management, Monitoring and Transaction Fees, Net</b>	<b>191,470</b>	<b>217,920</b>	<b>(26,450)</b>
<b>Performance Income</b>			
Realized Incentive Fees	—	—	—
Realized Carried Interest	—	—	—
Unrealized Carried Interest	—	—	—
<b>Total Performance Income</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Investment Income (Loss)</b>			
Net Realized Gains (Losses)	—	—	—
Net Unrealized Gains (Losses)	—	—	—
Total Realized and Unrealized	—	—	—
Interest Income and Dividends	—	—	—
Interest Expense	—	—	—
Net Interest and Dividends	—	—	—
<b>Total Investment Income (Loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Segment Revenues</b>	<b>191,470</b>	<b>217,920</b>	<b>(26,450)</b>
<b>Segment Expenses</b>			
<b>Compensation and Benefits</b>			
Cash Compensation and Benefits	34,562	41,551	(6,989)
Realized Performance Income Compensation	—	—	—
Unrealized Performance Income Compensation	—	—	—
Total Compensation and Benefits	34,562	41,551	(6,989)
Occupancy and related charges	2,641	1,523	1,118
Other operating expenses	14,618	11,497	3,121
<b>Total Segment Expenses</b>	<b>51,821</b>	<b>54,571</b>	<b>(2,750)</b>
Income (Loss) attributable to noncontrolling interests	13,103	11,886	1,217
<b>Economic Net Income (Loss)</b>	<b>\$ 126,546</b>	<b>\$ 151,463</b>	<b>\$ (24,917)</b>
<b>Syndicated Capital</b>	<b>\$ 868,900</b>	<b>\$ 2,567,300</b>	<b>\$ (1,698,400)</b>

***Segment Revenues***

*Management, Monitoring and Transaction Fees, Net*

Transaction fees decreased due to a decrease in the number and size of capital markets transactions for the year ended December 31, 2015 compared to the year ended December 31, 2014. Our capital markets business does not generate management or monitoring fees. Overall, we completed 116 capital markets transactions for the year ended December 31, 2015 of which 16 represented equity offerings and 100 represented debt offerings, as compared to 139 transactions for the year ended December 31, 2014 of which 15 represented equity offerings and 124 represented debt offerings. We earned fees in connection



with underwriting, syndication and other capital markets services. While each of the capital markets transactions that we undertake in this segment is separately negotiated, our fee rates are generally higher with respect to underwriting or syndicating equity offerings than with respect to debt offerings, and the amount of fees that we collect for like transactions generally correlates with overall transaction sizes. Our capital markets fees are sourced from our Private Markets and Public Markets platforms as well as third party companies. For the year ended December 31, 2015 approximately 24% of our transaction fees were earned from third parties as compared to 31% for the year ended December 31, 2014. Our transaction fees are comprised of fees earned from North America, Europe, and Asia-Pacific, including India. For the year ended December 31, 2015 approximately 44% of our transaction fees were sourced outside the United States as compared to approximately 38% for the year ended December 31, 2014. Our capital markets business is dependent on the overall capital markets environment, which is influenced by, among other things, equity prices, credit spreads and volatility.

### ***Segment Expenses***

#### ***Compensation and Benefits***

The decrease was primarily due to a decrease in cash compensation and benefits related to lower transaction fees, which generally results in lower compensation expense.

#### ***Occupancy and Other Operating Expenses***

The increase was primarily driven by higher allocations of corporate other operating expenses to Capital Markets due to an increase in both the amount of corporate other operating expenses incurred by the firm and to a lesser extent an increase in the proportion of revenue earned by Capital Markets relative to other operating segments in 2015. Additionally, there was a decrease in the amount of operating expenses allocated from Capital Markets to Principal Activities as result of a decrease in the proportion of revenue earned by Principal Activities relative to other operating segments during 2015.

#### ***Economic Net Income (Loss)***

The decrease is primarily attributable to the decrease in transaction fees as described above.

#### ***Syndicated Capital***

The decrease is primarily due to a decrease in the size of syndication transactions in the year ended December 31, 2015 as compared to the year ended December 31, 2014. The 2014 amounts included the syndication of equity in First Data Corporation of approximately \$1.8 billion. Overall, we completed 10 syndication transactions for the year ended December 31, 2015 as compared to 8 syndication transactions for the year ended December 31, 2014.

**Principal Activities**

The following tables set forth information regarding the results of operations and certain key operating metrics for our Principal Activities segment for the years ended December 31, 2016 and 2015 .

**Year ended December 31, 2016 compared to year ended December 31, 2015**

	Year Ended		
	December 31, 2016	December 31, 2015	Change
(\$ in thousands)			
<b>Segment Revenues</b>			
<b>Management, Monitoring and Transaction Fees, Net</b>			
Management Fees	\$ —	\$ —	\$ —
Monitoring Fees	—	—	—
Transaction Fees	—	—	—
Fee Credits	—	—	—
<b>Total Management, Monitoring and Transaction Fees, Net</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Performance Income</b>			
Realized Incentive Fees	—	—	—
Realized Carried Interest	—	—	—
Unrealized Carried Interest	—	—	—
<b>Total Performance Income</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Investment Income (Loss)</b>			
Net Realized Gains (Losses)	371,563	337,023	34,540
Net Unrealized Gains (Losses)	(584,423)	(391,962)	(192,461)
Total Realized and Unrealized	(212,860)	(54,939)	(157,921)
Interest Income and Dividends	322,857	411,536	(88,679)
Interest Expense	(188,761)	(203,085)	14,324
Net Interest and Dividends	134,096	208,451	(74,355)
<b>Total Investment Income (Loss)</b>	<b>(78,764)</b>	<b>153,512</b>	<b>(232,276)</b>
<b>Total Segment Revenues</b>	<b>(78,764)</b>	<b>153,512</b>	<b>(232,276)</b>
<b>Segment Expenses</b>			
<b>Compensation and Benefits</b>			
Cash Compensation and Benefits	94,207	107,572	(13,365)
Realized Performance Income Compensation	—	—	—
Unrealized Performance Income Compensation	—	—	—
Total Compensation and Benefits	94,207	107,572	(13,365)
Occupancy and related charges	14,624	16,568	(1,944)
Other operating expenses	45,490	50,573	(5,083)
<b>Total Segment Expenses</b>	<b>154,321</b>	<b>174,713</b>	<b>(20,392)</b>
Income (Loss) attributable to noncontrolling interests	—	—	—
<b>Economic Net Income (Loss)</b>	<b>\$ (233,085)</b>	<b>\$ (21,201)</b>	<b>\$ (211,884)</b>

## **Segment Revenues**

### *Investment Income*

The net decrease is primarily due to a higher level of realized and unrealized losses during the year ended December 31, 2016, compared to the prior period and, to a lesser extent, a decrease in net interest and dividends of \$74.4 million.

For the year ended December 31, 2016, net realized gains were primarily comprised of gains from the sale of private equity investments including the sales or partial sales of Walgreens Boots Alliance, Inc., HCA Holdings, Inc. and Zimmer Biomet Holdings, Inc., offset by our investment in Samson Resources of approximately \$254 million, the loss from the redemption of limited partner interests in a fund managed by BlackGold Capital Management, as well as certain CLOs being called. As of December 31, 2016, KKR no longer holds any limited partner interests in BlackGold Capital Management, although we continue to own an interest in its management company and fund general partner. Net unrealized losses were primarily attributable to mark to market losses on various Private Markets investments including First Data Corporation and to a lesser extent WMIH Corp. (NASDAQ: WMIH), Walgreens Boots Alliance, Inc., mark to market losses on various alternative credit investments and unrealized losses on energy investments, and reversals of unrealized gains on the sales of private equity investments. These unrealized losses were partially offset by unrealized gains representing the reversal of unrealized losses primarily in connection with our investment in Samson Resources and the limited partner interests in a fund managed by BlackGold Capital Management as described above.

As of December 31, 2016, \$227.4 million of investments in CLOs and our \$289.7 million investment in KKR Real Estate Finance Trust Inc., our real estate investment trust or REIT, were carried at cost. As of December 31, 2016, the cumulative net unrealized gain or loss relating to changes in fair value for these investments was a \$9.1 million gain for CLOs and a \$13.0 million gain for the real estate investment trust.

Since April 30, 2014, the date we completed our acquisition of KFN, the amount of invested capital in our CLOs has decreased. As of December 31, 2016, the notes issued by all six legacy CLOs held by KFN have been called for redemption. These legacy CLOs held by KFN, which were issued prior to 2012, were larger in total transaction size relative to those that were issued subsequently. The size of new CLOs and the frequency of CLO issuances will depend on market conditions. CLO issuances typically increase when the spread between the value of CLO assets and liabilities generates an attractive return to KKR and other subordinated note holders, such as KKR. In the case where demand for loans leads to tighter spreads or if interest rates for the liabilities increase, the return to subordinated note holders would be less attractive, and the issuance of CLOs would be expected to generally decline. Consequently, since April 30, 2014, the amount of interest income and dividends from our CLOs has declined. While the size of our CLO portfolio may continue to decline in the near term, along with the levels of associated interest income and dividends, as we have called for redemption all notes issued by all six legacy CLOs held by KFN, we do not expect the rate of decline in the near term to be as significant as in recent quarters. Based on the above factors combined with alternative investment opportunities, we may selectively redeploy capital to other assets outside of CLOs and credit into other asset classes such as private equity.

For the year ended December 31, 2015, net realized gains were comprised primarily of gains from the sale of private equity investments, generally held through or alongside our funds, including the sales or partial sales of Walgreens Boots Alliance, Inc., The Nielsen Company B.V. (NYSE: NLSN), Zimmer Biomet Holdings, Inc. and Kion GmbH (XETRA: KGX). These realized gains were partially offset by realized losses on the sale or write-off of other private equity investments, generally held through or alongside our funds, including the write-off of Energy Future Holdings. Realized investment losses from balance sheet investments that were already written down as of October 1, 2009 that have been excluded from net realized gains (losses) above related to Energy Future Holdings and amounted to approximately \$100 million for the year ended December 31, 2015. Net unrealized losses were primarily attributable to (i) the reversal of gains on sales of private equity investments noted in the realized gains commentary above and (ii) overall reductions in value of our investments in CLOs, energy investments in working interests in oil and gas producing properties and special situations investments. A decrease in the value of our CLO portfolio was experienced in each quarter of 2015 and was due primarily to a decrease in the market value of underlying collateral as well as a reduction in overall market prices for these securities. With respect to our energy portfolio, a decrease in value was experienced in three of four quarters during 2015 and is due primarily to a drop in long-term oil, condensate, natural gas liquids, and natural gas prices during the year ended December 31, 2015. Offsetting these unrealized losses were unrealized gains resulting from increases in value of various investments, most notably First Data Corporation, Walgreens Boots Alliance, Inc. and WMIH Corp., as well as the reversal of unrealized losses related to the write-off of Energy Future Holdings, Corp.

For the year ended December 31, 2016, net interest and dividends were comprised of (i) \$186.7 million of interest income which consists primarily of interest that is received from our Public Markets investments including CLOs and other credit investments and to a lesser extent our cash balances and other assets, (ii) \$136.2 million of dividend income from distributions



received primarily through our private equity investments, real estate investments including our investment in our REIT and Public Markets investments and (iii) \$188.8 million of interest expense primarily relating to the senior notes outstanding for KKR and KFN.

For the year ended December 31, 2015, net interest and dividends were comprised of (i) \$316.5 million of interest income which consists primarily of interest that is received from interest yielding CLOs and credit investments and, to a lesser extent, from our cash balances and other assets, (ii) \$95.0 million of dividend income received primarily from distributions received through our investment funds and other assets and (iii) \$203.1 million of interest expense primarily relating to the senior notes outstanding for KKR and KFN.

The net decrease in net interest and dividends is due primarily to the lower amount of capital invested in CLOs described above, partially offset by a higher level of dividends in the 2016 period.

### ***Segment Expenses***

#### ***Compensation and Benefits***

The decrease was primarily due to a lower amount of compensation and benefits expenses allocated from the other operating segments to Principal Activities, as well as a lower amount of corporate compensation allocated to Principal Activities, in each case as a result of a decrease in the proportion of revenue earned by Principal Activities relative to other operating segments. This decrease was partially offset by an increase in the absolute amount of expenses eligible to be allocated from the other operating segments to Principal Activities. See "-Segment Analysis" for a discussion of expense allocations among segments.

#### ***Occupancy and Other Operating Expenses***

The decrease was primarily driven by a decrease in the amount of occupancy and other operating expenses allocated from the other operating segments primarily as a result of a decrease in the proportion of revenue earned by Principal Activities relative to other operating segments.

### ***Economic Net Income (Loss)***

The economic net loss for the year ended December 31, 2016 was primarily driven by the net investment losses as described above. Most notably for the year ended December 31, 2016, the reduction in the stock price of First Data Corporation from \$16.02 per share to \$14.19 per share that is held directly in the Principal Activities segment reduced ENI by approximately \$142 million.

The following tables set forth information regarding the results of operations for our Principal Activities segment for the years ended December 31, 2015 and 2014.

*Year ended December 31, 2015 compared to year ended December 31, 2014*

	Year Ended		
	December 31, 2015	December 31, 2014	Change
(\$ in thousands)			
<b>Segment Revenues</b>			
<b>Management, Monitoring and Transaction Fees, Net</b>			
Management Fees	\$ —	\$ —	\$ —
Monitoring Fees	—	—	—
Transaction Fees	—	—	—
Fee Credits	—	—	—
<b>Total Management, Monitoring and Transaction Fees, Net</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Performance Income</b>			
Realized Incentive Fees	—	—	—
Realized Carried Interest	—	—	—
Unrealized Carried Interest	—	—	—
<b>Total Performance Income</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Investment Income (Loss)</b>			
Net Realized Gains (Losses)	337,023	628,403	(291,380)
Net Unrealized Gains (Losses)	(391,962)	(396,425)	4,463
Total Realized and Unrealized	(54,939)	231,978	(286,917)
Interest Income and Dividends	411,536	408,084	3,452
Interest Expense	(203,085)	(134,909)	(68,176)
Net Interest and Dividends	208,451	273,175	(64,724)
<b>Total Investment Income (Loss)</b>	<b>153,512</b>	<b>505,153</b>	<b>(351,641)</b>
<b>Total Segment Revenues</b>	<b>153,512</b>	<b>505,153</b>	<b>(351,641)</b>
<b>Segment Expenses</b>			
<b>Compensation and Benefits</b>			
Cash Compensation and Benefits	107,572	121,161	(13,589)
Realized Performance Income Compensation	—	—	—
Unrealized Performance Income Compensation	—	—	—
Total Compensation and Benefits	107,572	121,161	(13,589)
Occupancy and related charges	16,568	18,104	(1,536)
Other operating expenses	50,573	60,673	(10,100)
<b>Total Segment Expenses</b>	<b>174,713</b>	<b>199,938</b>	<b>(25,225)</b>
Income (Loss) attributable to noncontrolling interests	—	—	—
<b>Economic Net Income (Loss)</b>	<b>\$ (21,201)</b>	<b>\$ 305,215</b>	<b>\$ (326,416)</b>

## **Segment Revenues**

### *Investment Income*

The net decrease is primarily due to a decrease in total realized and unrealized gains of \$286.9 million, as well as a decrease in net interest and dividends of \$64.7 million.

For the year ended December 31, 2015, net realized gains were comprised primarily of gains from the sale of private equity investments, generally held through or alongside our funds, including the sales or partial sales of Walgreens Boots Alliance, Inc., The Nielsen Company B.V. (NYSE: NLSN), Zimmer Biomet Holdings, Inc. and Kion GmbH (XETRA: KGX). These realized gains were partially offset by realized losses on the sale or write-off of other private equity investments, generally held through or alongside our funds, including the write-off of Energy Future Holdings. Realized investment losses from balance sheet investments that were already written down as of October 1, 2009 that have been excluded from net realized gains (losses) above related to Energy Future Holdings and amounted to approximately \$100 million for the year ended December 31, 2015. Net unrealized losses were primarily attributable to (i) the reversal of gains on sales of private equity investments noted in the realized gains commentary above and (ii) overall reductions in value of our investments in CLOs, energy investments in working interests in oil and gas producing properties and special situations investments. A decrease in the value of our CLO portfolio was experienced in each quarter of 2015 and was due primarily to a decrease in the market value of underlying collateral as well as a reduction in overall market prices for these securities. With respect to our energy portfolio, a decrease in value was experienced in three of four quarters during 2015 and was due primarily to a drop in long-term oil, condensate, natural gas liquids, and natural gas prices during the year ended December 31, 2015. Offsetting these unrealized losses were unrealized gains resulting from increases in value of various investments, most notably First Data Corporation, Walgreens Boots Alliance, Inc. and WMI Holdings Corp. (NASDAQ: WMIH), as well as the reversal of unrealized losses related to the write-off of Energy Future Holdings, Corp.

As of December 31, 2015, we held \$96.6 million of investments in CLOs that are not held for investment purposes and are carried at cost. For the year ended December 31, 2015, the unrealized loss relating to changes in fair value for these investments in CLOs was \$7.6 million. Prior to the quarter ended September 30, 2015, all CLOs were carried at fair value.

For the year ended December 31, 2014, net realized gains were comprised primarily of gains from the sale of private equity investments, generally held through or alongside our funds, including the sales or partial sales of HCA Holdings, Inc., NXP Semiconductors N.V. and The Nielsen Company B.V. Net unrealized losses are primarily related to (i) the reversal of gains on sales of private equity investments noted in the realized gains commentary above, (ii) declines in value of various investments in working interests in oil and gas producing properties, (iii) a decline in value for Samson Resources, (iv) overall reductions in value of our investments in CLOs, driven primarily by a decrease in the market value of underlying collateral and (v) a decline in value of investments in specialty finance companies. For the year ended December 31, 2014, mark-to-market unrealized losses reflected in net unrealized losses relating to our energy investments in working interests in oil and gas producing properties were approximately \$149 million, the majority of which occurred in the fourth quarter of 2014 primarily as a result of a decline in oil and gas prices. These unrealized losses and reversals of gains upon realization events were partially offset by unrealized gains resulting from increases in value of various private equity investments including First Data Corporation, Alliance Boots GmbH and Biomet, Inc.

For the year ended December 31, 2015, interest income and dividends were comprised of (i) \$316.5 million of interest income which consists primarily of interest that is received from interest yielding CLOs and credit investments and, to a lesser extent, from our cash balances and other assets and (ii) \$95.0 million of dividend income received primarily from distributions received through our investment funds and other assets. For the year ended December 31, 2014, interest income and dividends were comprised of (i) \$241.7 million of interest income which consists primarily of interest that is received from interest yielding CLOs and credit investments and, to a lesser extent, from our cash balances and other assets and (ii) \$166.4 million of dividend income received primarily from distributions received through our investment funds and other assets, including approximately \$84 million received from our energy investments in working interests in oil and gas producing properties. The increase from the prior period is primarily due to more significant levels of investments in interest yielding CLOs and credit investments, which were largely offset by a decrease in dividend income from our private equity and energy investments portfolio.

The increase in interest expense is primarily due to our 2044 Senior Notes issued on May 29, 2014 and an additional issuance of such notes on March 18, 2015, as well as the debt obligations of KFN acquired on April 30, 2014 which did not contribute to our interest expense for the first four months of 2014.

## ***Segment Expenses***

### ***Compensation and Benefits***

The decrease was primarily due to a decrease in the amount of compensation and benefits expenses allocated from the other operating segments to Principal Activities, as well as a lower amount of corporate compensation allocated to Principal Activities, in each case as a result of a decrease in the proportion of revenue earned by Principal Activities relative to other operating segments during 2015. Partially offsetting these decreases was an increase in the aggregate compensation and benefits expense in our other operating segments that are allocable to the Principal Activities segment. See “-Segment Analysis-Private Markets”, “-Segment Analysis-Public Markets” and “-Segment Analysis-Capital Markets” for additional information regarding the compensation and benefit expenses of these other segments, and “-Segment Analysis” for a discussion of expense allocations among segments.

### ***Occupancy and Other Operating Expenses***

The decrease was primarily driven by a decrease in the amount of occupancy and other operating expenses allocated from the other operating segments as a result of a decrease in the proportion of revenue earned by Principal Activities relative to other operating segments during 2015.

### ***Economic Net Income (Loss)***

The decrease is primarily attributable to the decrease in investment income as described above.

## ***Segment Balance Sheet***

Our segment balance sheet is the balance sheet of KKR & Co. L.P. and its subsidiaries on a segment basis which includes, but is not limited to, our investment management companies, broker-dealer companies, general partners of our investment funds and KFN. Our segment balance sheet excludes the assets and liabilities of our investment funds and CFEs and other consolidated entities that are not subsidiaries of KKR & Co. L.P.

### ***Investments***

Investments is a term used solely for purposes of financial presentation of a portion of KKR's balance sheet and includes majority ownership of subsidiaries that operate KKR's asset management and other businesses, including the general partner interests of KKR's investment funds.

### ***Cash and Short-Term Investments***

Cash and short-term investments represent cash and liquid short-term investments in high-grade, short-duration cash management strategies used by KKR to generate additional yield on our excess liquidity and is used by management in evaluating KKR's liquidity position. We believe this measure is useful to unitholders as it provides additional insight into KKR's available liquidity. Cash and short-term investments differ from cash and cash equivalents on a GAAP basis as a result of the inclusion of liquid short-term investments in cash and short-term investments. The impact that these liquid short-term investments have on cash and cash equivalents on a GAAP basis is reflected in the consolidated statements of cash flows within cash flows from operating activities. Accordingly, the exclusion of these investments from cash and cash equivalents on a GAAP basis has no impact on cash provided (used) by operating activities, investing activities or financing activities.

The following tables present information with respect to our segment balance sheet as of December 31, 2016 and December 31, 2015 :

	As of	
	December 31, 2016	December 31, 2015
	(\$ in thousands, except per unit amounts)	
Cash and Short-term Investments	\$ 3,387,673	\$ 1,287,650
Investments	6,958,873	8,958,089
Unrealized Carry <sup>(1)</sup>	1,213,692	1,415,478
Other Assets	1,611,678	1,613,139
Corporate Real Estate	161,225	154,942
<b>Total Assets</b>	<b>\$ 13,333,141</b>	<b>\$ 13,429,298</b>
Debt Obligations - KKR (ex-KFN)	\$ 2,000,000	\$ 2,000,000
Debt Obligations - KFN	398,560	657,310
Preferred Shares - KFN	373,750	373,750
Other Liabilities	244,676	291,537
<b>Total Liabilities</b>	<b>3,016,986</b>	<b>3,322,597</b>
Noncontrolling Interests	19,564	127,472
Preferred Units	500,000	—
<b>Book Value</b>	<b>\$ 9,796,591</b>	<b>\$ 9,979,229</b>
<b>Book Value Per Outstanding Adjusted Unit</b>	<b>\$ 12.15</b>	<b>\$ 12.18</b>
(1) <b>Unrealized Carry</b>		
Private Markets	\$ 1,141,610	\$ 1,340,556
Public Markets	72,082	74,922
<b>Total</b>	<b>\$ 1,213,692</b>	<b>\$ 1,415,478</b>

The following table presents the holdings of our segment balance sheet by asset class as of December 31, 2016 :

As of December 31, 2016			
Investments	Cost	Fair Value	Fair Value as a Percentage of Total Investments
Private Equity Co-Investments and Other Equity	\$ 1,474,090	\$ 1,733,215	24.9%
Private Equity Funds	923,992	1,087,783	15.6%
<b>Private Equity Total</b>	<b>2,398,082</b>	<b>2,820,998</b>	<b>40.5%</b>
Energy	964,210	559,050	8.0%
Real Estate <sup>(1)</sup>	727,061	747,562	10.8%
Infrastructure	210,658	223,953	3.2%
<b>Real Assets Total</b>	<b>1,901,929</b>	<b>1,530,565</b>	<b>22.0%</b>
Special Situations	850,582	713,733	10.3%
Direct Lending	92,550	88,918	1.3%
Mezzanine	24,004	23,856	0.3%
<b>Alternative Credit Total</b>	<b>967,136</b>	<b>826,507</b>	<b>11.9%</b>
CLOs <sup>(1)</sup>	962,629	585,078	8.4%
Liquid Credit	173,492	180,620	2.6%
Specialty Finance	294,857	202,837	2.9%
<b>Credit Total</b>	<b>2,398,114</b>	<b>1,795,042</b>	<b>25.8%</b>
Other	831,653	812,268	11.7%
<b>Total Investments</b>	<b>\$ 7,529,778</b>	<b>\$ 6,958,873</b>	<b>100.0%</b>

As of December 31, 2016			
Significant Investments: <sup>(2)</sup>	Cost	Fair Value	Fair Value as a Percentage of Total Investments
First Data Corporation (NYSE: FDC)	\$ 1,031,827	\$ 1,094,159	15.7%
KKR Real Estate Finance Trust Inc.	289,723	289,723	4.2%
WMIH Corp. (NASDAQ: WMIH)	221,412	220,896	3.2%
Natural Gas Midstream Investment	128,733	134,478	1.9%
Oil & Gas Royalties Investment	114,374	119,700	1.7%
<b>Total Significant Investments</b>	<b>1,786,069</b>	<b>1,858,956</b>	<b>26.7%</b>
Other Investments	5,743,709	5,099,917	73.3%
<b>Total Investments</b>	<b>\$ 7,529,778</b>	<b>\$ 6,958,873</b>	<b>100.0%</b>

(1) Includes approximately \$227.4 million and \$289.7 million of CLOs and our ownership of KKR Real Estate Finance Trust Inc., respectively, that are not held for investment purposes and are held at cost.

(2) The significant investments include the top five investments (other than investments expected to be syndicated or transferred in connection with new fundraising) based on their fair values as of December 31, 2016. The fair value figures include the co-investment and the limited partner and/or general partner interests held by KKR in the underlying investment, if applicable.

The following tables provide reconciliations of KKR's GAAP Consolidated Statements of Financial Condition to Total Reportable Segments Balance Sheet as of December 31, 2016 and December 31, 2015.

		As of December 31, 2016 (Amounts in thousands)						
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (GAAP BASIS)		1	2	3	4	5	TOTAL REPORTABLE SEGMENTS BALANCE SHEET	
<b>Assets</b>								
Cash and Cash Equivalents	\$ 2,508,902	—	—	878,771	—	—	\$ 3,387,673	Cash and Short-term Investments
Investments	31,409,765	(22,249,206)	(987,994)	(1,213,692)	—	—	6,958,873	Investments
		—	—	1,213,692	—	—	1,213,692	Unrealized Carry
Other Assets	5,084,230	(2,118,364)	—	(1,039,996)	—	(314,192)	1,611,678	Other Assets
		—	—	161,225	—	—	161,225	Corporate Real Estate
<b>Total Assets</b>	<b>\$ 39,002,897</b>	<b>(24,367,570)</b>	<b>(987,994)</b>	<b>—</b>	<b>—</b>	<b>(314,192)</b>	<b>\$ 13,333,141</b>	
<b>Liabilities and Equity</b>								
Debt Obligations	18,544,075	(16,145,515)	—	(398,560)	—	—	2,000,000	Debt Obligations - KKR (ex-KFN)
		—	—	398,560	—	—	398,560	Debt Obligations - KFN
		—	—	373,750	—	—	373,750	Preferred Shares - KFN
Other Liabilities	3,340,739	(1,945,039)	(987,994)	—	—	(163,030)	244,676	Other Liabilities
<b>Total Liabilities</b>	<b>21,884,814</b>	<b>(18,090,554)</b>	<b>(987,994)</b>	<b>373,750</b>	<b>—</b>	<b>(163,030)</b>	<b>3,016,986</b>	
<b>Redeemable Noncontrolling Interests</b>	<b>632,348</b>	<b>(632,348)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>		
<b>Equity</b>								
Series A Preferred Units	332,988	—	—	(332,988)	—	—		
Series B Preferred Units	149,566	—	—	(149,566)	—	—		
KKR & Co. L.P. Capital - Common Unitholders	5,457,279	118,635	—	(17,446)	4,389,285	(151,162)	9,796,591	Book Value
Noncontrolling Interests	10,545,902	(5,763,303)	—	(373,750)	(4,389,285)	—	19,564	Noncontrolling Interests
		—	—	500,000	—	—	500,000	Preferred Units
<b>Total Liabilities and Equity</b>	<b>\$ 39,002,897</b>	<b>(24,367,570)</b>	<b>(987,994)</b>	<b>—</b>	<b>—</b>	<b>(314,192)</b>	<b>\$ 13,333,141</b>	

**1** IMPACT OF CONSOLIDATION OF INVESTMENT VEHICLES AND OTHER ENTITIES

**2** CARRY POOL RECLASSIFICATION

**3** OTHER RECLASSIFICATIONS

**4** NONCONTROLLING INTERESTS HELD BY KKR HOLDINGS L.P. AND OTHER

**5** EQUITY IMPACT OF KKR MANAGEMENT HOLDINGS CORP.

**As of December 31, 2015**  
**(Amounts in thousands)**

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (GAAP BASIS)	1	2	3	4	5	TOTAL REPORTABLE SEGMENTS BALANCE SHEET	
<b>Assets</b>							
Cash and Cash Equivalents \$	1,047,740	—	—	239,910	—	\$ 1,287,650	Cash and Short-term Investments
Investments	65,305,931	(53,733,364)	(1,199,000)	(1,415,478)	—	8,958,089	Investments
		—	—	1,415,478	—	1,415,478	Unrealized Carry
Other Assets	4,688,668	(2,406,048)	—	(394,852)	—	(274,629)	Other Assets
		—	—	154,942	—	—	Corporate Real Estate
<b>Total Assets</b>	<b>\$ 71,042,339</b>	<b>(56,139,412)</b>	<b>(1,199,000)</b>	<b>—</b>	<b>—</b>	<b>(274,629)</b>	<b>\$ 13,429,298</b>
<b>Liabilities and Equity</b>							
Debt Obligations	18,714,597	(16,057,287)	—	(657,310)	—	—	Debt Obligations - KKR (ex-KFN)
		—	—	657,310	—	—	Debt Obligations - KFN
		—	—	373,750	—	—	Preferred Shares - KFN
Other Liabilities	2,860,157	(1,228,091)	(1,199,000)	—	—	(141,529)	Other Liabilities
<b>Total Liabilities</b>	<b>21,574,754</b>	<b>(17,285,378)</b>	<b>(1,199,000)</b>	<b>373,750</b>	<b>—</b>	<b>(141,529)</b>	<b>3,322,597</b>
<b>Redeemable Noncontrolling Interests</b>	<b>188,629</b>	<b>(188,629)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	
<b>Equity</b>							
Series A Preferred Units	—	—	—	—	—	—	
Series B Preferred Units	—	—	—	—	—	—	Preferred Units
KKR & Co. L.P. Capital - Common Unitholders	5,547,182	133,208	—	—	4,431,939	(133,100)	Book Value
Noncontrolling Interests	43,731,774	(38,798,613)	—	(373,750)	(4,431,939)	—	Noncontrolling Interests
<b>Total Liabilities and Equity</b>	<b>\$ 71,042,339</b>	<b>(56,139,412)</b>	<b>(1,199,000)</b>	<b>—</b>	<b>—</b>	<b>(274,629)</b>	<b>\$ 13,429,298</b>

- 1** IMPACT OF CONSOLIDATION OF INVESTMENT VEHICLES AND OTHER ENTITIES
- 2** CARRY POOL RECLASSIFICATION
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The following tables provide reconciliations of KKR's GAAP Common Units Outstanding - Basic to Outstanding Adjusted Units.

	As of December 31, 2016	As of December 31, 2015
<b>GAAP Common Units Outstanding - Basic</b>	452,380,335	457,834,875
Adjustments:		
Unvested Common Units <sup>(1)</sup>	37,519,436	23,212,300
Other Exchangeable Securities <sup>(2)</sup>	4,600,320	4,689,610
<b>GAAP Common Units Outstanding - Diluted</b>	494,500,091	485,736,785
Adjustments:		
KKR Holdings Units <sup>(3)</sup>	353,757,398	361,346,588
<b>Adjusted Units</b>	848,257,489	847,083,373
Adjustments:		
Unvested Common Units and Unvested Other Exchangeable Securities	(37,519,436)	(24,060,289)
<b>Adjusted Units Eligible for Distribution</b>	810,738,053	823,023,084
Adjustments:		
Vested Other Exchangeable Securities <sup>(2)</sup>	(4,600,320)	(3,841,621)
<b>Outstanding Adjusted Units</b>	806,137,733	819,181,463

(1) Represents equity awards granted under the Equity Incentive Plan. The issuance of common units of KKR & Co. L.P. pursuant to awards under the Equity Incentive Plan dilutes KKR common unitholders and KKR Holdings pro rata in accordance with their respective percentage interests in the KKR business. Year-end 2016 equity awards were granted before December 31, 2016 (except for awards to our named executive officers), rather than, as has been historical practice, after the end of the year. As a result, adjusted units increased in the fourth quarter of 2016, rather than in the first quarter of 2017.

(2) Represents securities in a subsidiary of a KKR Group Partnership and of KKR & Co. L.P. that are exchangeable into KKR & Co. L.P. common units issued in connection with the acquisition of Avoca.

(3) Common units that may be issued by KKR & Co. L.P. upon exchange of units in KKR Holdings L.P. for KKR common units.

### Liquidity

We manage our liquidity and capital requirements by focusing on our cash flows before the consolidation of our funds and CFEs and the effect of changes in short term assets and liabilities, which we anticipate will be settled for cash within one year. Our primary cash flow activities on a segment basis typically involve: (i) generating cash flow from operations; (ii) generating income from investment activities, by investing in investments that generate yield (namely interest and dividends) as well as the sale of investments and other assets; (iii) funding capital commitments that we have made to, and advancing capital to, our funds and CLOs; (iv) developing and funding new investment strategies, investment products and other growth initiatives, including acquisitions; (v) underwriting and funding commitments in our capital markets business; (vi) distributing cash flow to our unitholders, certain holders of certain exchangeable securities and holders of our Series A and Series B Preferred Units; and (vii) paying borrowings, interest payments and repayments under credit agreements, our senior notes and other borrowing arrangements. See "-Liquidity - Liquidity Needs - Distributions."

### Sources of Liquidity

Our primary sources of liquidity consist of amounts received from: (i) our operating activities, including the fees earned from our funds, portfolio companies, and capital markets transactions; (ii) realizations on carried interest from our investment funds; (iii) interest and dividends from investments that generate yield, including our investments in CLOs; (iv) realizations on and sales of investments and other assets, including the transfers of investments for fund formations and (v) borrowings under our credit facilities, debt offerings and other borrowing arrangements. In addition, we may generate cash proceeds from sales of equity securities.

With respect to our private equity funds, carried interest is distributed to the general partner of a private equity fund with a clawback provision only after all of the following are met: (i) a realization event has occurred (e.g., sale of a portfolio company,

dividend, etc.); (ii) the vehicle has achieved positive overall investment returns since its inception, in excess of performance hurdles where applicable; and (iii) with respect to investments with a fair value below cost, cost has been returned to fund investors in an amount sufficient to reduce remaining cost to the investments' fair value. As of December 31, 2016, certain of our funds had met the first and second criteria, as described above, but did not meet the third criteria. In these cases, carried interest accrues on the consolidated statement of operations, but will not be distributed in cash to us as the general partner of an investment fund upon a realization event. For a fund that has a fair value above cost, overall, but has one or more investments where fair value is below cost, the shortfall between cost and fair value for such investments is referred to as a "netting hole." When netting holes are present, realized gains on individual investments that would otherwise allow the general partner to receive carried interest distributions are instead used to return invested capital to our funds' limited partners in an amount equal to the netting hole. Once netting holes have been filled with either (a) return of capital equal to the netting hole for those investments where fair value is below cost, or (b) increases in the fair value of those investments where fair value is below cost, then realized carried interest will be distributed to the general partner upon a realization event. A fund that is in a position to pay cash carry refers to a fund for which carried interest is expected to be paid to the general partner upon the next material realization event, which includes funds with no netting holes as well as funds with a netting hole that is sufficiently small in size such that the next material realization event would be expected to result in the payment of carried interest.

As of December 31, 2016, a netting hole in excess of \$50 million existed at our European Fund IV for \$100.9 million. In accordance with the criteria set forth above, other funds currently have and may in the future develop netting holes, and netting holes for those and other funds may otherwise increase or decrease in the future.

We have access to funding under various credit facilities, other borrowing arrangements and other sources of liquidity that we have entered into with major financial institutions or which we receive from the capital markets. The following describes these sources of liquidity.

### **Revolving Credit Agreements, Senior Notes, KFN Debt Obligations & KFN Securities**

For a discussion of KKR's debt obligations, including our revolving credit agreements, senior notes, KFN debt obligations and KFN securities, see Note 10 "Debt Obligations" to the audited financial statements included elsewhere in this report. The information presented below supplements and updates, and should be read in conjunction with, such information. No amounts were borrowed under our corporate credit agreement for the year ended December 31, 2016.

#### *KCM Credit Agreement*

KKR Capital Markets maintains a revolving credit agreement with a major financial institution, or the KCM Credit Agreement, for use in KKR's capital markets business. This financial institution also holds an ownership interest in our capital markets business. The KCM Credit Agreement provides for revolving borrowings of up to \$500 million with a \$500 million sublimit for letters of credit.

On March 30, 2016, the KCM Credit Agreement was amended to extend the maturity date from March 30, 2017 to March 30, 2021. If a borrowing is made on the KCM Credit Agreement, the interest rate will vary depending on the type of borrowing requested. If the borrowing is a eurocurrency loan, it will be based on the LIBOR plus the applicable margin which ranges initially between 1.25% and 2.50%, depending on the amount and tenor of the borrowing. If the borrowing is an ABR loan, it will be based on the prime rate plus the applicable margin which ranges initially between 0.25% and 1.50% depending on the amount and tenor of the borrowing. Borrowings under this facility may only be used for KKR's capital markets business, and its only obligors are entities involved in our capital markets business, and its liabilities are non-recourse to other parts of KKR.

For the year ended December 31, 2016, a total of \$848 million was borrowed and \$848 million was repaid under the KCM Credit Agreement. For the year ended December 31, 2015, a total of \$97 million was borrowed and \$124 million was repaid under the KCM Credit Agreement. Amounts borrowed under the KCM Credit Agreement are generally repaid within 3 months.

#### *KFN Issued 8.375% Notes Due 2041*

On November 15, 2011, KFN issued \$258.8 million par amount of 8.375% Senior Notes, or KFN 2041 Senior Notes, resulting in net proceeds to KFN of \$250.7 million. The notes traded under the ticker symbol "KFH" on the NYSE. Interest on the 8.375% Senior Notes was payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year. The KFN 2041 Senior Notes would have matured on November 15, 2041 if not redeemed or repurchased in accordance with their terms prior to such date.

On November 15, 2016, KFN redeemed all of the outstanding 8.375% Senior Notes due 2041 for cash. The redemption price equaled 100% of the principal amount of the KFN 2041 Senior Notes plus unpaid interest accrued thereon to, but excluding, the redemption date, in accordance with the terms of the KFN 2041 Senior Notes.

### **Preferred Units**

On March 17, 2016, KKR & Co. L.P. issued 13,800,000 units of 6.75% Series A Preferred Units and on June 20, 2016, KKR issued 6,200,000 units of 6.50% Series B Preferred Units, in each case, in an underwritten public offering. The Series A Preferred Units and Series B Preferred Units trade on the NYSE under the symbols "KKR PRA" and "KKR PRB", respectively. The terms of the preferred units are set forth in the limited partnership agreement of KKR & Co. L.P.

If declared, distributions on the preferred units are payable quarterly on March 15, June 15, September 15 and December 15 of each year, at a rate per annum equal to 6.75%, in the case of the Series A Preferred Units, and 6.50% in the case of the Series B Preferred Units. Distributions on the preferred units are discretionary and non-cumulative. Holders of preferred units will only receive distributions on such units when, as and if declared by the board of directors of the general partner of KKR & Co. L.P. We have no obligation to declare or pay any distribution for any distribution period, whether or not distributions on any series of preferred units are declared or paid for any other distribution period.

Unless distributions have been declared and paid (or declared and set apart for payment) on the preferred units for a quarterly distribution period, we may not declare or pay distributions on, or repurchase, any units of KKR & Co. L.P. that are junior to the preferred units, including our common units, during such distribution period. A distribution period begins on a distribution payment date and extends to, but excludes, the next distribution payment date. See "--Liquidity Needs--Distributions" for a discussion of the distributions declared on the Series A and Series B Preferred Units.

If KKR & Co. L.P. dissolves, then the holders of the Series A Preferred Units and Series B Preferred Units are entitled to receive payment of a \$25.00 liquidation preference per preferred unit, plus declared and unpaid distributions, if any, to the extent that we have sufficient gross income (excluding any gross income attributable to the sale or exchange of capital assets) such that holders of such preferred units have capital account balances equal to such liquidation preference, plus declared and unpaid distributions, if any.

The Series A and Series B Preferred Units do not have a maturity date. However, the Series A Preferred Units may be redeemed at our option, in whole or in part, at any time on or after June 15, 2021, at a price of \$25.00 per Series A Preferred Unit, plus declared and unpaid distributions, if any. The Series B Preferred Units may be redeemed at our option, in whole or in part, at any time on or after September 15, 2021, at a price of \$25.00 per Series B Preferred Unit, plus declared and unpaid distributions, if any. Holders of preferred units have no right to require the redemption of such units.

If a certain change of control event with a ratings downgrade occurs prior to June 15, 2021, the Series A Preferred Units may be redeemed at our option, in whole but not in part, upon at least 30 days' notice, within 60 days of the occurrence of such change of control event, at a price of \$25.25 per Series A Preferred Unit, plus declared and unpaid distributions, if any. If a certain change of control event with a ratings downgrade occurs prior to September 15, 2021, the Series B Preferred Units may be redeemed at our option, in whole but not in part, upon at least 30 days' notice, within 60 days of the occurrence of such change of control event, at a price of \$25.25 per Series B Preferred Unit, plus declared and unpaid distributions, if any. If such a change of control event occurs (whether before, on or after June 15, 2021, in the case of the Series A Preferred Units and September 15, 2021, in the case of the Series B Preferred Units) and we do not give such notice, the distribution rate per annum on the applicable series of preferred units will increase by 5.00%, beginning on the 31st day following such change of control event.

The Series A and Series B Preferred Units are not convertible into common units of KKR & Co. L.P. and have no voting rights, except that holders of preferred units have certain voting rights in limited circumstances relating to the election of directors following the failure to declare and pay distributions, certain amendments to the terms of the preferred units, and the creation of preferred units that are senior to the Series A Preferred Units and Series B Preferred Units.

In connection with the issuance of the preferred units, the KKR Group Partnerships issued for the benefit of KKR & Co. L.P. two series of preferred units with economic terms that mirror those of each series of preferred units.

### **Common Units**

On May 16, 2014, KKR & Co. L.P. filed a registration statement with the Securities and Exchange Commission for the sale by us from time to time of up to 5,000,000 common units of KKR & Co. L.P. to generate cash proceeds (a) up to (1) the

amount of withholding taxes, social benefit payments or similar payments payable by us in respect of awards granted pursuant to the Equity Incentive Plan, and (2) the amount of cash delivered in respect of awards granted pursuant to the Equity Incentive Plan that are settled in cash instead of common units; and (b) to the extent the net proceeds from the sale of common units exceeds the amounts due under clause (a), for general corporate purposes. The administrator of the Equity Incentive Plan is expected to reduce the maximum number of common units eligible to be issued under the Equity Incentive Plan by the number of common units issued and sold pursuant to this Registration Statement, as applicable, unless such reduction is already provided for with respect to such awards under the terms of the Equity Incentive Plan. The Securities and Exchange Commission declared the registration statement effective on June 4, 2014. As of December 31, 2016, 4,173,039 common units have been issued and sold under the registration statement and are included in our basic common units outstanding as of December 31, 2016. During 2016, we canceled 3.6 million granted equity awards for approximately \$53 million to satisfy tax obligations in connection with their vesting.

### ***Liquidity Needs***

We expect that our primary liquidity needs will consist of cash required to:

- continue to grow our business, including seeding new strategies and funding our capital commitments made to existing and future funds, co-investments and any net capital requirements of our capital markets companies;
- warehouse investments in portfolio companies or other investments for the benefit of one or more of our funds, vehicles, accounts or CLOs pending the contribution of committed capital by the investors in such vehicles, and advancing capital to them for operational or other needs;
- service debt obligations including the payment of obligations upon maturity or redemption, as well as any contingent liabilities that may give rise to future cash payments;
- fund cash operating expenses, including litigation matters;
- pay amounts that may become due under our tax receivable agreement with KKR Holdings;
- make cash distributions in accordance with our distribution policy for our common units or the terms of our preferred units;
- underwrite commitments within our capital markets business;
- make future purchase price payments in connection with our proprietary investments, such as our strategic partnership with Marshall Wace;
- acquire additional assets for our Principal Activities segment, including other businesses and corporate real estate; and
- repurchase KKR & Co. L.P. common units pursuant to the unit repurchase program announced on October 27, 2015 and amended on February 9, 2017.

### ***KKR & Co. L.P. Unit Repurchase Program***

On October 27, 2015, KKR announced the authorization of a program providing for the repurchase by KKR of up to \$500 million in the aggregate of its outstanding common units. Under this unit repurchase program, units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing, manner, price and amount of any unit repurchases will be determined by KKR in its discretion and will depend on a variety of factors, including legal requirements, price and economic and market conditions. KKR expects that the program, which has no expiration date, will be in effect until the maximum approved dollar amount has been used to repurchase common units. The program does not require KKR to repurchase any specific number of common units, and the program may be suspended, extended, modified or discontinued at any time. Since inception of the unit repurchase program through February 9, 2017, KKR has repurchased and canceled approximately 31.7 million outstanding common units for approximately \$459 million. In addition, on February 9, 2017, KKR announced an incremental \$250 million has been authorized to repurchase common units. This amount is in addition to the \$41 million remaining as of February 9, 2017 under the current repurchase program. For additional information regarding units repurchased during the fourth quarter of 2016, see "--Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities."

*Capital Commitments*

The agreements governing our active investment funds generally require the general partners of the funds to make minimum capital commitments to such funds, which usually range from 2% to 8% of a fund's total capital commitments at final closing; however, the size of our general partner commitment to certain funds pursuing newer strategies may exceed this range. The following table presents our uncalled commitments to our active investment funds as of December 31, 2016 :

	<b>Uncalled Commitments</b>
	(\$ in thousands)
<b>Private Markets</b>	
Americas Fund XII	\$ 1,000,000
Energy Income and Growth	130,900
European Fund IV	128,600
Next Generation Technology Growth Fund	127,800
Real Estate Partners Americas	109,800
Global Infrastructure Investors II	86,400
Real Estate Partners Europe	54,100
North America Fund XI	49,900
Asian Fund II	35,700
Co-Investment Vehicles	23,500
Other Private Markets Funds	441,500
<b>Total Private Markets Commitments</b>	<b>2,188,200</b>
<b>Public Markets</b>	
Special Situations Fund	12,100
Special Situations Fund II	203,700
Mezzanine Partners	5,900
Lending Partners	8,600
Lending Partners II	18,100
Lending Partners Europe	34,100
Other Alternative Credit Vehicles	114,200
<b>Total Public Markets Commitments</b>	<b>396,700</b>
<b>Total Uncalled Commitments</b>	<b>\$ 2,584,900</b>

As of December 31, 2016 , KKR had unfunded commitments consisting of (i) \$2,584.9 million , as shown above, to its active investment funds, (ii) \$610.2 million in connection with commitments by KKR's capital markets business and (iii) other investment commitments of \$70.5 million . Whether these amounts are actually funded, in whole or in part depends on the terms of such commitments, including the satisfaction or waiver of any conditions to funding.

*Prisma Capital Partners*

On October 1, 2012, KKR acquired all of the equity interests of Prisma subject to potential purchase price payments in 2014 and 2017. At the time of the acquisition, KKR may have become contingently obligated to make future purchase price payments in 2017 based on whether the Prisma business grows to achieve certain operating performance metrics when measured in such year. During the fourth quarter of 2016, KKR determined that it was no longer probable that the sellers (certain of whom are employees of KKR) of Prisma Capital Partners LP and its affiliates would be entitled to any future additional payment under the contingent consideration arrangement. Consequently, as of December 31, 2016, KKR has reduced the fair value of the contingent consideration liability to zero . Additionally, on February 6, 2017, KKR and Pacific Alternative Asset Management Company, LLC, or PAAMCO, announced that they entered into a strategic transaction to create a new liquid alternatives investment firm by combining PAAMCO and KKR Prisma. Under the terms of the agreement, the entire businesses of both PAAMCO and KKR Prisma will be contributed to a newly formed company that will operate independently from KKR, and KKR will retain a 39.9% stake as a long-term strategic partner. This transaction is subject to the satisfaction of customary closing conditions, including the receipt of requisite regulatory approvals.

### *Merchant Capital Solutions*

Merchant Capital Solutions LLC, or MCS, formerly known as MerchCap Solutions LLC, was a joint venture partnership with Stone Point Capital. During the year ended December 31, 2016, MCS became a consolidated subsidiary of KKR, and KKR has fully redeemed Stone Point Capital's interest in MCS.

### *Investment in Marshall Wace LLP*

On November 2, 2015, KKR entered into a long-term strategic relationship with Marshall Wace LLP and its affiliates and acquired a 24.9% interest in Marshall Wace through a combination of cash and common units. Subject to the exercise of a put option by Marshall Wace or a call option by KKR, at subsequent closings to occur in the second, third and fourth years following the initial closing described above, and subject to satisfaction or waiver of certain closing conditions, including regulatory approvals, KKR may at each such closing subscribe (or be required to subscribe) for an incremental 5% equity interest, for ultimate aggregate ownership of up to 39.9% of Marshall Wace. The exercise of such options would require the use of cash and/or KKR common units. KKR's investment in Marshall Wace is accounted for using the equity method of accounting.

### *Tax Receivable Agreement*

We and certain intermediate holding companies that are taxable corporations for U.S. federal, state and local income tax purposes, may be required to acquire KKR Group Partnership Units from time to time pursuant to our exchange agreement with KKR Holdings. KKR Management Holdings L.P. made an election under Section 754 of the Internal Revenue Code that will remain in effect for each taxable year in which an exchange of KKR Group Partnership Units for common units occurs, which may result in an increase in our intermediate holding companies' share of the tax basis of the assets of the KKR Group Partnerships at the time of an exchange of KKR Group Partnership Units. Certain of these exchanges are expected to result in an increase in our intermediate holding companies' share of the tax basis of the tangible and intangible assets of the KKR Group Partnerships, primarily attributable to a portion of the goodwill inherent in our business that would not otherwise have been available. This increase in tax basis may increase depreciation and amortization deductions for tax purposes and therefore reduce the amount of income tax our intermediate holding companies would otherwise be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

We have entered into a tax receivable agreement with KKR Holdings, which requires our intermediate holding companies to pay to KKR Holdings, or to current and former principals who have exchanged KKR Holdings units for KKR common units as transferees of KKR Group Partnership Units, 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that the intermediate holding companies realize as a result of the increase in tax basis described above, as well as 85% of the amount of any such savings the intermediate holding companies realize as a result of increases in tax basis that arise due to future payments under the agreement. We expect our intermediate holding companies to benefit from the remaining 15% of cash savings, if any, in income tax that they realize. A termination of the agreement or a change of control could give rise to similar payments based on tax savings that we would be deemed to realize in connection with such events. In the event that other of our current or future subsidiaries become taxable as corporations and acquire KKR Group Partnership Units in the future, or if we become taxable as a corporation for U.S. federal income tax purposes, we expect that each will become subject to a tax receivable agreement with substantially similar terms.

These payment obligations are obligations of our intermediate holding companies and not the KKR Group Partnerships. As such, cash payments received by common unitholders may vary from those received by holders of KKR Group Partnership Units held by KKR Holdings and its current and former principals to the extent payments are made to those parties under the tax receivable agreement. Payments made under the tax receivable agreement are required to be made within 90 days of the filing of the tax returns of our intermediate holding companies, which may result in a timing difference between the tax savings received by KKR's intermediate holdings companies and the cash payments made to the selling holders of KKR Group Partnership Units.

For the years ended December 31, 2016, 2015 and 2014, cash payments that have been made under the tax receivable agreement were \$5.0 million, \$5.7 million and \$5.7 million, respectively. As of December 31, 2016, \$4.2 million of cumulative income tax savings have been realized. See "-Liquidity-Other Liquidity Needs- Contractual Obligations, Commitments and Contingencies" for a discussion of amounts payable and cumulative cash payments made under this agreement.

### *Distributions*

A distribution of \$0.16 per common unit has been declared, which will be paid on March 7, 2017 to holders of record of common units as of the close of business on February 21, 2017. Under KKR's current distribution policy for its common units, KKR has made equal quarterly distributions to holders of common units in an amount of \$0.16 per common unit per quarter. Beginning with the financial results to be reported for the first quarter of 2017, KKR intends, subject to the limitations below, to increase its quarterly distribution to common unitholders to \$0.17 per common unit per quarter.

A distribution of \$0.421875 per Series A Preferred Unit has been declared and set aside for payment on March 15, 2017 to holders of record of Series A Preferred Units as of the close of business on March 1, 2017. A distribution of \$0.406250 per Series B Preferred Unit has been declared and set aside for payment on March 15, 2017 to holders of record of Series B Preferred Units as of the close of business on March 1, 2017.

The declaration and payment of any future distributions on preferred or common units are subject to the discretion of the board of directors of the general partner of KKR and the terms of its limited partnership agreement. There can be no assurance that future distributions will be made as intended or at all, that unitholders will receive sufficient distributions to satisfy payment of their tax liabilities as limited partners of KKR or that any particular distribution policy for common units will be maintained. Furthermore, the declaration and payment of distributions by the KKR Group Partnerships and our other subsidiaries may also be subject to legal, contractual and regulatory restrictions, including restrictions contained in our debt agreements and the preferred units of the KKR Group Partnerships.

When KKR & Co. L.P. receives distributions from the KKR Group Partnerships (the holding companies of the KKR business), KKR Holdings receives its pro rata share of such distributions from the KKR Group Partnerships.

*Other Liquidity Needs*

We may also be required to fund various underwriting and fronting commitments in our capital markets business in connection with the underwriting of loans, securities or other financial instruments. We generally expect that these commitments will be syndicated to third parties or otherwise fulfilled or terminated, although we may in some instances elect to retain a portion of the commitments for our own investment.

***Contractual Obligations, Commitments and Contingencies on a Consolidated Basis***

In the ordinary course of business, we and our consolidated funds and CFEs enter into contractual arrangements that may require future cash payments. The following table sets forth information relating to anticipated future cash payments as of December 31, 2016.

Types of Contractual Obligations	Payments due by Period				
	<1 Year	1-3 Years	3-5 Years	>5 Years	Total
	(\$ in millions)				
Uncalled commitments to investment funds <sup>(1)</sup>	\$ 6,577.2	\$ —	\$ —	\$ —	\$ 6,577.2
Debt payment obligations <sup>(2)</sup>	111.8	1,675.2	1,289.7	15,293.8	18,370.5
Interest obligations on debt <sup>(3)</sup>	629.3	1,186.7	1,098.2	3,956.5	6,870.7
Underwriting commitments <sup>(4)</sup>	473.3	—	—	—	473.3
Lending commitments <sup>(5)</sup>	136.9	—	—	—	136.9
Other commitments <sup>(6)</sup>	39.3	29.1	0.3	1.8	70.5
Lease obligations	52.5	97.3	54.0	12.4	216.2
Corporate real estate <sup>(7)</sup>	—	292.5	—	—	292.5
<b>Total</b>	<b>\$ 8,020.3</b>	<b>\$ 3,280.8</b>	<b>\$ 2,442.2</b>	<b>\$ 19,264.5</b>	<b>\$ 33,007.8</b>

(1) These uncalled commitments represent amounts committed by our consolidated investment funds, which include amounts committed by KKR and our fund investors, to fund the purchase price paid for each investment made by our investment funds which are actively investing. Because capital contributions are due on demand, the above commitments have been presented as falling due within one year. However, given the size of such commitments and the rates at which our investment funds make investments, we expect that the capital commitments presented above will be called over a period of several years. See "—Liquidity—Liquidity Needs."

(2) Amounts include (i) the 2020 Senior Notes, 2043 Senior Notes and 2044 Senior Notes of \$2.0 billion gross of unamortized discount, (ii) KFN 2042 Senior Notes of \$0.1 billion, net of unamortized premium, (iii) KFN Junior

Subordinated Notes of \$0.3 billion, gross of unamortized discount, (iv) financing arrangements entered into by our consolidated funds with the objective of providing liquidity to the funds of \$2.4 billion (v) debt securities issued by our consolidated CLOs of \$8.5 billion and (vi) debt securities issued by our consolidated CMBS entities of \$5.1 billion. KFN's debt obligations are non-recourse to KKR beyond the assets of KFN. Debt securities issued by consolidated CLOs and CMBS entities are supported solely by the investments held at the CLO and CMBS vehicles and are not collateralized by assets of any other KKR entity. Obligations under financing arrangements entered into by our consolidated funds are generally limited to our pro-rata equity interest in such funds. Our management companies bear no obligations to repay any financing arrangements at our consolidated funds.

- (3) These interest obligations on debt represent estimated interest to be paid over the maturity of the related debt obligation, which has been calculated assuming the debt outstanding at December 31, 2016 is not repaid until its maturity. Future interest rates are assumed to be those in effect as of December 31, 2016, including both variable and fixed rates, as applicable, provided for by the relevant debt agreements. The amounts presented above include accrued interest on outstanding indebtedness.
- (4) Represents various commitments in our capital markets business in connection with the underwriting of loans, securities and other financial instruments. These commitments are shown net of amounts syndicated.
- (5) Represents obligations in our capital markets business to lend under various revolving credit facilities.
- (6) Represents investment commitments of KFN.
- (7) Represents the purchase price due upon delivery of a new KKR office being constructed, all or a portion of which represents construction financing obtained by the developer and may be refinanced upon delivery of the completed office.

The commitment table above excludes contractual amounts owed under the tax receivable agreement because the ultimate amount and timing of the amounts due are not presently known. As of December 31, 2016, a payable of \$128.1 million has been recorded in due to affiliates in the consolidated financial statements representing management's best estimate of the amounts currently expected to be owed under the tax receivable agreement. As of December 31, 2016, approximately \$24.0 million of cumulative cash payments have been made under the tax receivable agreement. See "—Liquidity Needs—Tax Receivable Agreement."

***Contractual Obligations, Commitments and Contingencies on an Unconsolidated Basis***

In the ordinary course of business, we enter into contractual arrangements that may require future cash payments. The following table sets forth information relating to anticipated future cash payments as of December 31, 2016 on an unconsolidated basis before the consolidation of funds and CFEs. This table differs from the table presented above which sets forth contractual commitments on a consolidated basis principally because this table excludes the obligations of our consolidated funds and CFEs.

Types of Contractual Obligations	Payments due by Period				
	<1 Year	1-3 Years	3-5 Years	>5 Years	Total
	(\$ in millions)				
Uncalled commitments to investment funds <sup>(1)</sup>	\$ 2,584.9	\$ —	\$ —	\$ —	\$ 2,584.9
Debt payment obligations <sup>(2)</sup>	—	—	500.0	1,898.5	2,398.5
Interest obligations on debt <sup>(3)</sup>	130.6	257.5	225.5	2,058.9	2,672.5
Underwriting commitments <sup>(4)</sup>	473.3	—	—	—	473.3
Lending commitments <sup>(5)</sup>	136.9	—	—	—	136.9
Other commitments <sup>(6)</sup>	39.3	29.1	0.3	1.8	70.5
Lease obligations	52.5	97.3	54.0	12.4	216.2
Corporate real estate <sup>(7)</sup>	—	292.5	—	—	292.5
<b>Total</b>	<b>\$ 3,417.5</b>	<b>\$ 676.4</b>	<b>\$ 779.8</b>	<b>\$ 3,971.6</b>	<b>\$ 8,845.3</b>

- (1) These uncalled commitments represent amounts committed by us to fund a portion of the purchase price paid for each investment made by our investment funds which are actively investing. Because capital contributions are due on



demand, the above commitments have been presented as falling due within one year. However, given the size of such commitments and the rates at which our investment funds make investments, we expect that the capital commitments presented above will be called over a period of several years. See "—Liquidity—Liquidity Needs."

- (2) Represents the 2020 Senior Notes, 2043 Senior Notes, 2044 Senior Notes, KFN 2042 Senior Notes, and KFN Junior Subordinated Notes which are presented gross of unamortized discounts and net of unamortized premiums. KFN's debt obligations are non-recourse to KKR beyond the assets of KFN.
- (3) These interest obligations on debt represent estimated interest to be paid over the maturity of the related debt obligation, which has been calculated assuming the debt outstanding at December 31, 2016 is not repaid until its maturity. Future interest rates are assumed to be those in effect as of December 31, 2016, including both variable and fixed rates, as applicable, provided for by the relevant debt agreements. The amounts presented above include accrued interest on outstanding indebtedness.
- (4) Represents various commitments in our capital markets business in connection with the underwriting of loans, securities and other financial instruments. These commitments are shown net of amounts syndicated.
- (5) Represents obligations in our capital markets business to lend under various revolving credit facilities.
- (6) Represents investment commitments of KFN.
- (7) Represents the purchase price due upon delivery of a new KKR office being constructed in New York, all or a portion of which represents construction financing obtained by the developer and may be refinanced upon delivery of the completed office.

The commitment table above excludes contractual amounts owed under the tax receivable agreement, because the ultimate amount and timing of the amounts due are not presently known. As of December 31, 2016, a payable of \$128.1 million has been recorded in due to affiliates in the consolidated financial statements representing management's best estimate of the amounts currently expected to be owed under the tax receivable agreement. As of December 31, 2016, approximately \$24.0 million of cumulative cash payments have been made under the tax receivable agreement. See "—Liquidity Needs—Tax Receivable Agreement."

We may incur contingent liabilities for claims that may be made against us in the future. We enter into contracts that contain a variety of representations, warranties and covenants, including indemnifications. For example, certain of our investment funds and KFN have provided certain indemnities relating to environmental and other matters and have provided nonrecourse carve-out guarantees for fraud, willful misconduct and other customary wrongful acts, each in connection with the financing of certain real estate investments that we have made. In addition, we have also provided credit support to certain of our subsidiaries' obligations in connection with a limited number of investment vehicles that we manage. For example, KKR has guaranteed the obligations of a general partner to post collateral on behalf of its investment vehicle in connection with such vehicle's derivative transactions, and we have also agreed to be liable for certain investment losses and/or for providing liquidity in the events specified in the governing documents of another investment vehicle. Our maximum exposure under these arrangements is currently unknown as our liabilities for these matters would require a claim to be made against us in the future.

The partnership documents governing our carry-paying funds, including funds and vehicles relating to private equity, mezzanine, infrastructure, energy, direct lending and special situations investments, generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. Under a clawback obligation, upon the liquidation of a fund, the general partner is required to return, typically on an after-tax basis, previously distributed carry to the extent that, due to the diminished performance of later investments, the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, including the effects of any performance thresholds. Excluding carried interest received by the general partners of funds that were not contributed to us in the KPE Transaction, as of December 31, 2016, no carried interest was subject to this clawback obligation, assuming that all applicable carry paying funds were liquidated at their December 31, 2016 fair values. Had the investments in such funds been liquidated at zero value, the clawback obligation would have been \$2,204.9 million. Carried interest is recognized in the statement of operations based on the contractual conditions set forth in the agreements governing the fund as if the fund were terminated and liquidated at the reporting date and the fund's investments were realized at the then estimated fair values. Amounts earned pursuant to carried interest are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment amounts

earned decrease or turn negative in subsequent periods, recognized carried interest will be reversed and to the extent that the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, a clawback obligation would be recorded. For funds that are consolidated, this clawback obligation, if any, is reflected as an increase in noncontrolling interests in the consolidated statements of financial condition. For funds that are not consolidated, this clawback obligation, if any, is reflected as a reduction of our investment balance as this is where carried interest is initially recorded.

Prior to the KPE Transaction in 2009, certain principals who received carried interest distributions with respect to certain private equity funds contributed to us had personally guaranteed, on a several basis and subject to a cap, the contingent obligations of the general partners of such private equity funds to repay amounts to fund investors pursuant to the general partners' clawback obligations. The terms of the KPE Transaction require that principals remain responsible for any clawback obligations relating to carry distributions received prior to the KPE Transaction, up to a maximum of \$223.6 million. Through investment realizations, the principals' potential exposure has been reduced to \$98.9 million as of December 31, 2016. Using valuations as of December 31, 2016, no amounts are due with respect to the clawback obligation required to be funded by principals. Carry distributions arising subsequent to the KPE Transaction may give rise to clawback obligations that may be allocated generally to us and to persons who participate in the carry pool. In addition, guarantees of or similar arrangements relating to clawback obligations in favor of third party investors in an individual investment partnership by entities we own may limit distributions of carried interest more generally.

### ***Off Balance Sheet Arrangements***

Other than contractual commitments and other legal contingencies incurred in the normal course of our business, we do not have any off-balance sheet financings or liabilities.

### **Critical Accounting Policies**

The preparation of our consolidated financial statements in accordance with GAAP requires our management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of fees, expenses and investment income. Our management bases these estimates and judgments on available information, historical experience and other assumptions that we believe are reasonable under the circumstances. However, these estimates, judgments and assumptions are often subjective and may be impacted negatively based on changing circumstances or changes in our analyses. If actual amounts are ultimately different from those estimated, judged or assumed, revisions are included in the consolidated financial statements in the period in which the actual amounts become known. We believe our critical accounting policies could potentially produce materially different results if we were to change underlying estimates, judgments or assumptions.

The following discussion details certain of our critical accounting policies. For a full discussion of all critical accounting policies, please see the notes to the consolidated financial statements "--Item 8. Consolidated Financial Statements--Summary of Significant Accounting Policies."

### **Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. Except for certain of KKR's equity method investments and debt obligations, KKR's investments and other financial instruments are recorded at fair value or at amounts whose carrying values approximate fair value. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation techniques are applied. These valuation techniques involve varying levels of management estimation and judgment, the degree of which is dependent on a variety of factors.

GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

### ***Level I***

Pricing inputs are unadjusted, quoted prices in active markets for identical assets or liabilities as of the measurement date. The types of financial instruments included in this category are publicly-listed equities, credit investments and securities sold short.

We classified 8.2% of total investments measured and reported at fair value as Level I at December 31, 2016 .

### ***Level II***

Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies. The types of financial instruments included in this category are credit investments, investments and debt obligations of consolidated CLO entities, convertible debt securities indexed to publicly-listed securities, less liquid and restricted equity securities and certain over-the-counter derivatives such as foreign currency option and forward contracts.

We classified 38.6% of total investments measured and reported at fair value as Level II at December 31, 2016 .

### ***Level III***

Pricing inputs are unobservable for the financial instruments and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. The types of financial instruments generally included in this category are private portfolio companies, real assets investments, credit investments, equity method investments for which the fair value option was elected and investments and debt obligations of consolidated CMBS entities.

We classified 53.2% of total investments measured and reported at fair value as Level III at December 31, 2016 . The valuation of our Level III investments at December 31, 2016 represents management's best estimate of the amounts that we would anticipate realizing on the sale of these investments in an orderly transaction at such date.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset.

A significant decrease in the volume and level of activity for the asset or liability is an indication that transactions or quoted prices may not be representative of fair value because in such market conditions there may be increased instances of transactions that are not orderly. In those circumstances, further analysis of transactions or quoted prices is needed, and a significant adjustment to the transactions or quoted prices may be necessary to estimate fair value.

The availability of observable inputs can vary depending on the financial asset or liability and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument has recently been issued, whether the instrument is traded on an active exchange or in the secondary market, and current market conditions. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by us in determining fair value is greatest for instruments categorized in Level III. The variability and availability of the observable inputs affected by the factors described above may cause transfers between Levels I, II, and III, which we recognize at the beginning of the reporting period.

Investments and other financial instruments that have readily observable market prices (such as those traded on a securities exchange) are stated at the last quoted sales price as of the reporting date. We do not adjust the quoted price for these investments, even in situations where we hold a large position and a sale could reasonably affect the quoted price.

Management's determination of fair value is based upon the methodologies and processes described below and may incorporate assumptions that are management's best estimates after consideration of a variety of internal and external factors.

### ***Level II Valuation Methodologies***

*Credit Investments:* These instruments generally have bid and ask prices that can be observed in the marketplace. Bid prices reflect the highest price that KKR and others are willing to pay for an instrument. Ask prices represent the lowest price that KKR and others are willing to accept for an instrument. For financial assets and liabilities whose inputs are based on bid-ask prices obtained from third party pricing services, fair value may not always be a predetermined point in the bid-ask range. KKR's policy is generally to allow for mid-market pricing and adjusting to the point within the bid-ask range that meets KKR's best estimate of fair value.

*Investments and Debt Obligations of Consolidated CLO Vehicles:* Investments of consolidated CLO vehicles are valued using the same valuation methodology as described above for credit investments. Under ASU 2014-13, KKR measures CLO debt obligations on the basis of the fair value of the financial assets of the CLO.

*Securities indexed to publicly-listed securities:* The securities are typically valued using standard convertible security pricing models. The key inputs into these models that require some amount of judgment are the credit spreads utilized and the volatility assumed. To the extent the company being valued has other outstanding debt securities that are publicly-traded, the implied credit spread on the company's other outstanding debt securities would be utilized in the valuation. To the extent the company being valued does not have other outstanding debt securities that are publicly-traded, the credit spread will be estimated based on the implied credit spreads observed in comparable publicly-traded debt securities. In certain cases, an additional spread will be added to reflect an illiquidity discount due to the fact that the security being valued is not publicly-traded. The volatility assumption is based upon the historically observed volatility of the underlying equity security into which the convertible debt security is convertible and/or the volatility implied by the prices of options on the underlying equity security.

*Restricted Equity Securities:* The valuation of certain equity securities is based on an observable price for an identical security adjusted for the effect of a restriction.

*Derivatives:* The valuation incorporates observable inputs comprising yield curves, foreign currency rates and credit spreads.

### **Level III Valuation Methodologies**

Financial assets and liabilities categorized as Level III consist primarily of the following:

*Private Equity Investments:* We generally employ two valuation methodologies when determining the fair value of a private equity investment. The first methodology is typically a market comparables analysis that considers key financial inputs and recent public and private transactions and other available measures. The second methodology utilized is typically a discounted cash flow analysis, which incorporates significant assumptions and judgments. Estimates of key inputs used in this methodology include the weighted average cost of capital for the investment and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. In certain cases the results of the discounted cash flow approach can be significantly impacted by these estimates. Other inputs are also used in both methodologies. Also, as discussed in greater detail under "—Business Environment" in this report and "Risk Factors—Risks Related to the Assets We Manage—Our investments are impacted by various economic conditions that are difficult to quantify or predict, but may have a significant adverse impact on the value of our investments" in our Annual Report, a change in interest rates could have a significant impact on valuations. In addition, when a definitive agreement has been executed to sell an investment, KKR generally considers a significant determinant of fair value to be the consideration to be received by KKR pursuant to the executed definitive agreement.

Upon completion of the valuations conducted using these methodologies, a weighting is ascribed to each method, and an illiquidity discount is typically applied where appropriate. The ultimate fair value recorded for a particular investment will generally be within a range suggested by the two methodologies, except that the value may be higher or lower than such range in the case of investments being sold pursuant to an executed definitive agreement.

When determining the weighting ascribed to each valuation methodology, we consider, among other factors, the availability of direct market comparables, the applicability of a discounted cash flow analysis, the expected hold period and manner of realization for the investment, and in the case of investments being sold pursuant to an executed definitive agreement, we estimated probability of such a sale being completed. These factors can result in different weightings among investments in the portfolio and in certain instances may result in up to a 100% weighting to a single methodology. Across the total Level III private equity investment portfolio, including investments in both consolidated and unconsolidated investment funds, approximately 69% of the fair value is derived from investments that are valued based exactly 50% on market comparables and 50% on a discounted cash flow analysis. Less than 5% of the fair value of this Level III private equity investment portfolio is derived from investments that are valued either based 100% on market comparables or 100% on a

discounted cash flow analysis. As of December 31, 2016, the overall weights ascribed to the market comparables methodology, the discounted cash flow methodology and a methodology based on pending sales for this portfolio of Level III private equity investments were 38%, 44% and 18%, respectively.

When an illiquidity discount is to be applied, we seek to take a uniform approach across our portfolio and generally apply a minimum 5% discount to all private equity investments. We then evaluate such private equity investments to determine if factors exist that could make it more challenging to monetize the investment and, therefore, justify applying a higher illiquidity discount. These factors generally include (i) whether we are unable to freely sell the portfolio company or conduct an initial public offering of the portfolio company due to the consent rights of a third party or similar factors, (ii) whether the portfolio company is undergoing significant restructuring activity or similar factors and (iii) characteristics about the portfolio company regarding its size and/or whether the portfolio company is experiencing, or expected to experience, a significant decline in earnings. These factors generally make it less likely that a portfolio company would be sold or publicly offered in the near term at a price indicated by using just a market multiples and/or discounted cash flow analysis, and these factors tend to reduce the number of opportunities to sell an investment and/or increase the time horizon over which an investment may be monetized. Depending on the applicability of these factors, we determine the amount of any incremental illiquidity discount to be applied above the 5% minimum, and during the time we hold the investment, the illiquidity discount may be increased or decreased, from time to time, based on changes to these factors. The amount of illiquidity discount applied at any time requires considerable judgment about what a market participant would consider and is based on the facts and circumstances of each individual investment. Accordingly, the illiquidity discount ultimately considered by a market participant upon the realization of any investment may be higher or lower than that estimated by us in our valuations.

In the case of growth equity investments, enterprise values may be determined using the market comparables analysis and discounted cash flow analysis described above. A scenario analysis may also be conducted to subject the estimated enterprise values to a downside, base and upside case, which involves significant assumptions and judgments. A milestone analysis may also be conducted to assess the current level of progress towards value drivers that we have determined to be important, which involves significant assumptions and judgments. The enterprise value in each case may then be allocated across the investment's capital structure to reflect the terms of the security and subjected to probability weightings. In certain cases, the values of growth equity investments may be based on recent or expected financings.

*Real Assets Investments:* Real asset investments in infrastructure, energy and real estate are valued using one or more of the discounted cash flow analysis, market comparables analysis and direct income capitalization, which in each case incorporates significant assumptions and judgments. Infrastructure investments are generally valued using the discounted cash flow analysis. Key inputs used in this methodology can include the weighted average cost of capital and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. Energy investments are generally valued using a discounted cash flow analysis. Key inputs used in this methodology that require estimates include the weighted average cost of capital. In addition, the valuations of energy investments generally incorporate both commodity prices as quoted on indices and long-term commodity price forecasts, which may be substantially different from, and are currently higher than, commodity prices on certain indices for equivalent future dates. Certain energy investments do not include an illiquidity discount. Long-term commodity price forecasts are utilized to capture the value of the investments across a range of commodity prices within the energy investment portfolio associated with future development and to reflect a range of price expectations. Real estate investments are generally valued using a combination of direct income capitalization and discounted cash flow analysis. Key inputs used in such methodologies that require estimates include an unlevered discount rate and current capitalization rate, and certain real estate investments do not include a minimum illiquidity discount. The valuations of real assets investments also use other inputs.

On a segment basis, our energy real asset investments in oil and gas producing properties as of December 31, 2016 had a fair value of approximately \$559 million. Based on this fair value, we estimate that an immediate, hypothetical 10% decline in the fair value of these energy investments from one or more adverse movements to the investments' valuation inputs would result in a decline in investment income of \$55.9 million and a decline in net income attributable to KKR & Co. L.P. of \$31.4 million, after deducting amounts that are attributable to noncontrolling interests held by KKR Holdings L.P. As of December 31, 2016, if we were to value our energy investments using only the commodity prices as quoted on indices and did not use long-term commodity price forecasts, and also held all other inputs to their valuation constant, we estimate that investment income would have been approximately \$37 million lower, resulting in a lower amount of net income attributable to KKR & Co. L.P. of approximately 56.1% of the overall decrease in investment income, after deducting amounts that are attributable to noncontrolling interests held by KKR Holdings L.P.

These hypothetical declines relate only to investment income. There would be no current impact on KKR's carried interest since all of the investment funds which hold these types of energy investments have investment values that are either below their cost or not currently accruing carried interest. Additionally, there would be no impact on fees since fees earned from

investment funds which hold investments in oil and gas producing properties are based on either committed capital or capital invested.

For GAAP purposes, where KKR holds energy investments consisting of working interests in oil and gas producing properties directly and not through an investment fund, such working interests are consolidated based on the proportion of the working interests held by us. Accordingly, we reflect the assets, liabilities, revenues, expenses, investment income and cash flows of the consolidated working interests on a gross basis and changes in the value of these energy investments are not reflected as unrealized gains and losses in the consolidated statements of operations. Accordingly, a change in fair value for these investments does not result in a decrease in net gains (losses) from investment activities, but may result in an impairment charge reflected in general, administrative and other expenses. For segment purposes, these directly held working interests are treated as investments and changes in value are reflected in our segment results as unrealized gains and losses.

*Credit Investments:* Credit investments are valued using values obtained from dealers or market makers, and where these values are not available, credit investments are generally valued by us based on ranges of valuations determined by an independent valuation firm. Valuation models are based on discounted cash flow analyses, for which the key inputs are determined based on market comparables, which incorporate similar instruments from similar issuers.

*Other Investments:* With respect to other investments including equity method investments for which the fair value election has been made, we generally employ the same valuation methodologies as described above for private equity investments when valuing these other investments.

*Investments and Debt Obligations of Consolidated CMBS Vehicles:* Under ASU 2014-13, we measure CMBS investments on the basis of the fair value of the financial liabilities of the CMBS. Debt obligations of consolidated CMBS vehicles are valued based on discounted cash flow analyses. The key input is the expected yield of each CMBS security using both observable and unobservable factors, which may include recently offered or completed trades and published yields of similar securities, security-specific characteristics (e.g. securities ratings issued by nationally recognized statistical rating organizations, credit support by other subordinate securities issued by the CMBS and coupon type) and other characteristics.

Key unobservable inputs that have a significant impact on our Level III investment valuations as described above are included in Note 5 "Fair Value Measurements" of the financial statements included elsewhere in this report. We utilize several unobservable pricing inputs and assumptions in determining the fair value of our Level III investments. These unobservable pricing inputs and assumptions may differ by investment and in the application of our valuation methodologies. Our reported fair value estimates could vary materially if we had chosen to incorporate different unobservable pricing inputs and other assumptions or, for applicable investments, if we only used either the discounted cash flow methodology or the market comparables methodology instead of assigning a weighting to both methodologies. For valuations determined for periods other than at year end, various inputs may be estimated prior to the end of the relevant period.

#### ***Level III Valuation Process***

The valuation process involved for Level III measurements is completed on a quarterly basis and is designed to subject the valuation of Level III investments to an appropriate level of consistency, oversight, and review.

For Private Markets investments classified as Level III, investment professionals prepare preliminary valuations based on their evaluation of financial and operating data, company specific developments, market valuations of comparable companies and other factors. These preliminary valuations are reviewed by an independent valuation firm engaged by KKR to perform certain procedures in order to assess the reasonableness of KKR's valuations annually for all Level III investments in Private Markets and quarterly for investments other than certain investments, which have values less than pre-set value thresholds and which in the aggregate comprise less than 5% of the total value of KKR's Level III Private Markets investments. The valuations of certain real asset investments are determined solely by an independent valuation firm without the preparation of preliminary valuations by our investment professionals, and instead such independent valuation firm relies on valuation information available to it as a broker or valuation firm. For credit investments and debt obligations of consolidated CMBS vehicles, an independent valuation firm is generally engaged by KKR with respect to most investments classified as Level III. The valuation firm either provides a valuation range from which KKR's investment professionals select a point in the range to determine the preliminary valuation or performs certain procedures in order to assess the reasonableness and provide positive assurance of KKR's valuations. After reflecting any input from the independent valuation firm, the valuation proposals are submitted to their respective valuation sub-committees. As of December 31, 2016, less than 6% of the total value of our Level III credit investments are not valued with the engagement of an independent valuation firm.

KKR has a global valuation committee comprised of senior employees including investment professionals and professionals from business operations functions, and includes our Chief Financial Officer, General Counsel and Chief Compliance Officer. The global valuation committee is assisted by valuation sub-committees and investment professionals for each business strategy. All preliminary Level III valuations are reviewed and approved by the valuation sub-committees for private equity, real estate, energy and infrastructure and credit, as applicable. When Level III valuations are required to be performed on hedge fund investments, a valuation sub-committee for hedge funds reviews these valuations. The valuation sub-committees are responsible for the review and approval of valuations in their respective business lines on a quarterly basis. The members of the valuation sub-committees are comprised of investment professionals, including the heads of each respective strategy, and professionals from business operations functions such as legal, compliance and finance, who are not primarily responsible for the management of the investments.

The global valuation committee provides general oversight of the valuation sub-committees. The global valuation committee is responsible for coordinating and implementing the firm's valuation process to ensure consistency in the application of valuation principles across portfolio investments and between periods. All valuations are subject to approval by the global valuation committee. When valuations are approved by the global valuation committee after reflecting any input from it, the valuations of Level III investments, as well as the valuations of Level I and Level II investments, are presented to the audit committee of the board of directors of the general partner of KKR & Co. L.P. and are then reported to the board of directors.

As of December 31, 2016, upon completion by, where applicable, an independent valuation firm of certain limited procedures requested to be performed by them on certain investments, the independent valuation firm concluded that the fair values, as determined by KKR, of those investments reviewed by them were reasonable. The limited procedures did not involve an audit, review, compilation or any other form of examination or attestation under generally accepted auditing standards and were not conducted on all Level III investments. We are responsible for determining the fair value of investments in good faith, and the limited procedures performed by an independent valuation firm are supplementary to the inquiries and procedures that we are required to undertake to determine the fair value of the commensurate investments.

As described above, Level II and Level III investments were valued using internal models with significant unobservable inputs and our determinations of the fair values of these investments may differ materially from the values that would have resulted if readily observable inputs had existed. Additional external factors may cause those values, and the values of investments for which readily observable inputs exist, to increase or decrease over time, which may create volatility in our earnings and the amounts of assets and partners' capital that we report from time to time.

Changes in the fair value of investments impacts the amount of carried interest that is recognized as well as the amount of investment income that is recognized for investments held directly and through our consolidated funds as described below. We estimate that an immediate 10% decrease in the fair value of investments held directly and through consolidated investment funds generally would result in a commensurate change in the amount of net gains (losses) from investment activities for investments held directly and through investment funds and a more significant impact to the amount of carried interest recognized, regardless of whether the investment was valued using observable market prices or management estimates with significant unobservable pricing inputs. With respect to consolidated investment funds, the impact that the consequential decrease in investment income would have on net income attributable to KKR would generally be significantly less than the amount described above, given that a majority of the change in fair value of our consolidated funds would be attributable to noncontrolling interests and therefore we are only impacted to the extent of our carried interest and our balance sheet investments.

As of December 31, 2016, there were no investments which represented greater than 5% of total investments on a GAAP basis. On a segment basis, as of December 31, 2016, investments which represented greater than 5% of total reportable segments investments consisted of only First Data Corporation valued at \$1,094.2 million. Our investment income can be impacted by volatility in the public markets related to our holdings of publicly traded securities, including our sizable holdings of First Data Corporation (NYSE: FDC). For the year ended December 31, 2016, the reduction in the stock price of First Data Corporation reduced economic net income on a segment basis by approximately \$180 million. See "--Business Environment" for a discussion on the impact of global equity markets on our financial condition and "--Segment Balance Sheet" for additional information regarding our largest holdings on a segment basis.

### ***Recognition of Investment Income***

On January 1, 2016, KKR adopted ASU 2015-02, which resulted in the de-consolidation of most of KKR's investment funds that had been consolidated prior to such date. As a result of this adoption, the Net Gains (Losses) from Investment

Activities attributed to third party limited partners in our investment funds that had previously been consolidated are not included in the statement of operations effective with the adoption of ASU 2015-02 on January 1, 2016.

Investment income consists primarily of the net impact of: (i) realized and unrealized gains and losses on investments, (ii) dividends, (iii) interest income, (iv) interest expense and (v) foreign exchange gains and losses relating to mark-to-market activity on foreign exchange forward contracts, foreign currency options, foreign denominated debt and debt securities issued by consolidated CFEs. Unrealized gains or losses resulting from the aforementioned activities are included in net gains (losses) from investment activities. Upon disposition of an instrument that is marked-to-market, previously recognized unrealized gains or losses are reversed and a realized gain or loss is recognized. While this reversal generally does not significantly impact the net amounts of gains (losses) that we recognize from investment activities, it affects the manner in which we classify our gains and losses for reporting purposes.

Subsequent to the adoption of ASU 2015-02, certain of our investment funds continue to be consolidated. When a fund is consolidated, the portion of our funds' investment income that is allocable to our carried interests and capital investments is not shown in the consolidated financial statements. For funds that are consolidated, all investment income (loss), including the portion of a funds' investment income (loss) that is allocable to KKR's carried interest, is included in investment income (loss) on the consolidated statements of operations. The carried interest that KKR retains in net income (loss) attributable to KKR & Co. L.P. is reflected as an adjustment to net income (loss) attributable to noncontrolling interests. However, because certain of our funds remain consolidated and because we hold a minority economic interest in these funds' investments, our share of the investment income is less than the total amount of investment income presented in the consolidated financial statements for these consolidated funds.

### ***Recognition of Carried Interest in the Statement of Operations***

Carried interest entitles the general partner of a fund to a greater allocable share of the fund's earnings from investments relative to the capital contributed by the general partner and correspondingly reduces noncontrolling interests' attributable share of those earnings. Carried interest is earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment returns decrease or turn negative in subsequent periods, recognized carried interest will be reversed and reflected as losses in the statement of operations. For funds that are not consolidated, amounts earned pursuant to carried interest are included in fees and other in the consolidated statements of operations. Amounts earned pursuant to carried interest at consolidated funds are eliminated from fees and other upon consolidation of the fund and are included as investment income (loss) in net gains (losses) from investment activities along with all of the other investment gains and losses at the consolidated fund.

On January 1, 2016, KKR adopted ASU 2015-02, which resulted in the de-consolidation of most of KKR's investment funds that had been consolidated prior to such date. As a result of this adoption, most of the carried interest earned from unconsolidated funds is no longer eliminated in consolidation and is reflected in fees and other subsequent to the adoption.

Carried interest is recognized in the statement of operations based on the contractual conditions set forth in the agreements governing the fund as if the fund were terminated and liquidated at the reporting date and the fund's investments were realized at the then estimated fair values. Due to the extended durations of our private equity funds, we believe that this approach results in income recognition that best reflects our periodic performance in the management of those funds. Amounts earned pursuant to carried interest are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment amounts earned decrease or turn negative in subsequent periods, recognized carried interest will be reversed and to the extent that the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, a clawback obligation would be recorded. For funds that are not consolidated, this clawback obligation, if any, is reflected as a reduction of our investment balance as this is where carried interest is initially recorded. For funds that are consolidated, this clawback obligation, if any, is reflected as an increase in noncontrolling interests in the consolidated statements of financial condition.

Prior to January 1, 2016, most of our historical private equity funds that provide for carried interest do not have a preferred return. For these funds, the management company is required to refund up to 20% of any management fees earned from its limited partners in the event that the fund recognizes carried interest. At such time as the fund recognizes carried interest in an amount sufficient to cover 20% of the management fees earned or a portion thereof, a liability due to the fund's limited partners is recorded and revenue is reduced for the amount of the carried interest recognized, not to exceed 20% of the management fees earned. The refunds to the limited partners are paid, and liabilities relieved, at such time that the underlying investment is sold and the associated carried interest is realized. In the event that a fund's carried interest is not sufficient to cover all or a portion



of the amount that represents 20% of the earned management fees, such management fees would be retained and not returned to the funds' limited partners.

Most of our newer investment funds that provide for carried interest, however, have a preferred return. In this case, the management company does not refund the management fees earned from the limited partners of the fund as described above. Instead, the management fee is effectively returned to the limited partners through a reduction of the realized gain on which carried interest is calculated. To calculate the carried interest, KKR calculates whether a preferred return has been achieved based on an amount that includes all of the management fees paid by the limited partners as well as the other capital contributions and expenses paid by them to date. To the extent the fund has exceeded the preferred return at the time of a realization event, and subject to any other conditions for the payment of carried interest like netting holes, carried interest is distributed to the general partner. Until the preferred return is achieved, no carried interest is recorded. Thereafter, the general partner is entitled to a catch up allocation such that the general partner's carried interest is paid in respect of all of the fund's net gains, including the net gains used to pay the preferred return, until the general partner has received the full percentage amount of carried interest that the general partner is entitled to under the terms of the fund. In general, investment funds that entitle the management company to receive an incentive fee have a preferred return and are calculated on a similar basis that takes into account management fees paid.

#### **Recently Issued Accounting Pronouncements**

For a full discussion of recently issued accounting pronouncements, please see the notes to the consolidated financial statements "--Item 8. Consolidated Financial Statements--Summary of Significant Accounting Policies."

## **Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our exposure to market risks primarily relates to movements in the fair value of investments, including the effect that those movements have on our management fees, carried interest and net gains from investment activities. The fair value of investments may fluctuate in response to changes in the values of investments, foreign currency exchange rates and interest rates. Additionally, interest rate movements can adversely impact the amount of interest income we receive on credit instruments bearing variable rates and could also impact the amount of interest that we pay on debt obligations bearing variable rates.

The quantitative information provided in this section was prepared using estimates and assumptions that management believes are appropriate in order to provide a reader with an indication of the directional impact that a hypothetical adverse movement in certain risks would have on net income attributable to KKR & Co. L.P. In all cases, these directional impacts are presented after deducting amounts that are attributable to noncontrolling interests held by KKR Holdings L.P. As of December 31, 2016, KKR & Co. L.P. and KKR Holdings L.P. held interests in our business of 56.1% and 43.9%, respectively. The actual impact of a hypothetical adverse movement in these risks could be materially different from the amounts shown below.

The firm uses various committees to help manage market risk and general business risks.

### **Management of Market Risk**

When we commit capital of a certain amount from our balance sheet to investments or transactions, a balance sheet committee of senior employees, including our two Co-Chief Executive Officers, the Chief Financial Officer and Chief Administrative Officer, must approve the investment or transaction before it may be made. The committee may delegate authority to other employees subject to maximum commitment sizes or other limitations determined by the committee. In addition, this committee supervises activities governing KKR's capital structure, liquidity, and the composition of our balance sheet.

Certain securities transactions by our capital markets business are subject to risk tolerance limits, regulatory capital requirements and the review and approval of one or more committees in compliance with rules applicable to broker-dealers pursuant to the Securities Exchange Act of 1934. When our capital is committed to capital markets transactions, after diligence is conducted, such transactions are subject to the review and approval of a capital markets underwriting committee. These transactions are also subject to risk tolerance limits. The risk tolerance limits establish the level of investment we may make in a single company or type of transaction, for example and are designed to avoid undue concentration and risk exposure. Regulatory capital requirements also place limits on the size of securities underwritings the capital markets business can conduct based on quantitative measure of assets, liabilities and certain off-balance-sheet items. Aggregate balance sheet risk and capital deployed for transactions are monitored on an ongoing basis by the balance sheet committee referenced above.

With respect to the funds and other investment vehicles through which we make investments for our fund investors, KKR manages risk by subjecting transactions to the review and approval of an applicable investment committee, and then a portfolio management committee (or other designated senior employees) regularly monitors these investments. Before making an investment, investment professionals identify risks in due diligence, evaluating, among other things, business, financial, legal and regulatory issues, financial data and other information. An investment team presents the investment and its identified risks to an investment committee, which must approve each investment before it may be made. If an investment is made, a portfolio management committee (or other designated senior employees) is responsible for working with our investment professionals to monitor the investment on an ongoing basis.

### **Management of General Business Risk**

KKR has a global risk committee comprised of senior employees from across our business segments and across business operations, and includes our Chief Administrative Officer, Chief Financial Officer, General Counsel and Chief Compliance Officer. The risk committee monitors and evaluates KKR's general business risks. The Chief Administrative Officer, who also serves as the chairman of the risk committee, regularly reports to our Co-Chief Executive Officers and quarterly to the Audit Committee, which is the chief committee that monitors risk on behalf of the Board of Directors.

KKR's global conflicts committee is responsible for analyzing and addressing new or potential conflicts of interest that may arise in KKR's business, including conflicts relating to specific transactions and circumstances as well as those implicit in the overall activities of KKR and its various businesses and monitors compliance matters. Our Chief Administrative Officer, Chief Financial Officer, General Counsel and Chief Compliance Officer are members of this committee.

KKR's management committee is responsible for evaluating certain matters affecting the business of KKR. It consists of our Co-Chief Executive Officers, Chief Administrative Officer, Chief Financial Officer, General Counsel and other senior employees across our business segments and across business operations, and is chaired by our Chief Administrative Officer.

**Changes in Fair Value**

The majority of our investments are reported at fair value. Net changes in the fair value of investments impact the net gains (losses) from investment activities in our consolidated statements of operations. Based on investments held as of December 31, 2016, we estimate that an immediate 10% decrease in the fair value of investments generally would result in a commensurate change in the amount of net gains (losses) from investment activities (except that carried interest would likely be more significantly impacted), regardless of whether the investment was valued using observable market prices or management estimates with significant unobservable pricing inputs. The impact that the consequential decrease in investment income would have on net income attributable to KKR & Co. L.P. would generally be significantly less than the amount described above, given that a significant portion of the change in fair value would be attributable to noncontrolling interests and therefore we are only impacted to the extent of our carried interest and our balance sheet investments and to a lesser extent our management fees. Because of this, the quantitative information that follows represents the impact that a reduction to each of the income streams shown below would have on net income attributable to KKR & Co. L.P. before income taxes. The actual impact to individual line items within the consolidated statements of operations would differ from the amounts shown below as a result of (i) the inclusion of amounts attributable to KKR Holdings L.P. in individual line items within the consolidated statement of operations, (ii) the elimination of management fees and carried interest and (iii) the gross-up of net gains (losses) from investment activities, in each case as a result of the consolidation of certain investment funds and CFEs.

Based on the fair value of investments as of December 31, 2016, we estimate that an immediate, hypothetical 10% decline in the fair value of investments would result in declines in net income attributable to KKR & Co. L.P. before income taxes in 2017 from reductions in the following items, if not offset by other factors:

	<b>Year Ended December 31, 2016</b>		
	<b>Management fees</b>	<b>Carried Interest, Net of Carry Pool Allocation</b>	<b>Net Gains/(Losses) From Investment Activities Excluding Carried Interest</b>
	(\$ in thousands)		
10% Decline in Fair Value of Investments <sup>(1)</sup>	\$ 9,367 <sup>(2)</sup>	\$ 239,709 <sup>(3)</sup>	\$ 393,423 <sup>(3)</sup>

- (1) An immediate, hypothetical 10% decline in the fair value of investments would also impact our ability to earn incentive fees. Since the majority of our incentive fees are earned at December 31st or June 30th of each calendar year and are not subject to clawback, a 10% decline in fair value would generally result in the recognition of no incentive fees on a prospective basis and result in lower net income relative to prior years where such incentive fees may have been earned.
- (2) Represents an annualized reduction in management fees.
- (3) Decrease would impact our statement of operations in a single quarter. With respect to carried interest, for purposes of this analysis the impact of preferred returns are ignored.

**Management Fees**

Our management fees in our Private Markets investment funds are generally calculated based on the amount of capital committed or invested by a fund, as described under "Business—Our Segments—Private Markets." Accordingly, movements in the fair value of investments do not significantly affect the amount of fees we may charge in Private Markets funds. Management fees in our infrastructure funds are calculated based on net asset value, or NAV, of the fund and in some cases, we additionally earn management fees on the fund's remaining commitment.

In the case of our Public Markets business, management fees are often calculated based on the average NAV of the fund for that particular period, although certain funds in our Public Markets segment have management fees based on the amount of capital invested. In the case of our CLO vehicles, management fees are calculated based on the collateral of the vehicle. The collateral is based on the par value of the investments and cash on hand.

To the extent that management fees are calculated based on the NAV of the fund's investments, the amount of fees that we may charge will be increased or decreased in direct proportion to the effect of changes in the fair value of the fund's

investments. The proportion of our management fees that are based on NAV depends on the number and type of funds in existence. For the year ended December 31, 2016, the fund management fees that were recognized based on the NAV of the applicable funds was approximately 28%.

#### *Publicly Traded Securities*

Our investment funds and KKR's balance sheet hold certain investments in portfolio companies whose securities are publicly traded. The market prices of securities may be volatile and are likely to fluctuate due to a number of factors beyond our control. These factors include actual or anticipated fluctuations in the quarterly and annual results of such companies or of other companies in the industries in which they operate, market perceptions concerning the availability of additional securities for sale, general economic, social or political developments, industry conditions, changes in government regulation, shortfalls in operating results from levels forecasted by securities analysts, the general state of the securities markets and other material events, such as significant management changes, re-financings, acquisitions and dispositions. In addition, although a substantial portion of our investments are comprised of investments in portfolio companies whose securities are not publicly traded, the value of these privately held investments may also fluctuate as our Level III investments are valued in part using a market comparables analysis. Consequently due to similar factors beyond our control as described above for portfolio companies whose securities are publicly traded, the value of these Level III investments may fluctuate with market prices. See "--Management's Discussion and Analysis of Financial Condition and Results of Operations--Business Environment".

#### *Exchange Rate Risk*

Our investment funds, CLO vehicles and KKR's balance sheet hold investments denominated in currencies other than the U.S. dollar. Those investments expose us and our fund investors to the risk that the value of the investments will be affected by changes in exchange rates between the currency in which the investments are denominated and the currency in which the investments are made. Additionally, a portion of our management fees are denominated in non-U.S. dollar currencies. Our policy is to minimize these risks by employing hedging techniques, including using foreign currency options and foreign exchange forward contracts to reduce exposure to future changes in exchange rates when a meaningful amount of capital has been invested in currencies other than the currencies in which the investments are denominated.

Our primary exposure to exchange rate risk relates to movements in the value of exchange rates between the U.S. dollar and other currencies in which our investments are denominated (including euros, British pounds, Japanese yen, among others), net of the impact of foreign exchange hedging strategies. The quantitative information that follows represents the impact that a reduction to each of the income streams shown below would have on net income attributable to KKR & Co. L.P. before income taxes. The actual impact to individual line items within the statements of operations would differ from the amounts shown below as a result of (i) the inclusion of amounts attributable to KKR Holdings L.P. in individual line items within the consolidated statement of operations, (ii) the elimination of management fees and carried interest and (iii) the gross-up of net gains (losses) from investment activities, in each case as a result of the consolidation of certain investment funds and CLO vehicles.

We estimate that an immediate, hypothetical 10% decline in the exchange rates between the U.S. dollar and all of the major foreign currencies in which our investments were denominated as of December 31, 2016 (i.e. an increase in the value of the U.S. dollar against these foreign currencies) would result in declines in net income attributable to KKR & Co. L.P. before income taxes in 2017 from reductions in the following items, net of the impact of foreign exchange hedging strategies, if not offset by other factors:

	<b>Year Ended December 31, 2016</b>	
	<b>Carried Interest, Net of Carry Pool Allocation</b>	<b>Net Gains/(Losses) From Investment Activities Excluding Carried Interest</b>
	<b>(\$ in thousands)</b>	
10% Decline in Foreign Currencies Against the U.S. Dollar <sup>(1)</sup>	\$ 27,519 <sup>(2)</sup>	\$ 13,207 <sup>(2)</sup>

(1) An immediate, hypothetical 10% decline in exchange rates between the U.S. dollar and all of the major foreign currencies in which our investments were denominated would only marginally impact our ability to earn incentive fees since the majority of our funds in which we are entitled to earn incentive fees are denominated in U.S. dollars. Additionally, the impact on our management fees that are denominated in non-US dollar currencies considering the impact of foreign exchange hedging strategies employed would not be expected to be material.

(2) Decrease would impact our statement of operations in a single quarter. With respect to carried interest, for purposes of this analysis the impact of preferred returns are ignored.

## **Interest Rate Risk**

### *Valuation of Investments*

Changes in credit markets and in particular, interest rates, can impact investment valuations, particularly our Level III investments, and may have offsetting results depending on the valuation methodology used. For example, we typically use a discounted cash flow analysis as one of the methodologies to ascertain the fair value of our investments that do not have readily observable market prices. If applicable interest rates rise, then the assumed cost of capital for those portfolio companies would be expected to increase under the discounted cash flow analysis, and this effect would negatively impact their valuations if not offset by other factors. Conversely, a fall in interest rates can positively impact valuations of certain portfolio companies if not offset by other factors. These impacts could be substantial depending upon the magnitude of the change in interest rates. In certain cases, the valuations obtained from the discounted cash flow analysis and the other primary methodology we use, the market multiples approach, may yield different and offsetting results. For example, the positive impact of falling interest rates on discounted cash flow valuations may offset the negative impact of the market multiples valuation approach and may result in less of a decline in value than for those investments that had a readily observable market price. Finally, low interest rates related to monetary stimulus and economic stagnation may also negatively impact expected returns on all investments, as the demand for relatively higher return assets increases and supply decreases.

### *Interest Income*

We and certain consolidated funds, including CLOs hold credit investments that generate interest income based on variable interest rates. We are exposed to interest rate risk relating to investments that generate yield since a meaningful portion of credit investments held by us and our consolidated funds, including CLOs earn income based on variable interest rates. However, the contractual interest rate structure for a large portion of our credit investments bearing variable rates have "floors" which establish a minimum rate of interest that will be earned. In the current low interest rate environment, a large portion of the credit investments held by us and our consolidated funds, including CLOs are earning interest at the contractual floor and therefore, for these investments, a decrease in variable interest rates would not impact the amount of interest income earned. With respect to consolidated funds and CLOs, the impact on net income attributable to KKR & Co. L.P. resulting from a decrease of a hypothetical 100 basis points in variable interest rates used in the recognition of interest income would not be expected to be material since (i) many variable rate credit investments are subject to floors as described above and (ii) a substantial portion of this decrease would be attributable to noncontrolling interests. With respect to credit investments held by KKR outside of the consolidated funds and CLOs, all of the interest income earned inures to KKR & Co. L.P., however a large portion of these investments are subject to floors as described above. Accordingly, the impact on net income attributable to KKR & Co. L.P. resulting from a decrease of a hypothetical 100 basis points in variable interest rates used in the recognition of interest income would not be expected to be material.

### *Interest Expense*

We and certain consolidated funds, including CLOs have debt obligations that include revolving credit agreements, certain investment financing arrangements and debt securities issued by CLO vehicles that accrue interest at variable rates. Changes in these rates would affect the amount of interest payments that our consolidated funds, including CLOs would have to make. With respect to consolidated funds and CLOs, the impact on net income attributable to KKR & Co. L.P. resulting from an increase of a hypothetical 100 basis points in variable interest rates used in the recognition of interest expense would not be expected to be material since a substantial portion of this increase would be attributable to noncontrolling interests. With respect to debt obligations held by KKR and not in the consolidated funds or CLOs, as of December 31, 2016, KKR had debt obligations outstanding with a par amount of approximately \$284 million that accrues interest at a variable rate. The impact on net income attributable to KKR & Co. L.P. resulting from an increase of a hypothetical 100 basis points in variable interest rates used in the recognition of interest expense would not be expected to be material.

## **Credit Risk**

We are party to agreements providing for various financial services and transactions that contain an element of risk in the event that the counterparties are unable to meet the terms of such agreements. In these agreements, we depend on these counterparties to make payment or otherwise perform. We generally endeavor to minimize our risk of exposure by limiting the counterparties with which we enter into financial transactions to reputable financial institutions. In addition, availability of financing from financial institutions may be uncertain due to market events, and we may not be able to access these financing markets.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Unitholders of KKR & Co. L.P.:

We have audited the accompanying consolidated statements of financial condition of KKR & Co. L.P. and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15. We also have audited the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements and financial statement schedules, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and financial statement schedules and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of KKR & Co. L.P. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

As discussed in Note 2 to the consolidated financial statements, the Company has changed its accounting policy for the consolidation of legal entities on January 1, 2016 due to the adoption of ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis.

/s/ Deloitte & Touche LLP  
New York, New York  
February 24, 2017

**KKR & CO. L.P.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**  
(Amounts in Thousands, Except Unit Data)

	December 31, 2016	December 31, 2015
<b>Assets</b>		
Cash and Cash Equivalents	\$ 2,508,902	\$ 1,047,740
Cash and Cash Equivalents Held at Consolidated Entities	1,624,758	1,472,120
Restricted Cash and Cash Equivalents	212,155	267,628
Investments	31,409,765	65,305,931
Due from Affiliates	250,452	139,783
Other Assets	2,996,865	2,809,137
<b>Total Assets</b>	<b>\$ 39,002,897</b>	<b>\$ 71,042,339</b>
<b>Liabilities and Equity</b>		
Debt Obligations	\$ 18,544,075	\$ 18,714,597
Due to Affiliates	359,479	144,807
Accounts Payable, Accrued Expenses and Other Liabilities	2,981,260	2,715,350
<b>Total Liabilities</b>	<b>21,884,814</b>	<b>21,574,754</b>
<b>Commitments and Contingencies</b>		
<b>Redeemable Noncontrolling Interests</b>	<b>632,348</b>	<b>188,629</b>
<b>Equity</b>		
Series A Preferred Units (13,800,000 units issued and outstanding as of December 31, 2016)	332,988	—
Series B Preferred Units (6,200,000 units issued and outstanding as of December 31, 2016)	149,566	—
KKR & Co. L.P. Capital - Common Unitholders (452,380,335 and 457,834,875 common units issued and outstanding as of December 31, 2016 and 2015, respectively)	5,457,279	5,547,182
<b>Total KKR &amp; Co. L.P. Partners' Capital</b>	<b>5,939,833</b>	<b>5,547,182</b>
Noncontrolling Interests	10,545,902	43,731,774
<b>Total Equity</b>	<b>16,485,735</b>	<b>49,278,956</b>
<b>Total Liabilities and Equity</b>	<b>\$ 39,002,897</b>	<b>\$ 71,042,339</b>

See notes to consolidated financial statements.



**KKR & CO. L.P.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Continued)**  
**(Amounts in Thousands)**

The following presents the portion of the consolidated balances presented in the consolidated statements of financial condition attributable to consolidated variable interest entities (“VIEs”) as of December 31, 2016 and December 31, 2015. KKR's consolidated VIEs consist primarily of certain collateralized financing entities (“CFEs”) holding collateralized loan obligations (“CLOs”) and commercial real estate mortgage-backed securities (“CMBS”) and certain investment funds. With respect to consolidated VIEs, the following assets may only be used to settle obligations of these consolidated VIEs and the following liabilities are only the obligations of these consolidated VIEs. The noteholders, limited partners and other creditors of these VIEs have no recourse to KKR’s general assets. Additionally, KKR has no right to the benefits from, nor does KKR bear the risks associated with, the assets held by these VIEs beyond KKR’s beneficial interest therein and any fees generated from the VIEs. There are neither explicit arrangements nor does KKR hold implicit variable interests that would require KKR to provide any material ongoing financial support to the consolidated VIEs, beyond amounts previously committed, if any.

	<b>December 31, 2016</b>		
	<b>Consolidated CFEs</b>	<b>Consolidated KKR Funds and Other Entities</b>	<b>Total</b>
<b>Assets</b>			
Cash and Cash Equivalents Held at Consolidated Entities	\$ 1,158,641	\$ 466,117	\$ 1,624,758
Restricted Cash and Cash Equivalents	86,777	95,105	181,882
Investments	13,950,897	8,979,341	22,930,238
Due from Affiliates	—	5,555	5,555
Other Assets	153,283	430,326	583,609
<b>Total Assets</b>	<b>\$ 15,349,598</b>	<b>\$ 9,976,444</b>	<b>\$ 25,326,042</b>
<b>Liabilities</b>			
Debt Obligations	\$ 13,858,288	\$ 1,612,799	\$ 15,471,087
Due to Affiliates	—	—	—
Accounts Payable, Accrued Expenses and Other Liabilities	722,714	316,121	1,038,835
<b>Total Liabilities</b>	<b>\$ 14,581,002</b>	<b>\$ 1,928,920</b>	<b>\$ 16,509,922</b>

	<b>December 31, 2015</b>		
	<b>Consolidated CFEs</b>	<b>Consolidated KKR Funds and Other Entities</b>	<b>Total</b>
<b>Assets</b>			
Cash and Cash Equivalents Held at Consolidated Entities	\$ 975,433	\$ —	\$ 975,433
Investments	12,735,309	—	12,735,309
Other Assets	133,953	—	133,953
<b>Total Assets</b>	<b>\$ 13,844,695</b>	<b>\$ —</b>	<b>\$ 13,844,695</b>
<b>Liabilities</b>			
Debt Obligations	\$ 12,365,222	\$ —	\$ 12,365,222
Accounts Payable, Accrued Expenses and Other Liabilities	546,129	—	546,129
<b>Total Liabilities</b>	<b>\$ 12,911,351</b>	<b>\$ —</b>	<b>\$ 12,911,351</b>

See notes to consolidated financial statements.

**KKR & CO. L.P.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Amounts in Thousands, Except Unit Data)

	For the Years Ended December 31,		
	2016	2015	2014
<b>Revenues</b>			
Fees and Other	\$ 1,908,093	\$ 1,043,768	\$ 1,110,008
<b>Expenses</b>			
Compensation and Benefits	1,063,813	1,180,591	1,263,852
Occupancy and Related Charges	64,622	65,683	62,564
General, Administrative and Other	567,039	624,951	869,651
<b>Total Expenses</b>	<b>1,695,474</b>	<b>1,871,225</b>	<b>2,196,067</b>
<b>Investment Income (Loss)</b>			
Net Gains (Losses) from Investment Activities	342,897	4,672,627	4,778,232
Dividend Income	187,853	850,527	1,174,501
Interest Income	1,021,809	1,219,197	909,207
Interest Expense	(789,953)	(573,226)	(317,192)
<b>Total Investment Income (Loss)</b>	<b>762,606</b>	<b>6,169,125</b>	<b>6,544,748</b>
<b>Income (Loss) Before Taxes</b>	<b>975,225</b>	<b>5,341,668</b>	<b>5,458,689</b>
<b>Income Tax / (Benefit)</b>	<b>24,561</b>	<b>66,636</b>	<b>63,669</b>
<b>Net Income (Loss)</b>	<b>950,664</b>	<b>5,275,032</b>	<b>5,395,020</b>
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	(8,476)	(4,512)	(3,341)
Net Income (Loss) Attributable to Noncontrolling Interests	649,833	4,791,062	4,920,750
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P.</b>	<b>309,307</b>	<b>488,482</b>	<b>477,611</b>
Net Income Attributable to Series A Preferred Unitholders	17,337	—	—
Net Income Attributable to Series B Preferred Unitholders	4,898	—	—
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P. Common Unitholders</b>	<b>\$ 287,072</b>	<b>\$ 488,482</b>	<b>\$ 477,611</b>
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P. Per Common Unit</b>			
Basic	\$ 0.64	\$ 1.09	\$ 1.25
Diluted	\$ 0.59	\$ 1.01	\$ 1.16
<b>Weighted Average Common Units Outstanding</b>			
Basic	448,905,126	448,884,185	381,092,394
Diluted	483,431,048	482,699,194	412,049,275

See notes to consolidated financial statements.

**KKR & CO. L.P.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(Amounts in Thousands)**

	For the Years Ended December 31,		
	2016	2015	2014
<b>Net Income (Loss)</b>	\$ 950,664	\$ 5,275,032	\$ 5,395,020
Other Comprehensive Income (Loss), Net of Tax:			
Foreign Currency Translation Adjustments	(34,583)	(27,176)	(37,119)
<b>Comprehensive Income (Loss)</b>	916,081	5,247,856	5,357,901
Less: Comprehensive Income (Loss) Attributable to Redeemable Noncontrolling Interests	(8,476)	(4,512)	(3,341)
Less: Comprehensive Income (Loss) Attributable to Noncontrolling Interests	634,813	4,771,152	4,897,831
<b>Comprehensive Income (Loss) Attributable to KKR &amp; Co. L.P.</b>	<u>\$ 289,744</u>	<u>\$ 481,216</u>	<u>\$ 463,411</u>

See notes to consolidated financial statements.

**KKR & CO. L.P.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**(Amounts in Thousands, Except Unit Data)**

<b>KKR &amp; Co. L.P.</b>										
	Common Units	Capital - Common Unit holders	Accumulated Other Comprehensive Income (Loss)	Total Capital - Common Units	Capital - Series A Preferred Units	Capital - Series B Preferred Units	Noncontrolling Interests	Appropriated Capital	Total Equity	Redeemable Noncontrolling Interests
<b>Balance at January 1, 2014</b>	288,143,327	\$ 2,727,909	\$ (5,899)	\$ 2,722,010	\$ —	\$ —	\$ 43,235,001	\$ —	\$ 45,957,011	\$ 627,807
Net Income (Loss)		477,611		477,611			4,929,337	(8,587)	5,398,361	(3,341)
Other Comprehensive Income (Loss)- Foreign Currency Translation (Net of Tax)			(14,200)	(14,200)			(20,725)	(2,194)	(37,119)	
Exchange of KKR Holdings L.P. Units and Other Securities to KKR & Co. L.P. Common Units and transfers of CLO beneficial interests to appropriated capital	27,228,991	332,479	(833)	331,646			(359,322)	27,676	—	
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and delivery of KKR & Co. L.P. Common Units		46,311	528	46,839					46,839	
Net Delivery of Common Units - Equity Incentive Plan	9,952,634	(8,757)		(8,757)					(8,757)	
Equity Based Compensation		158,927		158,927			151,476		310,403	
Acquisitions	108,005,588	2,453,610		2,453,610			435,478		2,889,088	
Capital Contributions				—			11,236,018		11,236,018	148,355
Capital Distributions		(784,995)		(784,995)			(13,602,886)		(14,387,881)	(472,723)
<b>Balance at December 31, 2014</b>	<b>433,330,540</b>	<b>\$ 5,403,095</b>	<b>\$ (20,404)</b>	<b>\$ 5,382,691</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 46,004,377</b>	<b>\$ 16,895</b>	<b>\$ 51,403,963</b>	<b>\$ 300,098</b>
Net Income (Loss)		488,482		488,482			4,791,062		5,279,544	(4,512)
Other Comprehensive Income (Loss)-Foreign Currency Translation (Net of Tax)			(7,266)	(7,266)			(19,910)		(27,176)	
Cumulative-effect adjustment from adoption of accounting policies		(307)		(307)				(16,895)	(17,202)	
Exchange of KKR Holdings L.P. Units and Other Securities to KKR & Co. L.P. Common Units	16,095,538	207,114	(1,483)	205,631			(205,631)		—	
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and delivery of KKR & Co. L.P. Common Units		18,244	354	18,598					18,598	
Net Delivery of Common Units-Equity Incentive Plan	10,964,144	15,245		15,245					15,245	
Equity Based Compensation		186,346		186,346			75,233		261,579	
Common Units Issued in Connection with Purchase of an Investment	7,364,545	126,302		126,302					126,302	
Unit Repurchases	(9,919,892)	(161,929)		(161,929)					(161,929)	
Capital Contributions				—			6,274,296		6,274,296	193,269
Capital Distributions		(706,611)		(706,611)			(13,187,653)		(13,894,264)	(300,226)
<b>Balance at December 31, 2015</b>	<b>457,834,875</b>	<b>\$ 5,575,981</b>	<b>\$ (28,799)</b>	<b>\$ 5,547,182</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 43,731,774</b>	<b>\$ —</b>	<b>\$ 49,278,956</b>	<b>\$ 188,629</b>
Net Income (Loss)		287,072		287,072	17,337	4,898	649,833		959,140	(8,476)
Other Comprehensive Income (Loss)- Foreign Currency Translation (Net of Tax)			(19,563)	(19,563)			(15,020)		(34,583)	
Deconsolidation of Funds				—			(34,240,240)		(34,240,240)	
Exchange of KKR Holdings L.P. Units and Other Securities to KKR & Co. L.P. Common Units	7,627,578	91,357	(830)	90,527			(90,527)		—	
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and delivery of KKR & Co. L.P. Common Units		(1,495)	96	(1,399)					(1,399)	
Net Delivery of Common Units - Equity Incentive Plan	8,672,152	(50,515)		(50,515)					(50,515)	
Equity Based Compensation		186,227		186,227			78,663		264,890	
Unit Repurchases	(21,754,270)	(296,844)		(296,844)					(296,844)	
Equity Issued in connection with Preferred Unit Offering				—	332,988	149,566			482,554	
Capital Contributions				—			2,525,635		2,525,635	479,031
Capital Distributions		(285,408)		(285,408)	(17,337)	(4,898)	(2,094,216)		(2,401,859)	(26,836)
<b>Balance at December 31, 2016</b>	<b>452,380,335</b>	<b>\$ 5,506,375</b>	<b>\$ (49,096)</b>	<b>\$ 5,457,279</b>	<b>\$ 332,988</b>	<b>\$ 149,566</b>	<b>\$ 10,545,902</b>	<b>\$ —</b>	<b>\$ 16,485,735</b>	<b>\$ 632,348</b>

See notes to consolidated financial statements.

**KKR & CO. L.P.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Amounts in Thousands)**

	For the Years Ended December 31,		
	2016	2015	2014
<b>Operating Activities</b>			
Net Income (Loss)	\$ 950,664	\$ 5,275,032	\$ 5,395,020
<b>Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Equity Based Compensation	264,890	261,579	310,403
Net Realized (Gains) Losses on Investments	(347,097)	(3,001,884)	(5,433,586)
Change in Unrealized (Gains) Losses on Investments	4,200	(1,670,743)	655,354
Carried Interest Allocated as a result of Changes in Fund Fair Value	(803,185)	—	—
Other Non-Cash Amounts	(34,620)	(78,522)	73,061
<b>Cash Flows Due to Changes in Operating Assets and Liabilities:</b>			
Change in Cash and Cash Equivalents Held at Consolidated Entities	(435,417)	(160,092)	(166,275)
Change in Due from / to Affiliates	(79,372)	15,264	(3,368)
Change in Other Assets	(555,666)	605,305	(150,131)
Change in Accounts Payable, Accrued Expenses and Other Liabilities	648,737	(187,661)	(156,176)
Investments Purchased	(20,824,349)	(27,936,898)	(37,935,909)
Proceeds from Investments	19,649,033	27,264,024	38,900,257
Net Cash Provided (Used) by Operating Activities	(1,562,182)	385,404	1,488,650
<b>Investing Activities</b>			
Change in Restricted Cash and Cash Equivalents	1,409	(164,637)	(10,849)
Purchase of Fixed Assets	(62,663)	(169,419)	(12,163)
Development of Oil and Natural Gas Properties	(2,122)	(95,959)	(233,777)
Proceeds from Sale of Oil and Natural Gas Properties	858	4,863	82,423
Net Cash Acquired	—	—	151,491
Net Cash Provided (Used) by Investing Activities	(62,518)	(425,152)	(22,875)
<b>Financing Activities</b>			
Distributions to Partners	(285,408)	(706,611)	(784,995)
Distributions to Redeemable Noncontrolling Interests	(26,836)	(300,226)	(472,723)
Contributions from Redeemable Noncontrolling Interests	479,031	193,269	148,355
Distributions to Noncontrolling Interests	(2,086,577)	(13,187,653)	(13,602,886)
Contributions from Noncontrolling Interests	2,496,352	6,274,296	11,196,066
Issuance of Preferred Units (net of issuance costs)	482,554	—	—
Preferred Unit Distributions	(22,235)	—	—
Net Delivery of Common Units - Equity Incentive Plan	(50,515)	15,245	(8,757)
Unit Repurchases	(296,844)	(161,929)	—
Proceeds from Debt Obligations	7,895,320	14,014,510	5,433,135
Repayment of Debt Obligations	(5,482,133)	(5,926,162)	(3,728,195)
Financing Costs Paid	(16,847)	(45,331)	(34,078)
Net Cash Provided (Used) by Financing Activities	3,085,862	169,408	(1,854,078)
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>1,461,162</b>	<b>129,660</b>	<b>(388,303)</b>
Cash and Cash Equivalents, Beginning of Period	1,047,740	918,080	1,306,383
Cash and Cash Equivalents, End of Period	<u>\$ 2,508,902</u>	<u>\$ 1,047,740</u>	<u>\$ 918,080</u>

See notes to consolidated financial statements.

**KKR & CO. L.P.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  
**(Amounts in Thousands)**

	For the Years Ended December 31,		
	2016	2015	2014
<b>Supplemental Disclosures of Cash Flow Information</b>			
Payments for Interest	\$ 773,032	\$ 485,739	\$ 195,055
Payments for Income Taxes	\$ 33,526	\$ 40,468	\$ 47,138
<b>Supplemental Disclosures of Non-Cash Investing and Financing Activities</b>			
Non-Cash Contributions of Equity Based Compensation	\$ 264,890	\$ 261,579	\$ 310,403
Non-Cash Contributions from Noncontrolling Interests	\$ 29,283	\$ —	\$ 39,952
Non-Cash Distributions to Noncontrolling Interests	\$ (7,639)	\$ —	\$ —
Cumulative effect adjustment from adoption of accounting guidance	\$ —	\$ (17,202)	\$ —
Debt Obligations - Net Gains (Losses), Translation and Other	\$ 228,405	\$ 226,577	\$ 328,464
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and delivery of KKR & Co. L.P. Common Units	\$ (1,399)	\$ 18,598	\$ 46,839
Impairments of Oil and Natural Gas Properties	\$ 6,191	\$ 53,926	\$ 220,063
Gains on Sales of Oil and Natural Gas Properties	\$ 12,286	\$ —	\$ 16,924
<b>Net Assets Acquired</b>			
Cash and Cash Equivalents Held at Consolidated Entities	\$ —	\$ —	\$ 765,231
Restricted Cash and Cash Equivalents	\$ —	\$ —	\$ 35,038
Investments	\$ —	\$ —	\$ 9,225,660
Other Assets	\$ —	\$ —	\$ 885,314
Debt Obligations	\$ —	\$ —	\$ 7,538,726
Accounts Payable, Accrued Expenses and Other Liabilities	\$ —	\$ —	\$ 616,979
<b>Changes in Consolidation including Adoption of ASU 2015-02</b>			
Cash and Cash Equivalents Held at Consolidated Entities	\$ (270,458)	\$ —	\$ —
Restricted Cash and Cash Equivalents	\$ (54,064)	\$ —	\$ —
Investments	\$ (35,686,489)	\$ —	\$ —
Due From Affiliates	\$ 147,427	\$ —	\$ —
Other Assets	\$ (532,226)	\$ —	\$ —
Debt Obligations	\$ (2,355,305)	\$ —	\$ —
Due to Affiliates	\$ 329,083	\$ —	\$ —
Accounts Payable, Accrued Expenses and Other Liabilities	\$ (129,348)	\$ —	\$ —
Noncontrolling Interests	\$ (34,240,240)	\$ —	\$ —

See notes to consolidated financial statements.

**KKR & CO. L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(All Amounts in Thousands, Except Unit, Per Unit Data, and Except Where Noted)**

**1. ORGANIZATION**

KKR & Co. L.P. (NYSE: KKR), together with its consolidated subsidiaries (“KKR”), is a leading global investment firm that manages investments across multiple asset classes including private equity, energy, infrastructure, real estate, growth equity, credit and hedge funds. KKR aims to generate attractive investment returns by following a patient and disciplined investment approach, employing world class people, and driving growth and value creation at the asset level. KKR invests its own capital alongside the capital it manages for fund investors and brings debt and equity investment opportunities to others through its capital markets business.

KKR & Co. L.P. was formed as a Delaware limited partnership on June 25, 2007 and its general partner is KKR Management LLC (the “Managing Partner”). KKR & Co. L.P. is the parent company of KKR Group Limited, which is the non-economic general partner of KKR Group Holdings L.P. (“Group Holdings”), and KKR & Co. L.P. is the sole limited partner of Group Holdings. Group Holdings holds a controlling economic interest in each of (i) KKR Management Holdings L.P. (“Management Holdings”) through KKR Management Holdings Corp., a Delaware corporation which is a domestic corporation for U.S. federal income tax purposes, (ii) KKR Fund Holdings L.P. (“Fund Holdings”) directly and through KKR Fund Holdings GP Limited, a Cayman Island limited company which is a disregarded entity for U.S. federal income tax purposes, and (iii) KKR International Holdings L.P. (“International Holdings”, and together with Management Holdings and Fund Holdings, the “KKR Group Partnerships”) directly and through KKR Fund Holdings GP Limited. Group Holdings also owns certain economic interests in Management Holdings through a wholly owned Delaware corporate subsidiary of KKR Management Holdings Corp. and certain economic interests in Fund Holdings through a Delaware partnership of which Group Holdings is the general partner with a 99% economic interest and KKR Management Holdings Corp. is a limited partner with a 1% economic interest. KKR & Co. L.P., through its indirect controlling economic interests in the KKR Group Partnerships, is the holding partnership for the KKR business.

KKR & Co. L.P. both indirectly controls the KKR Group Partnerships and indirectly holds Class A partner units in each KKR Group Partnership (collectively, “KKR Group Partnership Units”) representing economic interests in KKR’s business. The remaining KKR Group Partnership Units are held by KKR Holdings L.P. (“KKR Holdings”), which is not a subsidiary of KKR. As of December 31, 2016, KKR & Co. L.P. held approximately 56.1% of the KKR Group Partnership Units and principals through KKR Holdings held approximately 43.9% of the KKR Group Partnership Units. The percentage ownership in the KKR Group Partnerships will continue to change as KKR Holdings and/or principals exchange units in the KKR Group Partnerships for KKR & Co. L.P. common units or when KKR & Co. L.P. otherwise issues or repurchases KKR & Co. L.P. common units. The KKR Group Partnerships also have outstanding equity interests that provide for our carry pool and preferred units with economic terms that mirror the preferred units issued by KKR & Co. L.P.

For acquisitions KKR made during the year ended December 31, 2014, see Note 15 “Acquisitions”.

The following table presents the effect of changes in the ownership interest in the KKR Group Partnerships on KKR:

	For the Years Ended December 31,		
	2016	2015	2014
Net income (loss) attributable to KKR & Co. L.P.	\$ 309,307	\$ 488,482	\$ 477,611
Transfers from noncontrolling interests:			
Exchange of KKR Group Partnership units held by KKR Holdings L.P.(a)	90,910	212,043	380,916
<b>Change from net income (loss) attributable to KKR &amp; Co. L.P. and transfers from noncontrolling interests held by KKR Holdings</b>	<b>\$ 400,217</b>	<b>\$ 700,525</b>	<b>\$ 858,527</b>

(a) Increase in KKR’s partners’ capital for exchange of 7,589,190, 15,850,161 and 27,172,269 for the years ended December 31, 2016, 2015, and 2014, respectively, KKR Group Partnerships units held by KKR Holdings L.P., inclusive of deferred taxes.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The accompanying consolidated financial statements (referred to hereafter as the “financial statements”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

KKR & Co. L.P. consolidates the financial results of the KKR Group Partnerships and their consolidated subsidiaries, which include the accounts of KKR’s investment management and capital markets companies, the general partners of certain unconsolidated funds and vehicles, general partners of consolidated funds and their respective consolidated funds and certain other entities including CFEs. References in the accompanying financial statements to “principals” are to KKR’s senior employees and non-employee operating consultants who hold interests in KKR’s business through KKR Holdings.

All intercompany transactions and balances have been eliminated.

### Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of fees, expenses and investment income (loss) during the reporting periods. Such estimates include but are not limited to the valuation of investments and financial instruments. Actual results could differ from those estimates, and such differences could be material to the financial statements.

### Principles of Consolidation

The types of entities KKR assesses for consolidation include (i) subsidiaries, including management companies, broker-dealers and general partners of investment funds that KKR manages, (ii) entities that have all the attributes of an investment company, like investment funds, (iii) CFEs and (iv) other entities, including entities that employ non-employee operating consultants. Each of these entities is assessed for consolidation on a case by case basis depending on the specific facts and circumstances surrounding that entity.

Pursuant to its consolidation policy, KKR first considers whether an entity is considered a VIE and therefore whether to apply the consolidation guidance under the VIE model. Entities that do not qualify as VIEs are assessed for consolidation as voting interest entities (“VOEs”) under the voting interest model.

KKR’s funds are, for GAAP purposes, investment companies and therefore are not required to consolidate their investments in portfolio companies even if majority-owned and controlled. Rather, the consolidated funds and vehicles reflect their investments at fair value as described below in “Fair Value Measurements.”

### *Consolidation Policy Upon Adoption of ASU No. 2015-02 and 2016-17*

In February 2015, the Financial Accounting Standards Board (“FASB”) issued amended consolidation guidance with the issuance of ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis (“ASU 2015-02”). KKR adopted this new guidance on January 1, 2016 using the modified retrospective method. As a result, no retrospective adjustment is required and prior periods presented in the financial statements have not been impacted. The guidance in ASU 2015-02 eliminates the presumption that a general partner should consolidate a limited partnership and also changes the consolidation model specific to limited partnerships. The amendments also clarify how to evaluate fees paid to an asset manager or other entity that makes the decisions for the investment vehicle and whether such fees should be considered in determining when a VIE should be reported on an asset manager’s balance sheet. These changes modify the analysis that KKR must perform to determine whether it should consolidate certain types of legal entities.

Upon adoption of ASU 2015-02, most of KKR’s investment funds were de-consolidated as of January 1, 2016 resulting in a reduction in consolidated assets, liabilities and noncontrolling interests of approximately \$36.3 billion, \$2.1 billion and \$34.2 billion, respectively. Additionally, as a result of the de-consolidation of most of KKR’s investment funds, management fees and carried interest earned by KKR from investment funds that were previously consolidated will no longer be eliminated. Adoption of ASU 2015-02 had no impact on KKR’s partners’ capital and Net Income (Loss) Attributable to KKR & Co. L.P.

In October 2016, the FASB issued ASU No. 2016-17, Consolidation (Topic 810): Interests Held through Related Parties under Common Control (“ASU 2016-17”). KKR has adopted this new guidance and has applied the guidance retrospectively



## Notes to Consolidated Financial Statements (Continued)

beginning with the annual period in which the amendments in ASU 2015-02 were adopted, which was January 1, 2016. This guidance in ASU 2016-17 states that reporting entities deciding whether they are primary beneficiaries no longer have to consider indirect interests held through related parties that are under common control to be the equivalent of direct interests in their entirety. Reporting entities would include those indirect interests on a proportionate basis.

Consistent with the consolidation rules in effect prior to the adoption of ASU 2015-02, an entity in which KKR holds a variable interest is a VIE if any one of the following conditions exist: (a) the total equity investment at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support, (b) the holders of the equity investment at risk (as a group) lack either the direct or indirect ability through voting rights or similar rights to make decisions about a legal entity's activities that have a significant effect on the success of the legal entity or the obligation to absorb the expected losses or right to receive the expected residual returns, or (c) the voting rights of some investors are disproportionate to their obligation to absorb the expected losses of the legal entity, their rights to receive the expected residual returns of the legal entity, or both and substantially all of the legal entity's activities either involve or are conducted on behalf of an investor with disproportionately few voting rights. However, under ASU 2015-02, limited partnerships and other similar entities where unaffiliated limited partners have not been granted i) substantive participatory rights or ii) substantive rights to either dissolve the partnership or remove the general partner ("kick-out rights") are VIEs under condition (b) above. KKR's investment funds that are not CFEs (i) are generally limited partnerships, (ii) generally provide KKR with operational discretion and control, and (iii) generally have fund investors with no substantive rights to impact ongoing governance and operating activities of the fund, including the ability to remove the general partner, and as such the limited partners do not hold kick-out rights. Accordingly, most of KKR's investment funds are categorized as VIEs under ASU 2015-02.

KKR consolidates all VIEs in which it is the primary beneficiary. A reporting entity is determined to be the primary beneficiary if it holds a controlling financial interest in a VIE. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The consolidation guidance requires an analysis to determine (i) whether an entity in which KKR holds a variable interest is a VIE and (ii) whether KKR's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (for example, management and performance related fees), would give it a controlling financial interest. Performance of that analysis requires the exercise of judgment. Pursuant to ASU 2015-02, fees earned by KKR that are customary and commensurate with the level of effort required to provide those services, and where KKR does not hold other economic interests in the entity that would absorb more than an insignificant amount of the expected losses or returns of the entity, would not be considered variable interests. KKR factors in all economic interests including interests held through related parties, to determine if it holds a variable interest. KKR determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a VIE and reconsiders that conclusion periodically.

For entities that are determined not to be VIEs, these entities are generally considered VOEs and are evaluated under the voting interest model. KKR consolidates VOEs it controls through a majority voting interest or through other means.

The consolidation assessment, including the determination as to whether an entity qualifies as a VIE or VOE depends on the facts and circumstances surrounding each entity and therefore certain of KKR's investment funds may qualify as VIEs whereas others may qualify as VOEs.

With respect to CLOs (which are generally VIEs), in its role as collateral manager, KKR generally has the power to direct the activities of the CLO that most significantly impact the economic performance of the entity. In some, but not all cases, KKR, through its residual interest in the CLO may have variable interests that represent an obligation to absorb losses of, or a right to receive benefits from, the CLO that could potentially be significant to the CLO. In cases where KKR has both the power to direct the activities of the CLO that most significantly impact the CLO's economic performance and the obligation to absorb losses of the CLO or the right to receive benefits from the CLO that could potentially be significant to the CLO, KKR is deemed to be the primary beneficiary and consolidates the CLO.

With respect to CMBS vehicles (which are generally VIEs), KKR holds unrated and non-investment grade rated securities issued by the CMBS, which are the most subordinate tranche of the CMBS vehicle. The economic performance of the CMBS is most significantly impacted by the performance of the underlying assets. Thus, the activities that most significantly impact the CMBS economic performance are the activities that most significantly impact the performance of the underlying assets. The special servicer has the ability to manage the CMBS assets that are delinquent or in default to improve the economic performance of the CMBS. KKR generally has the right to unilaterally appoint and remove the special servicer for the CMBS and as such is considered the controlling class of the CMBS vehicle. These rights give KKR the ability to direct the activities that most significantly impact the economic performance of the CMBS. Additionally, as the holder of the most subordinate

## Notes to Consolidated Financial Statements (Continued)

tranche, KKR is in a first loss position and has the right to receive benefits, including the actual residual returns of the CMBS, if any. In these cases, KKR is deemed to be the primary beneficiary and consolidates the CMBS.

### *Consolidation Policy Prior to the Adoption of ASU 2015-02 and 2016-17*

As indicated above, KKR adopted ASU 2015-02 using the modified retrospective method and as such, the prior periods presented in the financial statements have not been impacted. The most significant changes to KKR's consolidation policy as a result of the adoption of ASU 2015-02 pertained to its investment funds that are not CFEs. There were no significant changes to KKR's CFEs as a result of the adoption of ASU 2015-02.

With respect to KKR's consolidated funds that are not CFEs, KKR generally has operational discretion and control, and fund investors have no substantive rights to impact ongoing governance and operating activities of the fund, and do not have kick-out rights. As a result, prior to the adoption of ASU 2015-02, a fund would be consolidated unless KKR had a nominal level of equity at risk. To the extent that KKR commits a nominal amount of equity to a given fund and had no obligation to fund any future losses, the equity at risk to KKR was not considered substantive and the fund was typically considered a VIE. KKR was determined to be the primary beneficiary if its involvement, through holding interests directly or indirectly in the VIE or contractually through other variable interests (e.g., carried interest), would be expected to absorb a majority of the VIE's expected losses, receive a majority of the VIE's expected residual returns, or both. In cases where there was minimal capital at risk, the fund investors were generally deemed to be the primary beneficiaries, and KKR did not consolidate the fund. In cases when KKR's equity at risk was deemed to be substantive, the fund was generally considered to be a VOE and KKR generally consolidated the fund under the VOE model. As described above, subsequent to the adoption of ASU 2015-02, limited partnerships and other similar entities where unaffiliated limited partners have not been granted kick-out rights are deemed to be VIEs. Since substantially all of our investment funds are partnerships where limited partners are not granted kick-out rights, the adoption of ASU 2015-02 resulted in numerous entities that were previously classified as VOEs under the prior guidance becoming VIEs under the new consolidation guidance.

Under both the previous consolidation guidance and ASU 2015-02 certain of KKR's funds and CFEs are consolidated by KKR notwithstanding the fact that KKR has only a minority economic interest in those funds and CFEs. KKR's financial statements reflect the assets, liabilities, fees, expenses, investment income (loss) and cash flows of the consolidated KKR funds and CFEs on a gross basis. With respect to KKR's consolidated funds, the majority of the economic interests in those funds, which are held by fund investors or other third parties, are attributed to noncontrolling interests in the accompanying financial statements. All of the management fees and certain other amounts earned by KKR from those funds are eliminated in consolidation. However, because the eliminated amounts are earned from and funded by noncontrolling interests, KKR's attributable share of the net income (loss) from those funds is increased by the amounts eliminated. Accordingly, the elimination in consolidation of such amounts has no effect on net income (loss) attributable to KKR or KKR partners' capital. With respect to consolidated CFEs, interests held by third party investors are recorded in debt obligations.

### **Redeemable Noncontrolling Interests**

Redeemable Noncontrolling Interests represent noncontrolling interests of certain investment funds and vehicles that are subject to periodic redemption by fund investors following the expiration of a specified period of time (typically between one and three years), or may be withdrawn subject to a redemption fee during the period when capital may not be otherwise withdrawn. Fund investors interests subject to redemption as described above are presented as Redeemable Noncontrolling Interests in the accompanying consolidated statements of financial condition and presented as Net Income (Loss) Attributable to Redeemable Noncontrolling Interests in the accompanying consolidated statements of operations.

When redeemable amounts become legally payable to fund investors, they are classified as a liability and included in Accounts Payable, Accrued Expenses and Other Liabilities in the accompanying consolidated statements of financial condition. For all consolidated investment vehicles and funds in which redemption rights have not been granted, noncontrolling interests are presented within Equity in the accompanying consolidated statements of financial condition as noncontrolling interests.

### **Noncontrolling Interests**

Noncontrolling interests represent (i) noncontrolling interests in consolidated entities and (ii) noncontrolling interests held by KKR Holdings.

## Notes to Consolidated Financial Statements (Continued)

### Noncontrolling Interests in Consolidated Entities

Noncontrolling interests in consolidated entities represent the non-redeemable ownership interests in KKR that are held primarily by:

- (i) third party fund investors in KKR's funds;
- (ii) third parties entitled to up to 1% of the carried interest received by certain general partners of KKR's funds and 1% of KKR's other profits (losses) through and including December 31, 2015;
- (iii) certain former principals and their designees representing a portion of the carried interest received by the general partners of KKR's private equity funds that was allocated to them with respect to private equity investments made during such former principals' tenure with KKR prior to October 1, 2009;
- (iv) certain principals and former principals representing all of the capital invested by or on behalf of the general partners of KKR's private equity funds prior to October 1, 2009 and any returns thereon;
- (v) third parties in KKR's capital markets business;
- (vi) holders of exchangeable equity securities representing ownership interests in a subsidiary of a KKR Group Partnership issued in connection with the acquisition of Avoca; and
- (vii) holders of the 7.375% Series A LLC Preferred Shares of KFN whose rights are limited to the assets of KFN.

### Noncontrolling Interests held by KKR Holdings

Noncontrolling interests held by KKR Holdings include economic interests held by principals in the KKR Group Partnerships. Such principals receive financial benefits from KKR's business in the form of distributions received from KKR Holdings and through their direct and indirect participation in the value of KKR Group Partnership Units held by KKR Holdings. These financial benefits are not paid by KKR & Co. L.P. and are borne by KKR Holdings.

The following table presents the calculation of noncontrolling interests held by KKR Holdings:

	For the Years Ended December 31,		
	2016	2015	2014
<b>Balance at the beginning of the period</b>	\$ 4,347,153	\$ 4,661,679	\$ 5,116,761
Net income (loss) attributable to noncontrolling interests held by KKR Holdings <sup>(a)</sup>	212,878	433,693	585,135
Other comprehensive income (loss), net of tax <sup>(b)</sup>	(10,514)	(14,030)	(15,202)
Impact of the exchange of KKR Holdings units to KKR & Co. L.P. common units <sup>(c)</sup>	(89,182)	(203,127)	(357,551)
Equity based compensation	66,572	59,114	129,012
Capital contributions	241,748	25,573	30,402
Capital distributions	(475,318)	(615,749)	(826,878)
<b>Balance at the end of the period</b>	<b>\$ 4,293,337</b>	<b>\$ 4,347,153</b>	<b>\$ 4,661,679</b>

(a) Refer to the table below for calculation of Net income (loss) attributable to noncontrolling interests held by KKR Holdings.

(b) Calculated on a pro rata basis based on the weighted average KKR Group Partnership Units held by KKR Holdings during the reporting period.

(c) Calculated based on the proportion of KKR Holdings units exchanged for KKR & Co. L.P. common units pursuant to the exchange agreement during the reporting period. The exchange agreement provides for the exchange of KKR Group Partnership Units held by KKR Holdings for KKR & Co. L.P. common units.

Net income (loss) attributable to KKR & Co. L.P. after allocation to noncontrolling interests held by KKR Holdings, with the exception of certain tax assets and liabilities that are directly allocable to KKR Management Holdings Corp., is attributed based on the percentage of the weighted average KKR Group Partnership Units held by KKR and KKR Holdings, each of which hold equity of the KKR Group Partnerships. However, primarily because of the (i) contribution of certain expenses borne entirely by KKR Holdings, (ii) the periodic exchange of KKR Holdings units for KKR & Co. L.P. common units pursuant to

## Notes to Consolidated Financial Statements (Continued)

the exchange agreement and (iii) the contribution of certain expenses borne entirely by KKR associated with the KKR & Co. L.P. 2010 Equity Incentive Plan (“Equity Incentive Plan”), equity allocations shown in the consolidated statement of changes in equity differ from their respective pro-rata ownership interests in KKR’s net assets.

The following table presents net income (loss) attributable to noncontrolling interests held by KKR Holdings:

	For the Years Ended December 31,		
	2016	2015	2014
<b>Net income (loss)</b>	\$ 950,664	\$ 5,275,032	\$ 5,395,020
Net income (loss) attributable to Redeemable Noncontrolling Interests	(8,476)	(4,512)	(3,341)
Net income (loss) attributable to Noncontrolling Interests in consolidated entities	436,955	4,357,369	4,335,615
Net income (loss) attributable to Series A and Series B Preferred Unitholders	22,235	—	—
Income tax / (benefit) attributable to KKR Management Holdings Corp.	(18,937)	21,241	28,806
<b>Net income (loss) attributable to KKR &amp; Co. L.P. Common Unitholders and KKR Holdings</b>	<b>\$ 481,013</b>	<b>\$ 943,416</b>	<b>\$ 1,091,552</b>
<b>Net income (loss) attributable to noncontrolling interests held by KKR Holdings</b>	<b>\$ 212,878</b>	<b>\$ 433,693</b>	<b>\$ 585,135</b>

### Investments

Investments consist primarily of private equity, real assets, credit, investments of consolidated CFEs, equity method, carried interest and other investments. Investments denominated in currencies other than the U.S. dollar are valued based on the spot rate of the respective currency at the end of the reporting period with changes related to exchange rate movements reflected as a component of Net Gains (Losses) from Investment Activities in the consolidated statements of operations. Security and loan transactions are recorded on a trade date basis. Further disclosure on investments is presented in Note 4 “Investments.”

The following describes the types of securities held within each investment class.

*Private Equity* - Consists primarily of equity investments in operating businesses, including growth equity investments.

*Real Assets* - Consists primarily of investments in (i) energy related assets, principally oil and natural gas producing properties, (ii) infrastructure assets, and (iii) real estate, principally residential and commercial real estate assets and businesses.

*Credit* - Consists primarily of investments in below investment grade corporate debt securities (primarily high yield bonds and syndicated bank loans), distressed and opportunistic debt and interests in unconsolidated CLOs.

*Investments of Consolidated CFEs* - Consists primarily of (i) investments in below investment grade corporate debt securities (primarily high yield bonds and syndicated bank loans) held directly by the consolidated CLOs and (ii) investments in originated, fixed-rate mortgage loans held directly by the consolidated CMBS vehicles.

*Equity Method* - Consists primarily of (i) certain investments in private equity funds, real assets funds and credit funds, which are not consolidated and (ii) certain investments in operating companies in which KKR is deemed to exert significant influence under GAAP.

*Carried Interest* - Consists of carried interest from unconsolidated investment funds that are allocated to KKR as the general partner of the investment fund based on cumulative fund performance to date, and where applicable, subject to a preferred return.

*Other* - Consists primarily of investments in common stock, preferred stock, warrants and options of companies that are not private equity, real assets, credit or investments of consolidated CFEs.

### Investments held by Consolidated Investment Funds

## Notes to Consolidated Financial Statements (Continued)

The consolidated investment funds are, for GAAP purposes, investment companies and reflect their investments and other financial instruments, including portfolio companies that are majority-owned and controlled by KKR's investment funds, at fair value. KKR has retained this specialized accounting for the consolidated funds in consolidation. Accordingly, the unrealized gains and losses resulting from changes in fair value of the investments and other financial instruments held by the consolidated investment funds are reflected as a component of Net Gains (Losses) from Investment Activities in the consolidated statements of operations.

Certain energy investments are made through consolidated investment funds, including investments in working and royalty interests in oil and natural gas producing properties as well as investments in operating companies that operate in the energy industry. Since these investments are held through consolidated investment funds, such investments are reflected at fair value as of the end of the reporting period.

Investments in operating companies that are held through KKR's consolidated investment funds are generally classified within private equity investments and investments in working and royalty interests in oil and natural gas producing properties are generally classified as real asset investments.

### Energy Investments held directly by KKR

Certain energy investments are made by KKR directly in working and royalty interests in oil and natural gas producing properties and not through investment funds. Oil and natural gas producing activities are accounted for under the successful efforts method of accounting and such working interests are consolidated based on the proportion of the working interests held by KKR. Accordingly, KKR reflects its proportionate share of the underlying statements of financial condition and statements of operations of the consolidated working interests on a gross basis and changes in the value of these working interests are not reflected as unrealized gains and losses in the consolidated statements of operations. Under the successful efforts method, exploration costs, other than the costs of drilling exploratory wells, are charged to expense as incurred. Costs that are associated with the drilling of successful exploration wells are capitalized if proved reserves are found. Lease acquisition costs are capitalized when incurred. Costs associated with the drilling of exploratory wells that do not find proved reserves, geological and geophysical costs and costs of certain nonproducing leasehold costs are charged to expense as incurred.

Expenditures for repairs and maintenance, including workovers, are charged to expense as incurred.

The capitalized costs of producing oil and natural gas properties are depleted on a field-by-field basis using the units-of production method based on the ratio of current production to estimated total net proved oil, natural gas and natural gas liquid reserves. Proved developed reserves are used in computing depletion rates for drilling and development costs and total proved reserves are used for depletion rates of leasehold costs.

Estimated dismantlement and abandonment costs for oil and natural gas properties, net of salvage value, are capitalized at their estimated net present value and amortized on a unit-of-production basis over the remaining life of the related proved developed reserves.

Whenever events or changes in circumstances indicate that the carrying amounts of oil and natural gas properties may not be recoverable, KKR evaluates oil and natural gas properties and related equipment and facilities for impairment on a field-by-field basis. The determination of recoverability is made based upon estimated undiscounted future net cash flows. The amount of impairment loss, if any, is determined by comparing the fair value, as determined by a discounted cash flow analysis, with the carrying value of the related asset. Any impairment in value is recognized when incurred and is recorded in General, Administrative, and Other expense in the consolidated statements of operations.

### Fair Value Option

For certain investments and other financial instruments, KKR has elected the fair value option. Such election is irrevocable and is applied on a financial instrument by financial instrument basis at initial recognition. KKR has elected the fair value option for certain private equity, real assets, credit, investments of consolidated CFEs, equity method and other financial instruments not held through a consolidated investment fund with gains and losses recorded in net income. Accounting for these investments at fair value is consistent with how KKR accounts for its investments held through consolidated investment funds. Changes in the fair value of such instruments are recognized in Net Gains (Losses) from Investment Activities in the consolidated statements of operations. Interest income on interest bearing credit securities on which the fair value option has been elected is based on stated coupon rates adjusted for the accretion of purchase discounts and the amortization of purchase premiums. This interest income is recorded within Interest Income in the consolidated statements of operations.

### Equity Method

For certain investments in entities over which KKR exercises significant influence but which do not meet the requirements for consolidation and for which KKR has not elected the fair value option, KKR uses the equity method of accounting. KKR's share of earnings (losses) from these investments is reflected as a component of Net Gains (Losses) from Investment Activities in the consolidated statements of operations. The carrying value of equity method investments in private equity funds, real assets funds and credit funds, which are not consolidated, approximate fair value, because the underlying investments of the unconsolidated investment funds are reported at fair value. The carrying value of equity method investments in certain operating companies, which KKR is determined to exert significant influence under GAAP and for which KKR has not elected the fair value option, is determined based on the amounts invested by KKR, adjusted for the equity in earnings or losses of the investee allocated based on KKR's respective ownership percentage, less distributions. For equity method investments, KKR records its proportionate share of the investee's earnings or losses based on the most recently available financial information of the investee, which in certain cases may lag the date of KKR's financial statements by no more than three calendar months. KKR evaluates its equity method investments for which KKR has not elected the fair value option for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable.

### Financial Instruments held by Consolidated CFEs

As of January 1, 2015, KKR adopted the measurement alternative included in ASU 2014-13, "Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity" ("ASU 2014-13"), and has applied the amendments using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of January 1, 2015. Refer to the consolidated statements of changes in equity for the impact of this adjustment. Pursuant to ASU 2014-13, KKR measures both the financial assets and financial liabilities of the consolidated CFEs in its financial statements using the more observable of the fair value of the financial assets and the fair value of the financial liabilities.

For the consolidated CLO entities, KKR has determined that the fair value of the financial assets of the consolidated CLOs are more observable than the fair value of the financial liabilities of the consolidated CLOs. As a result, the financial assets of the consolidated CLOs are being measured at fair value and the financial liabilities are being measured as: (1) the sum of the fair value of the financial assets and the carrying value of any nonfinancial assets that are incidental to the operations of the CLOs less (2) the sum of the fair value of any beneficial interests retained by KKR (other than those that represent compensation for services) and KKR's carrying value of any beneficial interests that represent compensation for services. The resulting amount is allocated to the individual financial liabilities (other than the beneficial interests retained by KKR).

For the consolidated CMBS vehicles, KKR has determined that the fair value of the financial liabilities of the consolidated CMBS vehicles is more observable than the fair value of the financial assets of the consolidated CMBS vehicles. As a result, the financial liabilities of the consolidated CMBS vehicles are being measured at fair value and the financial assets are being measured in consolidation as: (1) the sum of the fair value of the financial liabilities (other than the beneficial interests retained by KKR), the fair value of the beneficial interests retained by KKR and the carrying value of any nonfinancial liabilities that are incidental to the operations of the CMBS vehicles less (2) the carrying value of any nonfinancial assets that are incidental to the operations of the CMBS vehicles. The resulting amount is allocated to the individual financial assets.

Under the measurement alternative pursuant to ASU 2014-13, KKR's consolidated net income (loss) reflects KKR's own economic interests in the consolidated CFEs including (i) changes in the fair value of the beneficial interests retained by KKR and (ii) beneficial interests that represent compensation for services rendered.

### Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Except for certain of KKR's equity method investments (see "Equity Method" above in this Note 2 "Summary of Significant Accounting Policies") and debt obligations (as described in Note 10 "Debt Obligations"), KKR's investments and other financial instruments are recorded at fair value or at amounts whose carrying values approximate fair value. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation techniques are applied. These valuation techniques involve varying levels of management estimation and judgment, the degree of which is dependent on a variety of factors.

GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including

## Notes to Consolidated Financial Statements (Continued)

the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

**Level I** - Pricing inputs are unadjusted, quoted prices in active markets for identical assets or liabilities as of the measurement date. The types of financial instruments included in this category are publicly-listed equities, credit investments and securities sold short.

**Level II** - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies. The types of financial instruments included in this category are credit investments, investments and debt obligations of consolidated CLO entities, convertible debt securities indexed to publicly-listed securities, less liquid and restricted equity securities and certain over-the-counter derivatives such as foreign currency option and forward contracts.

**Level III** - Pricing inputs are unobservable for the financial instruments and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. The types of financial instruments generally included in this category are private portfolio companies, real assets investments, credit investments, equity method investments for which the fair value option was elected and investments and debt obligations of consolidated CMBS entities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. KKR's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset.

A significant decrease in the volume and level of activity for the asset or liability is an indication that transactions or quoted prices may not be representative of fair value because in such market conditions there may be increased instances of transactions that are not orderly. In those circumstances, further analysis of transactions or quoted prices is needed, and a significant adjustment to the transactions or quoted prices may be necessary to estimate fair value.

The availability of observable inputs can vary depending on the financial asset or liability and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument has recently been issued, whether the instrument is traded on an active exchange or in the secondary market, and current market conditions. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by KKR in determining fair value is greatest for instruments categorized in Level III. The variability and availability of the observable inputs affected by the factors described above may cause transfers between Levels I, II, and III, which KKR recognizes at the beginning of the reporting period.

Investments and other financial instruments that have readily observable market prices (such as those traded on a securities exchange) are stated at the last quoted sales price as of the reporting date. KKR does not adjust the quoted price for these investments, even in situations where KKR holds a large position and a sale could reasonably affect the quoted price.

Management's determination of fair value is based upon the methodologies and processes described below and may incorporate assumptions that are management's best estimates after consideration of a variety of internal and external factors.

### **Level II Valuation Methodologies**

**Credit Investments:** These instruments generally have bid and ask prices that can be observed in the marketplace. Bid prices reflect the highest price that KKR and others are willing to pay for an instrument. Ask prices represent the lowest price that KKR and others are willing to accept for an instrument. For financial assets and liabilities whose inputs are based on bid-ask prices obtained from third party pricing services, fair value may not always be a predetermined point in the bid-ask range. KKR's policy is generally to allow for mid-market pricing and adjusting to the point within the bid-ask range that meets KKR's best estimate of fair value.

## Notes to Consolidated Financial Statements (Continued)

*Investments and Debt Obligations of Consolidated CLO Vehicles:* Investments of consolidated CLO vehicles are reported within Investments of Consolidated CFEs and are valued using the same valuation methodology as described above for credit investments. Under ASU 2014-13, KKR measures CLO debt obligations on the basis of the fair value of the financial assets of the CLO.

*Securities indexed to publicly-listed securities:* The securities are typically valued using standard convertible security pricing models. The key inputs into these models that require some amount of judgment are the credit spreads utilized and the volatility assumed. To the extent the company being valued has other outstanding debt securities that are publicly-traded, the implied credit spread on the company's other outstanding debt securities would be utilized in the valuation. To the extent the company being valued does not have other outstanding debt securities that are publicly-traded, the credit spread will be estimated based on the implied credit spreads observed in comparable publicly-traded debt securities. In certain cases, an additional spread will be added to reflect an illiquidity discount due to the fact that the security being valued is not publicly-traded. The volatility assumption is based upon the historically observed volatility of the underlying equity security into which the convertible debt security is convertible and/or the volatility implied by the prices of options on the underlying equity security.

*Restricted Equity Securities:* The valuation of certain equity securities is based on an observable price for an identical security adjusted for the effect of a restriction.

*Derivatives:* The valuation incorporates observable inputs comprising yield curves, foreign currency rates and credit spreads.

### **Level III Valuation Methodologies**

Financial assets and liabilities categorized as Level III consist primarily of the following:

*Private Equity Investments:* KKR generally employs two valuation methodologies when determining the fair value of a private equity investment. The first methodology is typically a market comparables analysis that considers key financial inputs and recent public and private transactions and other available measures. The second methodology utilized is typically a discounted cash flow analysis, which incorporates significant assumptions and judgments. Estimates of key inputs used in this methodology include the weighted average cost of capital for the investment and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. Other inputs are also used in both methodologies. In addition, when a definitive agreement has been executed to sell an investment, KKR generally considers a significant determinant of fair value to be the consideration to be received by KKR pursuant to the executed definitive agreement.

Upon completion of the valuations conducted using these methodologies, a weighting is ascribed to each method, and an illiquidity discount is typically applied where appropriate. The ultimate fair value recorded for a particular investment will generally be within a range suggested by the two methodologies, except that the value may be higher or lower than such range in the case of investments being sold pursuant to an executed definitive agreement.

When determining the weighting ascribed to each valuation methodology, KKR considers, among other factors, the availability of direct market comparables, the applicability of a discounted cash flow analysis, the expected hold period and manner of realization for the investment, and in the case of investments being sold pursuant to an executed definitive agreement, an estimated probability of such sale being completed. These factors can result in different weightings among investments in the portfolio and in certain instances may result in up to a 100% weighting to a single methodology.

When an illiquidity discount is to be applied, KKR seeks to take a uniform approach across its portfolio and generally applies a minimum 5% discount to all private equity investments. KKR then evaluates such private equity investments to determine if factors exist that could make it more challenging to monetize the investment and, therefore, justify applying a higher illiquidity discount. These factors generally include (i) whether KKR is unable to sell the portfolio company or conduct an initial public offering of the portfolio company due to the consent rights of a third party or similar factors, (ii) whether the portfolio company is undergoing significant restructuring activity or similar factors and (iii) characteristics about the portfolio company regarding its size and/or whether the portfolio company is experiencing, or expected to experience, a significant decline in earnings. These factors generally make it less likely that a portfolio company would be sold or publicly offered in the near term at a price indicated by using just a market multiples and/or discounted cash flow analysis, and these factors tend to reduce the number of opportunities to sell an investment and/or increase the time horizon over which an investment may be monetized. Depending on the applicability of these factors, KKR determines the amount of any incremental illiquidity discount to be applied above the 5% minimum, and during the time KKR holds the investment, the illiquidity discount may be increased or decreased, from time to time, based on changes to these factors. The amount of illiquidity discount applied at any time



## Notes to Consolidated Financial Statements (Continued)

requires considerable judgment about what a market participant would consider and is based on the facts and circumstances of each individual investment. Accordingly, the illiquidity discount ultimately considered by a market participant upon the realization of any investment may be higher or lower than that estimated by KKR in its valuations.

In the case of growth equity investments, enterprise values may be determined using the market comparables analysis and discounted cash flow analysis described above. A scenario analysis may also be conducted to subject the estimated enterprise values to a downside, base and upside case, which involves significant assumptions and judgments. A milestone analysis may also be conducted to assess the current level of progress towards value drivers that we have determined to be important, which involves significant assumptions and judgments. The enterprise value in each case may then be allocated across the investment's capital structure to reflect the terms of the security and subjected to probability weightings. In certain cases, the values of growth equity investments may be based on recent or expected financings.

*Real Assets Investments:* Real asset investments in infrastructure, energy and real estate are valued using one or more of the discounted cash flow analysis, market comparables analysis and direct income capitalization, which in each case incorporates significant assumptions and judgments. Infrastructure investments are generally valued using the discounted cash flow analysis. Key inputs used in this methodology can include the weighted average cost of capital and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. Energy investments are generally valued using a discounted cash flow analysis. Key inputs used in this methodology that require estimates include the weighted average cost of capital. In addition, the valuations of energy investments generally incorporate both commodity prices as quoted on indices and long-term commodity price forecasts, which may be substantially different from commodity prices on certain indices for equivalent future dates. Certain energy investments do not include an illiquidity discount. Long-term commodity price forecasts are utilized to capture the value of the investments across a range of commodity prices within the energy investment portfolio associated with future development and to reflect a range of price expectations. Real estate investments are generally valued using a combination of direct income capitalization and discounted cash flow analysis. Key inputs used in such methodologies that require estimates include an unlevered discount rate and current capitalization rate. The valuations of real assets investments also use other inputs.

*Credit Investments:* Credit investments are valued using values obtained from dealers or market makers, and where these values are not available, credit investments are generally valued by KKR based on ranges of valuations determined by an independent valuation firm. Valuation models are based on discounted cash flow analyses, for which the key inputs are determined based on market comparables, which incorporate similar instruments from similar issuers.

*Other Investments:* With respect to other investments including equity method investments for which the fair value election has been made, KKR generally employs the same valuation methodologies as described above for private equity investments when valuing these other investments.

*Investments and Debt Obligations of Consolidated CMBS Vehicles:* Under ASU 2014-13, KKR measures CMBS investments, which are reported within Investments of Consolidated CFEs on the basis of the fair value of the financial liabilities of the CMBS. Debt obligations of consolidated CMBS vehicles are valued based on discounted cash flow analyses. The key input is the expected yield of each CMBS security using both observable and unobservable factors, which may include recently offered or completed trades and published yields of similar securities, security-specific characteristics (e.g. securities ratings issued by nationally recognized statistical rating organizations, credit support by other subordinate securities issued by the CMBS and coupon type) and other characteristics.

Key unobservable inputs that have a significant impact on KKR's Level III investment valuations as described above are included in Note 5 "Fair Value Measurements." KKR utilizes several unobservable pricing inputs and assumptions in determining the fair value of its Level III investments. These unobservable pricing inputs and assumptions may differ by investment and in the application of KKR's valuation methodologies. KKR's reported fair value estimates could vary materially if KKR had chosen to incorporate different unobservable pricing inputs and other assumptions or, for applicable investments, if KKR only used either the discounted cash flow methodology or the market comparables methodology instead of assigning a weighting to both methodologies.

**Level III Valuation Process**

The valuation process involved for Level III measurements is completed on a quarterly basis and is designed to subject the valuation of Level III investments to an appropriate level of consistency, oversight, and review.

For Private Markets investments classified as Level III, investment professionals prepare preliminary valuations based on their evaluation of financial and operating data, company specific developments, market valuations of comparable companies and other factors. These preliminary valuations are reviewed by an independent valuation firm engaged by KKR to perform certain procedures in order to assess the reasonableness of KKR's valuations annually for all Level III investments in Private Markets and quarterly for investments other than certain investments, which have values less than pre-set value thresholds and which in the aggregate comprise less than 5% of the total value of KKR's Level III Private Markets investments. The valuations of certain real asset investments are determined solely by an independent valuation firm without the preparation of preliminary valuations by our investment professionals, and instead such independent valuation firm relies principally on valuation information available to it as a broker or valuation firm. For credit investments and debt obligations of consolidated CMBS vehicles, an independent valuation firm is generally engaged by KKR with respect to most investments classified as Level III. The valuation firm either provides a valuation range from which KKR's investment professionals select a point in the range to determine the preliminary valuation or performs certain procedures in order to assess the reasonableness and provide positive assurance of KKR's valuations. After reflecting any input from the independent valuation firm, the valuation proposals are submitted to their respective valuation sub-committees.

KKR has a global valuation committee comprised of senior employees including investment professionals and professionals from business operations functions, and includes our Chief Financial Officer, General Counsel and Chief Compliance Officer. The global valuation committee is assisted by valuation sub-committees and investment professionals for each business strategy. All preliminary Level III valuations are reviewed and approved by the valuation sub-committees for private equity, real estate, energy and infrastructure and credit, as applicable. When Level III valuations are required to be performed on hedge fund investments, a valuation sub-committee for hedge funds reviews these valuations. The valuation sub-committees are responsible for the review and approval of valuations in their respective business lines on a quarterly basis. The members of the valuation sub-committees are comprised of investment professionals, including the heads of each respective strategy, and professionals from business operations functions such as legal, compliance and finance, who are not primarily responsible for the management of the investments.

The global valuation committee provides general oversight of the valuation sub-committees. The global valuation committee is responsible for coordinating and implementing the firm's valuation process to ensure consistency in the application of valuation principles across portfolio investments and between periods. All valuations are subject to approval by the global valuation committee. When valuations are approved by the global valuation committee after reflecting any input from it, the valuations of Level III investments, as well as the valuations of Level I and Level II investments, are presented to the audit committee of the board of directors of the general partner of KKR & Co. L.P. and are then reported to the board of directors.

**Fees and Other**

As indicated above, on January 1, 2016, KKR adopted ASU 2015-02, which resulted in the de-consolidation of most of KKR's investment funds that had been consolidated prior to such date. Management fees, incentive fees, fee credits and carried interest earned from consolidated funds are eliminated in consolidation and as such are not recorded in Fees and Other. The economic impact of these management fees, incentive fees, fee credits and carried interests that are eliminated is reflected as an adjustment to noncontrolling interests and has no impact to Net Income Attributable to KKR & Co. L.P. As a result of the de-consolidation of most of our investment funds, the management fees, incentive fees, fee credits and carried interests associated with funds that had previously been consolidated are included in Fees and Other beginning on January 1, 2016 as such amounts are no longer eliminated.

Fees and other consist primarily of (i) transaction fees earned in connection with successful investment transactions and from capital markets activities, (ii) management and incentive fees from providing investment management services to unconsolidated funds, CLOs, other vehicles, and separately managed accounts, (iii) monitoring fees from providing services to portfolio companies, (iv) carried interest allocations to general partners of unconsolidated funds, (v) revenue earned by oil and gas-producing entities that are consolidated and (vi) consulting fees earned by consolidated entities that employ non-employee operating consultants.

## Notes to Consolidated Financial Statements (Continued)

For the years ended December 31, 2016, 2015 and 2014, respectively, fees and other consisted of the following:

	For the Years Ended December 31,		
	2016	2015	2014
Management Fees	\$ 619,243	\$ 201,006	\$ 215,266
Transaction Fees	350,091	354,895	443,590
Monitoring Fees	146,967	336,159	190,584
Fee Credits	(128,707)	(17,351)	(18,571)
Carried Interest	803,185	—	—
Incentive Fees	8,709	16,415	50,690
Oil and Gas Revenue	65,754	112,328	186,876
Consulting Fees	42,851	40,316	41,573
<b>Total Fees and Other</b>	<b>\$ 1,908,093</b>	<b>\$ 1,043,768</b>	<b>\$ 1,110,008</b>

All revenues presented in the table above, except for oil and gas revenue and certain transaction fees earned by KKR's Capital Markets business, are earned from KKR investment funds and portfolio companies. Consulting fees are earned by certain consolidated entities that employ non-employee operating consultants from providing advisory and other services to portfolio companies and other companies. These fees are separately negotiated with each company for which services are provided and are not shared with KKR.

### *Management Fees*

Management fees are recognized in the period during which the related services are performed in accordance with the contractual terms of the related agreement. Management fees earned from private equity funds and certain investment funds are based upon a percentage of capital committed or capital invested during the investment period, and thereafter generally based on remaining invested capital or net asset value. For certain other investment funds, CLOs, and separately managed accounts, management fees are based upon the net asset value, gross assets or as otherwise defined in the respective agreements.

Management fees received from KKR's consolidated funds and vehicles are eliminated in consolidation. However, because these amounts are funded by, and earned from, noncontrolling interests, KKR's allocated share of the net income from KKR's consolidated funds and vehicles is increased by the amount of fees that are eliminated. Accordingly, the elimination of these fees does not have an effect on the net income (loss) attributable to KKR or KKR partners' capital.

### *Private Equity Funds*

For KKR's consolidated and unconsolidated private equity funds, gross management fees generally range from 1% to 2% of committed capital during the fund's investment period and is generally 0.75% to 1.25% of invested capital after the expiration of the fund's investment period with subsequent reductions over time. Typically, an investment period is defined as a period of up to six years. The actual length of the investment period is often shorter due to the earlier deployment of committed capital.

KKR's older private equity funds, which do not have a preferred return, require the management company to refund up to 20% of any cash management fees earned from limited partners in the event that the funds recognize a carried interest. At such time as the fund recognizes a carried interest in an amount sufficient to cover 20% of the cash management fees earned or a portion thereof, a liability to the fund's limited partners is recorded and revenue is reduced for the amount of the carried interest recognized, not to exceed 20% of the cash management fees earned. The refunds to the limited partners are paid, and the liabilities relieved, at such time that the underlying investments are sold and the associated carried interests are realized. In the event that a fund's carried interest is not sufficient to cover all or a portion of the amount that represents 20% of the earned cash management fees, these fees would not be returned to the funds' limited partners, in accordance with the respective fund agreements.

### *Other Investment Funds*

Certain investment funds that invest capital in real assets, credit and hedge fund strategies provide for management fees determined quarterly based on an annual rate generally ranging from 0.5% to 1.5%. Such rate may be based on the investment fund's average net asset value, capital commitments, or invested capital.

## Notes to Consolidated Financial Statements (Continued)

### *CLOs*

KKR's management agreements for its CLO vehicles provide for senior collateral management fees and subordinate collateral management fees. Senior collateral management fees are determined based on an annual rate ranging from 0.15% to 0.20% of collateral and subordinate collateral management fees are determined based on an annual rate ranging from 0.20% to 0.35% of collateral. If amounts distributable on any payment date are insufficient to pay the collateral management fees according to the priority of payments, any shortfall is deferred and payable on subsequent payment dates. KKR has the right to waive all or any portion of any collateral management fee. For the purpose of calculating the collateral management fees, collateral, the payment dates, and the priority of payments are terms defined in the management agreements.

### **Transaction Fees**

Transaction fees are earned by KKR primarily in connection with successful investment transactions and capital markets activities. Transaction fees are recognized in the period when the transaction closes. Fees are typically paid on or shortly after the closing of a transaction.

In connection with pursuing successful portfolio company investments, KKR receives reimbursement for certain transaction-related expenses. Transaction-related expenses, which are reimbursed by third parties, are typically deferred until the transaction is consummated and are recorded in Other Assets on the consolidated statements of financial condition on the date incurred. The costs of successfully completed transactions are borne by the KKR investment funds and included as a component of the investment's cost basis. Subsequent to closing, investments are recorded at fair value each reporting period as described in the section above titled "Investments". Upon reimbursement from a third party, the cash receipt is recorded and the deferred amounts are relieved. No fees or expenses are recorded for these reimbursements.

### **Monitoring Fees**

Monitoring fees are earned by KKR for services provided to portfolio companies and are recognized as services are rendered. These fees are generally paid based on a fixed periodic schedule by the portfolio companies either in advance or in arrears and are separately negotiated for each portfolio company.

In connection with the monitoring of portfolio companies and certain unconsolidated funds, KKR receives reimbursement for certain expenses incurred on behalf of these entities. Costs incurred in monitoring these entities are classified as general, administrative and other expenses and reimbursements of such costs are classified as monitoring fees. In addition, certain monitoring fee provisions may provide for a termination payment following an initial public offering or change of control. These termination payments are recognized in the period when the related transaction closes.

### **Fee Credits**

Agreements with the fund investors of certain of its investment funds require KKR to share with these fund investors an agreed upon percentage of certain fees, including monitoring and transaction fees received from portfolio companies ("Fee Credits"). Fund investors receive Fee Credits only with respect to monitoring and transaction fees that are allocable to the fund's investment in the portfolio company and not, for example, any fees allocable to capital invested through co-investment vehicles. Fee Credits are calculated after deducting certain fund-related expenses and generally amount to 80% for older funds, or 100% for our newer funds, of allocable monitoring and transaction fees after fund-related expenses are recovered, although the actual percentage may vary from fund to fund as well as among different classes of investors within a fund.

### **Carried Interest**

For certain investment fund structures, carried interest is allocated to the general partner based on cumulative fund performance to date, and where applicable, subject to a preferred return to limited partners. At the end of each reporting period, KKR calculates the carried interest that would be due to KKR for each fund, pursuant to the fund agreements, as if the fair value of the underlying investments were realized as of such date, irrespective of whether such amounts have been realized. As the fair value of underlying investments varies between reporting periods, it is necessary to make adjustments to amounts recorded as carried interest to reflect either (a) positive performance resulting in an increase in the carried interest allocated to the general partner or (b) negative performance that would cause the amount due to KKR to be less than the amount previously recognized as revenue, resulting in a negative adjustment to carried interest allocated to the general partner. In each case, it is necessary to calculate the carried interest on cumulative results compared to the carried interest recorded to date and make the required positive or negative adjustments. KKR ceases to record negative carried interest allocations once previously recognized carried interest allocations for a fund have been fully reversed. KKR is not obligated to pay guaranteed returns or

## Notes to Consolidated Financial Statements (Continued)

hurdles, and therefore, cannot have negative carried interest over the life of a fund. Accrued but unpaid carried interest as of the reporting date is reflected in Investments in the consolidated statements of financial condition.

### ***Incentive Fees***

Incentive fees earned on the performance of certain hedge fund structures are recognized based on fund performance, subject to the achievement of minimum return levels, and/or high water marks, in accordance with the respective terms set out in each fund's governing agreements. Incentive fee rates generally range from 5% to 20%. KKR does not record performance-based incentive fees until the end of each fund's measurement period (which is generally one year) when the performance-based incentive fees become fixed and determinable.

### ***Oil and Gas Revenue Recognition***

Oil and gas revenues are recognized when production is sold to a purchaser at fixed or determinable prices, when delivery has occurred and title has transferred and collectability of the revenue is reasonably assured. The oil and gas producing entities consolidated by KKR follow the sales method of accounting for natural gas revenues. Under this method of accounting, revenues are recognized based on volumes sold, which may differ from the volume to which the entity is entitled based on KKR's working interest. An imbalance is recognized as a liability only when the estimated remaining reserves will not be sufficient to enable the under-produced owners to recoup their entitled share through future production. Under the sales method, no receivables are recorded when these entities have taken less than their share of production and no payables are recorded when it has taken more than its share of production unless reserves are not sufficient.

### ***Consulting Fees***

Consulting fees are earned by certain consolidated entities that employ non-employee operating consultants from providing advisory and other services to portfolio companies and other companies and are recognized as the services are rendered. These fees are separately negotiated with each company for which services are provided and are not shared with KKR.

### ***Compensation and Benefits***

Compensation and Benefits expense includes cash compensation consisting of salaries, bonuses, and benefits, as well as equity based compensation consisting of charges associated with the vesting of equity-based awards, carry pool allocations and other performance-based income compensation.

All KKR employees and employees of certain consolidated entities receive a base salary that is paid by KKR or its consolidated entities, and is accounted for as Compensation and Benefits expense in the consolidated statements of operations. These employees are also eligible to receive discretionary cash bonuses based on performance, overall profitability and other matters. While cash bonuses paid to most employees are borne by KKR and certain consolidated entities and result in customary compensation and benefits expense, cash bonuses that are paid to certain of KKR's principals are currently borne by KKR Holdings. These bonuses are funded with distributions that KKR Holdings receives on KKR Group Partnership Units held by KKR Holdings but are not then passed on to holders of unvested units of KKR Holdings. Because KKR principals are not entitled to receive distributions on units that are unvested, any amounts allocated to principals in excess of a principal's vested equity interests are reflected as employee compensation and benefits expense. These compensation charges are recorded based on the unvested portion of quarterly earnings distributions received by KKR Holdings at the time of the distribution.

Further disclosure regarding equity based compensation is presented in Note 12 "Equity Based Compensation."

### ***Carry Pool Allocation***

With respect to KKR's active and future funds and co-investment vehicles that provide for carried interest, KKR allocates to its employees and employees of certain consolidated entities a portion of the carried interest earned in relation to these funds as part of its carry pool. KKR currently allocates 40% of the carry it earns from these funds and vehicles to its carry pool. These amounts are accounted for as compensatory profit-sharing arrangements in Accounts Payable, Accrued Expenses and Other Liabilities within the accompanying consolidated statements of financial condition in conjunction with the related carried interest income and recorded as compensation expense for KKR employees and general, administrative and other expense for certain non-employee consultants and service providers in the consolidated statements of operations.

*Profit Sharing Plan*

KKR provides certain profit sharing programs for KKR employees and other eligible personnel. In particular, KKR provides a 401(k) plan for eligible employees in the United States. For certain professionals who are participants in the 401(k) plan, KKR may, in its discretion, contribute an amount after the end of the plan year. For the years ended December 31, 2016, 2015 and 2014, KKR incurred expenses of \$8.0 million, \$7.9 million and \$6.9 million, respectively, in connection with the 401(k) plan and other profit sharing programs.

**General, Administrative and Other**

General, administrative and other expense consists primarily of professional fees paid to legal advisors, accountants, advisors and consultants, insurance costs, travel and related expenses, communications and information services, depreciation and amortization charges, changes in fair value of contingent consideration, expenses incurred by oil and gas-producing entities (including impairment charges) that are consolidated and other general and operating expenses which are not borne by fund investors and are not offset by credits attributable to fund investors' noncontrolling interests in consolidated funds. General, administrative and other expense also consists of costs incurred in connection with pursuing potential investments that do not result in completed transactions, a substantial portion of which are borne by fund investors.

**Investment Income**

Investment income consists primarily of the net impact of:

- (i) Realized and unrealized gains and losses on investments, securities sold short and debt obligations of consolidated CFEs which are recorded in Net Gains (Losses) from Investment Activities.
- (ii) Foreign exchange gains and losses relating to mark-to-market activity on foreign exchange forward contracts, foreign currency options and foreign denominated debt which are recorded in Net Gains (Losses) from Investment Activities.
- (iii) Dividends, which are recognized on the ex-dividend date, or, in the absence of a formal declaration of a record date, on the date it is received.
- (iv) Interest income, which is recognized as earned.
- (v) Interest expense, which is recognized as incurred.

Unrealized gains or losses result from changes in fair value of investments during the period and are included in Net Gains (Losses) from Investment Activities. Upon disposition of an investment, previously recognized unrealized gains or losses are reversed and a realized gain or loss is recognized.

**Income Taxes**

The consolidated entities of KKR are generally treated as partnerships or disregarded entities for U.S. and non-U.S. tax purposes. However, certain consolidated subsidiaries are treated as corporations for U.S. and non-U.S. tax purposes and are therefore subject to U.S. federal, state and/or local income taxes at the entity-level. In addition, certain consolidated entities which are treated as partnerships for U.S. tax purposes are subject to the New York City Unincorporated Business Tax or other local taxes.

Income taxes are accounted for using the asset and liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis, using tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets, which are recorded in Other Assets within the statement of financial condition, are reduced by a valuation allowance when, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. When evaluating the realizability of the deferred tax assets, all evidence, both positive and negative, is considered. Items considered when evaluating the need for a valuation allowance include the ability to carry back losses, future reversals of existing temporary differences, tax planning strategies, and expectations of future earnings.

## Notes to Consolidated Financial Statements (Continued)

For a particular tax-paying component of an entity and within a particular tax jurisdiction, deferred tax assets and liabilities are offset and presented as a single amount within Other Assets or Accounts Payable, Accrued and Other Liabilities, as applicable, in the accompanying statements of financial position.

KKR analyzes its tax filing positions in all of the U.S. federal, state, local and foreign tax jurisdictions where it is required to file income tax returns, as well as for all open tax years in these jurisdictions. If, based on this analysis, KKR determines that uncertainties in tax positions exist, a reserve is established. KKR recognizes accrued interest and penalties related to uncertain tax positions within the provision for income taxes in the consolidated statements of operations.

KKR records uncertain tax positions on the basis of a two-step process: (a) determination is made whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (b) those tax positions that meet the more-likely-than-not threshold are recognized as the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

### **Cash and Cash Equivalents**

KKR considers all highly liquid short-term investments with original maturities of 90 days or less when purchased to be cash equivalents.

### **Cash and Cash Equivalents Held at Consolidated Entities**

Cash and cash equivalents held at consolidated entities represents cash that, although not legally restricted, is not available to fund general liquidity needs of KKR as the use of such funds is generally limited to the investment activities of KKR's investment funds and CFEs.

### **Restricted Cash and Cash Equivalents**

Restricted cash and cash equivalents primarily represent amounts that are held by third parties under certain of KKR's financing and derivative transactions.

### **Due from and Due to Affiliates**

KKR considers its principals and their related entities, unconsolidated funds and the portfolio companies of its funds to be affiliates for accounting purposes. Receivables from and payables to affiliates are recorded at their current settlement amount.

### **Fixed Assets, Depreciation and Amortization**

Fixed assets consist primarily of corporate real estate, leasehold improvements, furniture and computer hardware. Such amounts are recorded at cost less accumulated depreciation and amortization and are included in Other Assets within the accompanying consolidated statements of financial condition. Depreciation and amortization are calculated using the straight-line method over the assets' estimated economic useful lives, which for leasehold improvements are the lesser of the lease terms or the life of the asset, and three to seven years for other fixed assets.

### Freestanding Derivatives

Freestanding derivatives are instruments that KKR and certain of its consolidated funds have entered into as part of their overall risk management and investment strategies. These derivative contracts are not designated as hedging instruments for accounting purposes. Such contracts may include forward, swap and option contracts related to foreign currencies and interest rates to manage foreign exchange risk and interest rate risk arising from certain assets and liabilities. All derivatives are recognized in Other Assets or Accounts Payable, Accrued Expenses and Other Liabilities and are presented on a gross basis in the consolidated statements of financial condition and measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. KKR's derivative financial instruments contain credit risk to the extent that its counterparties may be unable to meet the terms of the agreements. KKR attempts to minimize this risk by limiting its counterparties to major financial institutions with strong credit ratings.

### Business Combinations

Acquisitions are accounted for using the acquisition method of accounting. The purchase price of an acquisition is allocated to the assets acquired and liabilities assumed using the estimated fair values at the acquisition date. Transaction costs are expensed as incurred.

### Intangible Assets

Intangible assets consist primarily of contractual rights to earn future fee income, including management and incentive fees, and are recorded in Other Assets in the accompanying consolidated statements of financial condition. Identifiable finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives and amortization expense is included within General, Administrative and Other in the accompanying consolidated statements of operations. Intangible assets are reviewed for impairment when circumstances indicate impairment may exist. As of December 31, 2016, KKR does not have any indefinite-lived intangible assets.

### Goodwill

Goodwill represents the excess of acquisition cost over the fair value of net tangible and intangible assets acquired in connection with an acquisition. Goodwill is assessed for impairment annually in the third quarter of each fiscal year or more frequently if circumstances indicate impairment may have occurred. Goodwill is recorded in Other Assets in the accompanying consolidated statements of financial condition.

### Securities Sold Short

Whether part of a hedging transaction or a transaction in its own right, securities sold short represent obligations of KKR to deliver the specified security at the contracted price at a future point in time, and thereby create a liability to repurchase the security in the market at the prevailing prices. The liability for such securities sold short, which is recorded in Accounts Payable, Accrued Expenses and Other Liabilities in the statement of financial condition, is marked to market based on the current fair value of the underlying security at the reporting date with changes in fair value recorded as unrealized gains or losses in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. These transactions may involve market risk in excess of the amount currently reflected in the accompanying consolidated statements of financial condition.

### Comprehensive Income (Loss)

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances, excluding those resulting from contributions from and distributions to owners. In the accompanying financial statements, comprehensive income represents Net Income (Loss), as presented in the consolidated statements of operations and net foreign currency translation gains / (losses).

### Foreign Currency

Consolidated entities which have a functional currency that differs from KKR's reporting currency are primarily KKR's investment management and capital markets companies located outside the United States. Foreign currency denominated assets and liabilities are translated using the exchange rates prevailing at the end of each reporting period. Results of foreign operations are translated at the weighted average exchange rate for each reporting period. Translation adjustments are included as a component of accumulated other comprehensive income (loss) until realized. Foreign currency income or expenses



## Notes to Consolidated Financial Statements (Continued)

resulting from transactions outside of the functional currency of a consolidated entity are recorded as incurred in general, administrative and other expense in the consolidated statements of operations.

### Recently Issued Accounting Pronouncements

#### *Revenue from Contracts with Customers*

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers Topic 606 ("ASU 2014-09") which has subsequently been amended by ASU 2016-08, ASU 2016-10, and ASU 2016-12. These ASUs outline a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. Revenue recorded under ASU 2014-09 will depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In July 2015, the FASB deferred the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017. Early adoption will be permitted as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within those annual periods. A full retrospective or modified retrospective approach is required. KKR is currently evaluating the impact the adoption of this guidance may have on its financial statements, including with respect to the timing of the recognition of carried interest.

#### *Going Concern*

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern ("ASU 2014 - 15"). This guidance pertains to management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The new guidance requires that management evaluate each annual and interim reporting period whether conditions exist that give rise to substantial doubt about the entity's ability to continue as a going concern within one year from the financial statement issuance date, and if so, provide related disclosures. Substantial doubt exists when conditions and events, considered in the aggregate, indicate that it is probable that a company will be unable to meet its obligations as they become due within one year after the financial statement issuance date. The new guidance applies to all companies. The guidance is effective for annual reporting periods ending after December 15, 2016, and for annual and interim periods thereafter. This guidance has been adopted for the year ended December 31, 2016 and there was no impact on the financial statements.

#### *Consolidation*

In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis ("ASU 2015-02"). The guidance in ASU 2015-02 eliminates the presumption that a general partner should consolidate a limited partnership and changes the consolidation model specific to limited partnerships. The amendments also clarify how to treat fees paid to an asset manager or other entity that makes the decisions for the investment vehicle and whether such fees should be considered in determining when a variable interest entity should be reported on an asset manager's balance sheet. ASU 2015-02 is effective for reporting periods starting after December 15, 2015 and for interim periods within the fiscal year. KKR adopted ASU 2015-02 on January 1, 2016. See "Principles of Consolidation" for a discussion of the impact that the adoption had on KKR's financial statements.

In October 2016, the FASB issued ASU No. 2016-17, Consolidation (Topic 810): Interests Held through Related Parties under Common Control ("ASU 2016-17"). This guidance in ASU 2016-17 states that reporting entities deciding whether they are primary beneficiaries no longer have to consider indirect interests held through related parties that are under common control to be the equivalent of direct interests in their entirety. Decision makers would include those indirect interests on a proportionate basis. The guidance in the ASU is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted. KKR has chosen to early adopt ASU 2016-17 and has retrospectively applied the guidance in ASU 2016-17 beginning on January 1, 2016 which was the date ASU 2015-02 was initially adopted.

#### *Interest - Imputation of Interest*

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"). The amended guidance requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability rather than a deferred charge within other assets, consistent with debt discounts. In August 2015, the FASB clarified that line-of-credit arrangements are outside the scope of ASU 2015-03. The amended guidance is effective for fiscal years beginning

## Notes to Consolidated Financial Statements (Continued)

after December 15, 2015, and interim periods within those fiscal years. KKR adopted the guidance for debt arrangements that are not line-of-credit arrangements for the three months ended March 31, 2016 and applied a retrospective approach. As a result of the adoption, the December 31, 2015 statement of financial condition was impacted resulting in a reduction in deferred financing costs reported in other assets and a corresponding reduction in debt obligations of \$15.4 million. Adoption of this guidance had no impact on KKR & Co. L.P. Partners' Capital and Net Income (Loss) Attributable to KKR & Co. L.P.

### *Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share*

In May 2015, the FASB issued ASU No. 2015-07, Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share ("ASU 2015-07"). The amended guidance removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. This guidance was adopted by KKR on January 1, 2016 and did not have a material impact on KKR's financial statements.

### *Financial Instruments*

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments (Topic 825): Recognition and Measurement of Financial Assets and Liabilities ("ASU 2016-01"). The amended guidance (i) requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; (ii) eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is currently required to be disclosed for financial instruments measured at fair value; (iii) requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments and (iv) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The amended guidance should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amended guidance related to equity securities without readily determinable fair values (including the disclosure requirements) should be applied prospectively to equity investments that exist as of the date of adoption. KKR is currently evaluating the impact of this guidance on the financial statements.

### *Leases*

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The guidance requires the recognition of lease assets and lease liabilities for those leases classified as operating leases under previous GAAP. The guidance retains a distinction between finance leases and operating leases. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases under previous GAAP. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly from previous GAAP. For operating leases, a lessee is required to do the following: (a) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the Statement of Financial Condition, (b) recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis, and (c) classify all cash payments within operating activities in the statement of cash flows. The guidance is effective for fiscal periods beginning after December 15, 2018. Early application is permitted. KKR is currently evaluating the impact of this guidance on the financial statements.

### *Investments*

In March 2016, the FASB issued ASU No. 2016-07, Investments - Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting ("ASU 2016-07"), which simplifies the equity method of accounting by eliminating the requirement to retrospectively apply the equity method to an investment that subsequently qualifies for such accounting as a result of an increase in the level of ownership interest or degree of influence. ASU 2016-07 is effective for all entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, with early adoption permitted for all entities. Entities are required to apply the guidance prospectively to increases in the level of ownership interest or degree of influence occurring after the ASU's effective date. Additional transition disclosures are not required upon adoption. KKR is currently evaluating the impact of this guidance on the financial statements.

## Notes to Consolidated Financial Statements (Continued)

### **Compensation**

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Shared-Based Payment Accounting ("ASU 2016-09"), which simplifies several aspects of the accounting for employee share-based payment transactions for both public and nonpublic entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual reporting periods. KKR is currently evaluating the impact of this guidance on the financial statements.

### **Cash Flow Classification**

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"), which amends the guidance on the classification of certain cash receipts and payments in the statement of cash flows. The amended guidance adds or clarifies guidance on eight cash flow matters: (i) debt prepayment or debt extinguishment costs, (ii) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, (iii) contingent consideration payments made after a business combination, (iv) proceeds from the settlement of insurance claims, (v) proceeds from the settlement of corporate-owned life insurance policies, (vi) distributions received from equity method investees, (vii) beneficial interests in securitization transactions and (viii) separately identifiable cash flows and application of the predominance principle. The guidance in the ASU is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The guidance must be applied retrospectively to all periods presented but may be applied prospectively from the earliest date practicable if retrospective application would be impracticable. KKR is currently evaluating the impact of this guidance on the financial statements.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash ("ASU 2016-18"), which amends the guidance to add or clarify guidance on the classification and presentation of restricted cash in the statement of cash flows. The amended guidance requires the following: (i) restricted cash and restricted cash equivalents should be included in the cash and cash-equivalents balances in the statement of cash flows; (ii) changes in restricted cash and restricted cash equivalents that result from transfers between cash, cash equivalents, and restricted cash and restricted cash equivalents should not be presented as cash flow activities in the statement of cash flows; (iii) a reconciliation between the statement of financial position and the statement of cash flows must be disclosed when the statement of financial position includes more than one line item for cash, cash equivalents, restricted cash, and restricted cash equivalents; and (iv) the nature of the restrictions must be disclosed for material restricted cash and restricted cash equivalents amounts. The guidance in this ASU is effective for fiscal years beginning after December 15, 2017, including interim periods therein. Early adoption is permitted. The guidance must be applied retrospectively to all periods presented. KKR is currently evaluating the impact of this guidance on the financial statements.

### **Income Taxes**

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740): Intra-entity Transfers of Assets Other Than Inventory ("ASU 2016-16"), which removed the prohibition in ASC 740 against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. ASU 2016-16 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual reporting periods. KKR is currently evaluating the impact of this guidance on the financial statements.

### **Goodwill**

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment ("ASU 2017-04"). This guidance simplifies the accounting for goodwill impairments by eliminating the second step from the goodwill impairment test. The ASU requires goodwill impairments to be measured on the basis of the fair value of a reporting unit relative to the reporting unit's carrying amount rather than on the basis of the implied amount of goodwill relative to the goodwill balance of the reporting unit. The ASU also (i) clarifies the requirements for excluding and allocating foreign currency translation adjustments to reporting units related to an entity's testing of reporting units for goodwill impairment; and (ii) clarifies that an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The guidance is effective for fiscal periods beginning after December 15, 2019. Early adoption is allowed for entities as of January 1, 2017, for annual and any interim impairment tests occurring after January 1, 2017. KKR is currently evaluating the impact of this guidance on the financial statements.

## Notes to Consolidated Financial Statements (Continued)

### 3. NET GAINS (LOSSES) FROM INVESTMENT ACTIVITIES

Net Gains (Losses) from Investment Activities in the consolidated statements of operations consist primarily of the realized and unrealized gains and losses on investments (including foreign exchange gains and losses attributable to foreign denominated investments and related activities) and other financial instruments, including those for which the fair value option has been elected. Unrealized gains or losses result from changes in the fair value of these investments and other financial instruments during a period. Upon disposition of an investment or financial instrument, previously recognized unrealized gains or losses are reversed and an offsetting realized gain or loss is recognized in the current period.

The following table summarizes total Net Gains (Losses) from Investment Activities for the years ended December 31, 2016, 2015 and 2014, respectively:

	For the Years Ended December 31,					
	2016		2015		2014	
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)
Private Equity (a)	\$ 306,180	\$ (196,892)	\$ 4,452,593	\$ 1,140,377	\$ 4,985,786	\$ (399,593)
Credit and Other (a)	(825,822)	4,280	138,915	(800,027)	323,676	(229,004)
Investments of Consolidated CFEs (a)	(258,430)	444,142	(54,367)	(220,577)	15,921	(237,199)
Real Assets (a)	87,512	141,886	(2,035,727)	1,591,541	225,497	(548,788)
Foreign Exchange Forward Contracts and Options (b)	108,404	(7,986)	415,370	87,482	(10,620)	787,682
Securities Sold Short (b)	594,743	(90,607)	(6,860)	3,909	(59,071)	21,057
Other Derivatives (b)	(49,712)	70,534	17,694	2,449	(34,319)	(15,384)
Debt Obligations and Other (c)	384,222	(369,557)	74,266	(134,411)	(13,284)	(34,125)
<b>Net Gains (Losses) From Investment Activities</b>	<b>\$ 347,097</b>	<b>\$ (4,200)</b>	<b>\$ 3,001,884</b>	<b>\$ 1,670,743</b>	<b>\$ 5,433,586</b>	<b>\$ (655,354)</b>

(a) See Note 4 "Investments."

(b) See Note 8 "Other Assets and Accounts Payable, Accrued Expenses and Other Liabilities."

(c) See Note 10 "Debt Obligations."

### 4. INVESTMENTS

Investments consist of the following:

	December 31, 2016	December 31, 2015
Private Equity	\$ 2,915,667	\$ 36,398,474
Credit	4,847,936	6,300,004
Investments of Consolidated CFEs	13,950,897	12,735,309
Real Assets	1,807,128	4,048,281
Equity Method	2,728,995	1,730,565
Carried Interest	2,384,177	245,066
Other	2,774,965	3,848,232
<b>Total Investments</b>	<b>\$ 31,409,765</b>	<b>\$ 65,305,931</b>

As of December 31, 2015, investments which represented greater than 5% of total investments consisted of Walgreens Boots Alliance, Inc. of \$5.1 billion and First Data Corporation of \$4.3 billion. As of December 31, 2016, there were no investments which represented greater than 5% of total investments. In addition, as of December 31, 2016 and December 31, 2015, investments totaling \$16.1 billion and \$14.2 billion, respectively, were pledged as direct collateral against various financing arrangements. See Note 10 "Debt Obligations." The majority of the securities underlying private equity investments represent equity securities.

**Notes to Consolidated Financial Statements (Continued)**

**Carried Interest**

Carried interest allocated to the general partner in respect of performance of investment funds that are not consolidated were as follows:

<b>Balance at December 31, 2015</b>	\$	245,066
Deconsolidation of Funds on Adoption of ASU 2015-02		2,712,962
Carried Interest Allocated as a result of Changes in Fund Fair Value		803,185
Cash Proceeds Received		(1,377,036)
<b>Balance at December 31, 2016</b>	<b>\$</b>	<b>2,384,177</b>

**Equity Method**

Equity method investments include (i) certain investments in private equity funds, real assets funds and credit funds, which are not consolidated and (ii) certain investments in operating companies in which KKR is deemed to exert significant influence.

Under the equity method of accounting, KKR's share of earnings (losses) from equity method investments is reflected as a component of Net Gains (Losses) from Investment Activities in the consolidated statements of operations. Because the underlying investments of unconsolidated investment funds are reported at fair value, the carrying value of these equity method investments representing KKR's interests in unconsolidated funds approximates fair value. The carrying value of equity method investments in certain operating companies, which KKR is determined to exert significant influence, is generally determined based on the amounts invested by KKR, adjusted for the equity in earnings or losses of the investee allocated based on KKR's respective ownership percentage, less distributions. In some cases, KKR has elected the fair value option to account for certain of these equity method investments. With respect to equity method investments where KKR has elected the fair value option, KKR's net income or loss associated with these investments predominantly represent fair value adjustments in the investments. Changes in estimated fair value are recorded in Net Gains (Losses) from Investment Activities in the consolidated statement of operations.

KKR evaluates each of its equity method investments to determine if any are significant as defined in the regulations promulgated by the United States Securities and Exchange Commission. As of and for the years ended December 31, 2016, 2015 and 2014, no individual equity method investment held by KKR met the significance criteria. As such, KKR is not required to present separate financial statements for any of its equity method investments.

**Summarized Financial Information**

The following table shows summarized financial information relating to the statements of financial condition for KKR's equity method investments assuming 100% ownership as of December 31, 2016 and 2015:

	<b>December 31, 2016</b>		<b>December 31, 2015</b>	
<b>Total Assets</b>	\$	46,607,136	\$	8,759,354
<b>Total Liabilities</b>	\$	4,368,696	\$	2,387,866
<b>Total Equity</b>	\$	42,238,440	\$	6,371,488

**Notes to Consolidated Financial Statements (Continued)**

The following table shows summarized financial information relating to the statements of operations for KKR's equity method investments assuming 100% ownership for the years ended December 31, 2016, 2015, and 2014:

	<b>For the Years Ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Investment Related Revenues</b>	\$ 1,195,404	\$ 240,877	\$ 175,343
<b>Other Revenues</b>	1,201,693	623,714	409,984
<b>Investment Related Expenses</b>	464,616	53,081	29,157
<b>Other Expenses</b>	801,342	675,293	448,096
<b>Net Realized and Unrealized Gain/(Loss) from Investments</b>	3,625,293	(307,301)	350,248
<b>Net Income (Loss)</b>	<u>\$ 4,756,432</u>	<u>\$ (171,084)</u>	<u>\$ 458,322</u>

**5. FAIR VALUE MEASUREMENTS**

The following tables summarize the valuation of KKR's assets and liabilities by the fair value hierarchy. Carried Interest and Equity Method Investments for which the fair value option has not been elected have been excluded from the tables below.

**Assets, at fair value:**

	<b>December 31, 2016</b>			
	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
Private Equity	\$ 1,240,108	\$ 116,000	\$ 1,559,559	\$ 2,915,667
Credit	—	1,557,575	3,290,361	4,847,936
Investments of Consolidated CFEs	—	8,544,677	5,406,220	13,950,897
Real Assets	—	—	1,807,128	1,807,128
Equity Method	—	220,896	570,522	791,418
Other	994,677	12,715	1,767,573	2,774,965
<b>Total</b>	<u>2,234,785</u>	<u>10,451,863</u>	<u>14,401,363</u>	<u>27,088,011</u>
Foreign Exchange Contracts and Options	—	240,627	—	240,627
Other Derivatives	—	81,593	—	81,593
<b>Total Assets</b>	<u>\$ 2,234,785</u>	<u>\$ 10,774,083</u>	<u>\$ 14,401,363</u>	<u>\$ 27,410,231</u>

	<b>December 31, 2015</b>			
	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
Private Equity	\$ 16,614,008	\$ 880,928	\$ 18,903,538	\$ 36,398,474
Credit	—	1,287,649	5,012,355	6,300,004
Investments of Consolidated CFEs	—	12,735,309	—	12,735,309
Real Assets	—	—	4,048,281	4,048,281
Equity Method	—	—	891,606	891,606
Other	817,328	449,716	2,581,188	3,848,232
<b>Total</b>	<u>17,431,336</u>	<u>15,353,602</u>	<u>31,436,968</u>	<u>64,221,906</u>
Foreign Exchange Contracts and Options	—	635,183	—	635,183
Other Derivatives	—	5,703	—	5,703
<b>Total Assets</b>	<u>\$ 17,431,336</u>	<u>\$ 15,994,488</u>	<u>\$ 31,436,968</u>	<u>\$ 64,862,792</u>

**Notes to Consolidated Financial Statements (Continued)**

**Liabilities, at fair value:**

	<b>December 31, 2016</b>			
	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
Securities Sold Short	\$ 644,196	\$ 3,038	\$ —	\$ 647,234
Foreign Exchange Contracts and Options	—	75,218	—	75,218
Unfunded Revolver Commitments	—	9,023	—	9,023
Other Derivatives <sup>(1)</sup>	—	44,015	56,000	100,015
Debt Obligations of Consolidated CFEs	—	8,563,547	5,294,741	13,858,288
<b>Total Liabilities</b>	<b>\$ 644,196</b>	<b>\$ 8,694,841</b>	<b>\$ 5,350,741</b>	<b>\$ 14,689,778</b>

	<b>December 31, 2015</b>			
	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>	<b>Total</b>
Securities Sold Short	\$ 286,981	\$ 13,009	\$ —	\$ 299,990
Foreign Exchange Contracts and Options	—	83,748	—	83,748
Unfunded Revolver Commitments	—	15,533	—	15,533
Other Derivatives	—	104,518	—	104,518
Debt Obligations of Consolidated CFEs	—	12,365,222	—	12,365,222
<b>Total Liabilities</b>	<b>\$ 286,981</b>	<b>\$ 12,582,030</b>	<b>\$ —</b>	<b>\$ 12,869,011</b>

(1) Includes options issued in connection with the acquisition of the 24.9% equity interest in Marshall Wace LLP and its affiliates to increase KKR's ownership interest to 39.9% in periodic increments from 2017 to 2019. The option is valued using a Monte-Carlo simulation valuation methodology. Key inputs used in this methodology that require estimates include Marshall Wace's dividend yield, assets under management volatility and equity volatility.

**Notes to Consolidated Financial Statements (Continued)**

The following tables summarize changes in assets and liabilities reported at fair value for which Level III inputs have been used to determine fair value for the years ended December 31, 2016 and 2015, respectively:

<b>For the Year Ended December 31, 2016</b>								
	<b>Level III Assets</b>							<b>Level III Liabilities</b>
	<b>Private Equity</b>	<b>Credit</b>	<b>Investments of Consolidated CFEs</b>	<b>Real Assets</b>	<b>Equity Method</b>	<b>Other</b>	<b>Total Level III Assets</b>	<b>Debt Obligations of Consolidated CFEs</b>
Balance, Beg. of Period	\$ 18,903,538	\$ 5,012,355	\$ —	\$ 4,048,281	\$ 891,606	\$ 2,581,188	\$ 31,436,968	\$ —
Transfers Out Due to Deconsolidation of Funds	(17,856,098)	(2,354,181)	—	(2,628,999)	—	(984,813)	(23,824,091)	—
Transfers In	—	47,536	4,343,829	—	—	180,508	4,571,873	4,272,081
Transfers Out	(104,000)	(7,482)	—	—	(311,270)	—	(422,752)	—
Asset Purchases / Debt Issuances	591,459	1,589,920	1,026,801	535,210	101,524	364,180	4,209,094	990,450
Sales / Paydowns	(111,018)	(973,370)	(32,286)	(387,593)	(78,088)	(162,989)	(1,745,344)	—
Settlements	—	128,299	—	—	—	—	128,299	(32,286)
Net Realized Gains (Losses)	(219,407)	(9,786)	—	87,512	3,830	(16,456)	(154,307)	—
Net Unrealized Gains (Losses)	355,085	(138,496)	67,876	152,717	(37,080)	(194,045)	206,057	64,496
Change in Other Comprehensive Income	—	(4,434)	—	—	—	—	(4,434)	—
<b>Balance, End of Period</b>	<b>\$ 1,559,559</b>	<b>\$ 3,290,361</b>	<b>\$ 5,406,220</b>	<b>\$ 1,807,128</b>	<b>\$ 570,522</b>	<b>\$ 1,767,573</b>	<b>\$ 14,401,363</b>	<b>\$ 5,294,741</b>
Changes in Net Unrealized Gains (Losses) Included in Net Gains (Losses) from Investment Activities related to Level III Assets and Liabilities still held as of the Reporting Date	\$ 127,082	\$ (138,335)	\$ 67,876	\$ 180,543	\$ (31,130)	\$ (217,771)	\$ (11,735)	\$ 64,496

<b>For the Year Ended December 31, 2015</b>								
	<b>Level III Assets</b>							<b>Level III Liabilities</b>
	<b>Private Equity</b>	<b>Credit</b>	<b>Investments of Consolidated CFEs</b>	<b>Real Assets</b>	<b>Equity Method</b>	<b>Other</b>	<b>Total Level III Assets</b>	<b>Debt Obligations of Consolidated CFEs</b>
Balance, Beg. of Period	\$ 26,276,021	\$ 4,192,702	\$ 92,495	\$ 3,130,404	\$ 898,206	\$ 1,234,795	\$ 35,824,623	\$ 7,615,340
Transfers In	—	45,461	108,340	—	—	1,187	154,988	—
Transfers Out	(6,775,013)	(12,860)	(153,656)	—	—	(1,710)	(6,943,239)	—
Asset Purchases / Debt Issuances	1,822,388	2,641,247	1,308	1,489,967	148,283	1,467,015	7,570,208	—
Sales / Paydowns	(4,698,120)	(1,601,897)	(3,138)	(127,906)	(70,749)	(280,095)	(6,781,905)	—
Settlements	—	291,341	(883)	—	—	—	290,458	—
Net Realized Gains (Losses)	1,806,962	(33,943)	—	(2,035,726)	—	61,533	(201,174)	—
Net Unrealized Gains (Losses)	471,300	(496,416)	(44,466)	1,591,542	(84,134)	91,407	1,529,233	—
Change in Accounting Principle <sup>(1)</sup>	—	—	—	—	—	—	—	(7,615,340)
Change in Other Comprehensive Income	—	(13,280)	—	—	—	7,056	(6,224)	—
<b>Balance, End of Period</b>	<b>\$ 18,903,538</b>	<b>\$ 5,012,355</b>	<b>\$ —</b>	<b>\$ 4,048,281</b>	<b>\$ 891,606</b>	<b>\$ 2,581,188</b>	<b>\$ 31,436,968</b>	<b>\$ —</b>
Changes in Net Unrealized Gains (Losses) Included in Net Gains (Losses) from Investment Activities related to Level III Assets and Liabilities still held as of the Reporting Date	\$ 1,820,279	\$ (601,455)	\$ —	\$ (442,524)	\$ (28,642)	\$ 55,634	\$ 803,292	\$ —



## Notes to Consolidated Financial Statements (Continued)

(1) Upon adoption of ASU 2014-13, the debt obligations of consolidated CLOs are no longer Level III financial liabilities under the GAAP fair value hierarchy. As of December 31, 2015, the debt obligations of consolidated CLOs are measured on the basis of the fair value of the financial assets of the CLO and are classified as Level II financial liabilities. See Note 2 "Summary of Significant Accounting Policies".

Total realized and unrealized gains and losses recorded for Level III investments are reported in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations.

The following table summarizes the fair value transfers between fair value levels for the years ended December 31, 2016 and 2015:

	For the Years Ended December 31,	
	2016	2015
<b>Assets, at fair value:</b>		
Transfers from Level I to Level II <sup>1</sup>	\$ 73,600	\$ 5,538,984
Transfers from Level II to Level I <sup>3</sup>	\$ —	\$ 467,766
Transfers from Level II to Level III <sup>1</sup>	\$ 4,571,873	\$ 154,988
Transfers from Level III to Level II <sup>2</sup>	\$ 318,752	\$ 168,226
Transfers from Level III to Level I <sup>3</sup>	\$ 104,000	\$ 6,775,013
<b>Liabilities, at fair value:</b>		
Transfers from Level II to Level III <sup>4</sup>	\$ 4,272,081	\$ —

- (1) Transfers out of Level I into Level II and Level II into Level III are principally attributable to certain investments that experienced an insignificant level of market activity during the period and thus were valued in the absence of observable inputs.
- (2) Transfers out of Level III and into Level II are principally attributable to certain investments that experienced a higher level of market activity during the period and thus were valued using observable inputs.
- (3) Transfers out of Level III and II into Level I are attributable to portfolio companies that are valued using their publicly traded market price.
- (4) Transfers out of Level II and into Level III are principally attributable to debt obligations of CMBS vehicles due to an insignificant level of market activity during the period and thus were valued in the absence of observable inputs.

## Notes to Consolidated Financial Statements (Continued)

The following table presents additional information about valuation methodologies and significant unobservable inputs used for assets and liabilities that are measured at fair value and categorized within Level III as of December 31, 2016 :

	Fair Value December 31, 2016	Valuation Methodologies	Unobservable Input(s) (1)	Weighted Average (2)	Range	Impact to Valuation from an Increase in Input (3)	
<b>Private Equity</b>	<b>\$ 1,559,559</b>						
<i>Private Equity</i>	<i>\$ 587,053</i>	Inputs to market comparables, discounted cash flow and transaction price	Illiquidity Discount	9.9%	5.0% - 15.0%	Decrease	
			Weight Ascribed to Market Comparables	42.7%	0.0% - 50.0%	(4)	
			Weight Ascribed to Discounted Cash Flow	45.4%	0.0% - 100.0%	(5)	
			Weight Ascribed to Transaction Price	11.9%	0.0% - 100.0%	(6)	
			Market comparables	Enterprise Value/LTM EBITDA Multiple	12.6x	7.6x - 20.9x	Increase
				Enterprise Value/Forward EBITDA Multiple	11.9x	7.1x - 21.9x	Increase
			Discounted cash flow	Weighted Average Cost of Capital	10.5%	7.9% - 14.6%	Decrease
				Enterprise Value/LTM EBITDA Exit Multiple	10.6x	8.4x - 14.2x	Increase
<i>Growth Equity</i>	<i>\$ 972,506</i>	Inputs to market comparables, discounted cash flow and milestones	Illiquidity Discount	14.0%	10.0% - 20.0%	Decrease	
			Weight Ascribed to Market Comparables	47.1%	0.0% - 100.0%	(4)	
			Weight Ascribed to Discounted Cash Flow	16.3%	0.0% - 75.0%	(5)	
			Weight Ascribed to Milestones	36.6%	0.0% - 100.0%	(6)	
			Scenario Weighting	Base	51.9%	30.0% - 80.0%	Increase
				Downside	24.2%	10.0% - 40.0%	Decrease
			Upside	23.9%	10.0% - 33.3%	Increase	
<b>Credit</b>	<b>\$ 3,290,361</b>	Yield Analysis	Yield	10.5%	3.6% - 33.0%	Decrease	
			Net Leverage	4.3x	0.5x - 21.1x	Decrease	
			EBITDA Multiple	8.6x	0.1x - 24.9x	Increase	
<b>Investments of Consolidated CFEs</b>	<b>\$ 5,406,220</b>	(9)					
<b>Debt Obligations of Consolidated CFEs</b>	<b>\$ 5,294,741</b>	Discounted cash flow	Yield	5.6%	1.8% - 26.5%	Decrease	
<b>Real Assets</b>	<b>\$ 1,807,128</b>	(10)					
<i>Energy</i>	<i>\$ 915,258</i>	Discounted cash flow	Weighted Average Cost of Capital	10.5%	9.0% - 16.6%	Decrease	
			Average Price Per BOE (8)	\$42.19	\$35.63 - \$48.14	Increase	
<i>Real Estate</i>	<i>\$ 748,282</i>	Inputs to direct income capitalization and discounted cash flow	Weight Ascribed to Direct Income Capitalization	28.4%	0.0% - 75.0%	(7)	
			Weight Ascribed to Discounted Cash Flow	71.6%	25.0% - 100.0%	(5)	
			Direct income capitalization	Current Capitalization Rate	6.2%	3.7% - 12.0%	Decrease
			Discounted cash flow	Unlevered Discount Rate	9.5%	5.5% - 20.0%	Decrease

(1) In determining certain of these inputs, management evaluates a variety of factors including economic conditions, industry and market developments, market valuations of comparable companies and company specific developments including exit strategies and realization opportunities. Management has determined that market participants would take these inputs into account when valuing the investments and debt obligations. LTM means last twelve months and EBITDA means earnings before interest taxes depreciation and amortization.

(2) Inputs were weighted based on the fair value of the investments included in the range.

(3) Unless otherwise noted, this column represents the directional change in the fair value of the Level III investments that would result from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect. Significant increases and decreases in these inputs in isolation could result in significantly higher or lower fair value measurements.

(4) The directional change from an increase in the weight ascribed to the market comparables approach would increase the fair value of the Level III investments if the market comparables approach results in a higher valuation than the discounted cash flow approach and transaction price. The



## Notes to Consolidated Financial Statements (Continued)

opposite would be true if the market comparables approach results in a lower valuation than the discounted cash flow approach and transaction price.

- (5) The directional change from an increase in the weight ascribed to the discounted cash flow approach would increase the fair value of the Level III investments if the discounted cash flow approach results in a higher valuation than the market comparables approach, transaction price and direct income capitalization approach. The opposite would be true if the discounted cash flow approach results in a lower valuation than the market comparables approach and transaction price.
- (6) The directional change from an increase in the weight ascribed to the transaction price or milestones would increase the fair value of the Level III investments if the transaction price results in a higher valuation than the market comparables and discounted cash flow approach. The opposite would be true if the transaction price results in a lower valuation than the market comparables approach and discounted cash flow approach.
- (7) The directional change from an increase in the weight ascribed to the direct income capitalization approach would increase the fair value of the Level III investments if the direct income capitalization approach results in a higher valuation than the discounted cash flow approach. The opposite would be true if the direct income capitalization approach results in a lower valuation than the discounted cash flow approach.
- (8) The total Energy fair value amount includes multiple investments (in multiple locations throughout North America) that are held in multiple investment funds and produce varying quantities of oil, condensate, natural gas liquids, and natural gas. Commodity price may be measured using a common volumetric equivalent where one barrel of oil equivalent, or BOE, is determined using the ratio of six thousand cubic feet of natural gas to one barrel of oil, condensate or natural gas liquids. The price per BOE is provided to show the aggregate of all price inputs for the various investments over a common volumetric equivalent although the valuations for specific investments may use price inputs specific to the asset for purposes of our valuations. The discounted cash flows include forecasted production of liquids (oil, condensate, and natural gas liquids) and natural gas with a forecasted revenue ratio of approximately 83% liquids and 17% natural gas.
- (9) Under ASU 2014-13, KKR measures CMBS investments on the basis of the fair value of the financial liabilities of the CMBS vehicle. See Note 2 "Summary of Significant Accounting Policies."
- (10) Includes one Infrastructure investment for \$143.6 million that was valued using a discounted cash flow analysis. The significant inputs used included the weighted average cost of capital 7.7% and the enterprise value/LTM EBITDA Exit Multiple 11.0 x.

The table above excludes equity method investments in the amount of \$570.5 million, comprised primarily of interests in real estate joint ventures, which were valued using Level III value methodologies which are generally the same as those shown for real estate investments.

The table above excludes other investments in the amount of \$1,767.6 million comprised primarily of privately-held equity and equity-like securities (e.g., warrants) in companies that are neither private equity, real assets nor credit investments. These investments were valued using Level III valuation methodologies that are generally the same as those shown for private equity investments.

In the table above, certain private equity investments may be valued at cost for a period of time after an acquisition as the best indicator of fair value. In addition, certain valuations of private equity investments may be entirely or partially derived by reference to observable valuation measures for a pending or consummated transaction.

The various unobservable inputs used to determine the Level III valuations may have similar or diverging impacts on valuation. Significant increases and decreases in these inputs in isolation and interrelationships between those inputs could result in significantly higher or lower fair value measurements as noted in the table above.

Notes to Consolidated Financial Statements (Continued)

6. FAIR VALUE OPTION

The following table summarizes the financial instruments for which the fair value option has been elected:

	December 31, 2016	December 31, 2015
<b>Assets</b>		
Private Equity	\$ 96,721	\$ 211,474
Credit	1,392,525	936,063
Investments of Consolidated CFEs	13,950,897	12,735,309
Real Assets	247,376	90,245
Equity Method	791,418	891,606
Other	240,343	374,185
<b>Total</b>	<b>\$ 16,719,280</b>	<b>\$ 15,238,882</b>
<b>Liabilities</b>		
Debt Obligations of Consolidated CFEs	\$ 13,858,288	\$ 12,365,222
<b>Total</b>	<b>\$ 13,858,288</b>	<b>\$ 12,365,222</b>

The following table presents the realized and net change in unrealized gains (losses) on financial instruments on which the fair value option was elected:

	For the Years Ended December 31,					
	2016		2015		2014	
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)
<b>Assets</b>						
Private Equity	\$ (245,014)	\$ 238,600	\$ 111,962	\$ 86,419	\$ 25,613	\$ 240,532
Credit	(144,854)	48,922	(22,847)	(68,053)	1,591	(13,618)
Investments of Consolidated CFEs	(258,430)	444,142	(54,367)	(220,577)	15,921	(237,199)
Real Assets	8,835	4,159	(200,394)	213,171	(73)	(58,154)
Equity Method	3,830	(127,741)	7,703	(80,587)	3,478	(49,774)
Other	(10,361)	(19,386)	9,984	(20,691)	246	1,013
<b>Total</b>	<b>\$ (645,994)</b>	<b>\$ 588,696</b>	<b>\$ (147,959)</b>	<b>\$ (90,318)</b>	<b>\$ 46,776</b>	<b>\$ (117,200)</b>
<b>Liabilities</b>						
Debt Obligations of Consolidated CFEs	325,548	(357,321)	—	(11,257)	—	26,956
<b>Total</b>	<b>\$ 325,548</b>	<b>\$ (357,321)</b>	<b>\$ —</b>	<b>\$ (11,257)</b>	<b>\$ —</b>	<b>\$ 26,956</b>

**7. NET INCOME (LOSS) ATTRIBUTABLE TO KKR & CO. L.P. PER COMMON UNIT**

For the years ended December 31, 2016 , 2015 and 2014, basic and diluted Net Income (Loss) attributable to KKR & Co. L.P. per common unit were calculated as follows:

	For the Years Ended December 31,		
	2016	2015	2014
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P. Common Unitholders</b>	<b>\$ 287,072</b>	<b>\$ 488,482</b>	<b>\$ 477,611</b>
<i>Basic Net Income (Loss) Per Common Unit</i>			
Weighted Average Common Units Outstanding - Basic	448,905,126	448,884,185	381,092,394
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P. Per Common Unit - Basic</b>	<b>\$ 0.64</b>	<b>\$ 1.09</b>	<b>\$ 1.25</b>
<i>Diluted Net Income (Loss) Per Common Unit</i>			
Weighted Average Common Units Outstanding - Basic	448,905,126	448,884,185	381,092,394
Weighted Average Unvested Common Units and Other Exchangeable Securities	34,525,922	33,815,009	30,956,881
Weighted Average Common Units Outstanding - Diluted	483,431,048	482,699,194	412,049,275
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P. Per Common Unit - Diluted</b>	<b>\$ 0.59</b>	<b>\$ 1.01</b>	<b>\$ 1.16</b>

Weighted Average Common Units Outstanding—Diluted primarily includes unvested equity awards that have been granted under the Equity Incentive Plan as well as exchangeable equity securities issued in connection with the acquisition of Avoca. Vesting or exchanges of these equity interests dilute KKR and KKR Holdings pro rata in accordance with their respective ownership interests in the KKR Group Partnerships.

	For the Years Ended December 31,		
	2016	2015	2014
Weighted Average KKR Holdings Units Outstanding	357,873,788	368,399,872	388,198,713

For the years ended December 31, 2016 , 2015 and 2014, KKR Holdings units have been excluded from the calculation of Net Income (Loss) attributable to KKR & Co. L.P. per common unit - diluted since the exchange of these units would not dilute KKR's respective ownership interests in the KKR Group Partnerships.

**Notes to Consolidated Financial Statements (Continued)**

**8. OTHER ASSETS AND ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES**

Other Assets consist of the following:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Unsettled Investment Sales <sup>(a)</sup>	\$ 144,600	\$ 74,862
Receivables	49,279	78,297
Due from Broker <sup>(b)</sup>	1,084,602	365,678
Oil & Gas Assets, net <sup>(c)</sup>	276,694	355,537
Deferred Tax Assets, net	286,948	275,391
Interest, Dividend and Notes Receivable <sup>(d)</sup>	158,511	372,699
Fixed Assets, net <sup>(e)</sup>	283,262	226,340
Foreign Exchange Contracts and Options <sup>(f)</sup>	240,627	635,183
Intangible Assets, net <sup>(g)</sup>	135,024	176,987
Goodwill <sup>(g)</sup>	89,000	89,000
Derivative Assets	81,593	5,703
Deferred Transaction Related Expenses	17,688	35,422
Prepaid Taxes	46,996	24,326
Prepaid Expenses	17,761	13,697
Deferred Financing Costs	10,507	65,225
Other	73,773	14,790
<b>Total</b>	<b>\$ 2,996,865</b>	<b>\$ 2,809,137</b>

(a) Represents amounts due from third parties for investments sold for which cash settlement has not occurred.

(b) Represents amounts held at clearing brokers resulting from securities transactions.

(c) Includes proved and unproved oil and natural gas properties under the successful efforts method of accounting, which is net of impairment write-downs, accumulated depreciation, depletion and amortization. Depreciation, depletion and amortization amounted to \$38.9 million and \$69.6 million for the years ended December 31, 2016 and 2015, respectively. Whenever events or changes in circumstances indicate that the carrying amounts of such oil and natural gas properties may not be recoverable, KKR evaluates its proved and unproved oil and natural gas properties and related equipment and facilities for impairment on a field-by-field basis. For the years ended December 31, 2016 and 2015, KKR recorded impairment charges totaling approximately \$6.2 million and \$54.0 million, respectively, to write down certain of its oil and natural gas properties. The impairment charge is recorded in General, Administrative and Other in the consolidated statements of operations.

(d) Represents interest and dividend receivables and a promissory note due from a third party. The promissory note bears interest at 2.0% per annum and matures in January 2018.

(e) Net of accumulated depreciation and amortization of \$141,911 and \$135,487 as of December 31, 2016 and December 31, 2015, respectively. Depreciation and amortization expense of \$16,045, \$15,418 and \$15,923 for the years ended December 31, 2016, 2015 and 2014, respectively, is included in General, Administrative and Other in the accompanying consolidated statements of operations.

(f) Represents derivative financial instruments used to manage foreign exchange risk arising from certain foreign currency denominated investments. Such instruments are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. See Note 3 "Net Gains (Losses) from Investment Activities" for the net changes in fair value associated with these instruments.

(g) See Note 17 "Goodwill and Intangible Assets."

**Notes to Consolidated Financial Statements (Continued)**

Accounts Payable, Accrued Expenses and Other Liabilities consist of the following:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Amounts Payable to Carry Pool <sup>(a)</sup>	\$ 987,994	\$ 1,199,000
Unsettled Investment Purchases <sup>(b)</sup>	722,076	594,152
Securities Sold Short <sup>(c)</sup>	647,234	299,990
Derivative Liabilities	100,015	104,518
Accrued Compensation and Benefits	20,764	17,765
Interest Payable	114,894	102,195
Foreign Exchange Contracts and Options <sup>(d)</sup>	75,218	83,748
Accounts Payable and Accrued Expenses	114,854	112,007
Contingent Consideration Obligation <sup>(e)</sup>	—	46,600
Deferred Rent and Income	19,144	21,706
Taxes Payable	12,514	8,770
Redemptions Payable	4,021	—
Due to Broker <sup>(f)</sup>	83,206	27,121
Other Liabilities	79,326	97,778
<b>Total</b>	<b>\$ 2,981,260</b>	<b>\$ 2,715,350</b>

- (a) Represents the amount of carried interest payable to principals, professionals and other individuals with respect to KKR's active funds and co-investment vehicles that provide for carried interest.
- (b) Represents amounts owed to third parties for investment purchases for which cash settlement has not occurred.
- (c) Represents the obligations of KKR to deliver a specified security at a future point in time. Such securities are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. See Note 3 "Net Gains (Losses) from Investment Activities" for the net changes in fair value associated with these instruments.
- (d) Represents derivative financial instruments used to manage foreign exchange risk arising from certain foreign currency denominated investments. Such instruments are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. See Note 3 "Net Gains (Losses) from Investment Activities" for the net changes in fair value associated with these instruments.
- (e) Represents potential contingent consideration related to the acquisition of Prisma. During the fourth quarter of 2016, KKR determined that it was no longer probable that the sellers (certain of whom are employees of KKR) of Prisma Capital Partners LP and its affiliates would be entitled to any future additional payment under the contingent consideration arrangement. Consequently, as of December 31, 2016, KKR has reduced the fair value of the contingent consideration liability to zero through General, Administrative and Other on the consolidated statements of operations. For the year ended December 31, 2016, \$46.6 million of expense was reversed. The final contingent consideration payment would have been payable on July 1, 2017. The determination described above was based on the performance of Prisma Capital Partners LP and its affiliates' historical results and management's projections for 2017.
- (f) Represents amounts owed for securities transactions initiated at clearing brokers.



**9. VARIABLE INTEREST ENTITIES**

As indicated in Note 2 "Summary of Significant Accounting Policies", on January 1, 2016, KKR adopted ASU 2015-02. Subsequent to the adoption of ASU 2015-02, limited partnerships and other similar entities where unaffiliated limited partners have not been granted substantive participatory or kick-out rights are deemed to be VIEs. Since substantially all of KKR's investment funds are partnerships where limited partners are not granted kick-out rights, the adoption of ASU 2015-02 resulted in numerous entities that were previously classified as VOEs under the prior consolidation guidance becoming VIEs under ASU 2015-02. Since most of KKR's investment funds were de-consolidated as a result of the adoption of ASU 2015-02, the number of unconsolidated VIEs has increased significantly from December 31, 2015.

**Consolidated VIEs**

KKR consolidates certain VIEs in which it is determined that KKR is the primary beneficiary as described in Note 2 "Summary of Significant Accounting Policies" and which are predominately CFEs and certain investment funds. The primary purpose of these VIEs is to provide strategy specific investment opportunities to earn capital gains, current income or both in exchange for management and performance based fees or carried interest. KKR's investment strategies for these VIEs differ by product; however, the fundamental risks have similar characteristics, including loss of invested capital and loss of management fees and carried interests. KKR does not provide performance guarantees and has no other financial obligation to provide funding to these consolidated VIEs, beyond amounts previously committed, if any.

**Unconsolidated VIEs**

KKR holds variable interests in certain VIEs which are not consolidated as it has been determined that KKR is not the primary beneficiary. VIEs that are not consolidated include certain investment funds sponsored by KKR and certain CLO vehicles.

**Investments in Unconsolidated Investment Funds**

KKR's investment strategies differ by investment fund; however, the fundamental risks have similar characteristics, including loss of invested capital and loss of management fees and carried interests. KKR's maximum exposure to loss as a result of its investments in the unconsolidated investment funds is the carrying value of such investments, including KKR's capital interest and any unrealized carried interest, which was approximately \$3.6 billion at December 31, 2016. Accordingly, disaggregation of KKR's involvement by type of unconsolidated investment fund would not provide more useful information. For these unconsolidated investment funds in which KKR is the sponsor, KKR may have an obligation as general partner to provide commitments to such investment funds. As of December 31, 2016, KKR's commitments to these unconsolidated investment funds was \$1.7 billion. KKR has not provided any financial support other than its obligated amount as of December 31, 2016.

**Investments in Unconsolidated CLO Vehicles**

KKR provides collateral management services for, and has made nominal investments in, certain CLO vehicles that it does not consolidate. KKR's investments in the unconsolidated CLO vehicles, if any, are carried at fair value in the consolidated statements of financial condition. KKR earns management fees, including subordinated collateral management fees, for managing the collateral of the CLO vehicles. As of December 31, 2016, combined assets under management in the pools of unconsolidated CLO vehicles were \$0.9 billion. KKR's maximum exposure to loss as a result of its investments in the residual interests of unconsolidated CLO vehicles is the carrying value of such investments, which was \$1.0 million as of December 31, 2016. CLO investors in the CLO vehicles may only use the assets of the CLO to settle the debt of the related CLO, and otherwise have no recourse against KKR for any losses sustained in the CLO structures.

As of December 31, 2016 and 2015, the maximum exposure to loss, before allocations to the carry pool and noncontrolling interests, if any, for those VIEs in which KKR is determined not to be the primary beneficiary but in which it has a variable interest is as follows:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Investments	\$ 3,632,162	\$ 264,277
Due from (to) Affiliates, net	(60,604)	4,315
<b>Maximum Exposure to Loss</b>	<b>\$ 3,571,558</b>	<b>\$ 268,592</b>

## 10. DEBT OBLIGATIONS

KKR borrows and enters into credit agreements and issues debt for its general operating and investment purposes and certain of its investment funds borrow to meet financing needs of their operating and investing activities. KKR consolidates and reports KFN's debt obligations which are non-recourse to KKR beyond the assets of KFN.

Fund financing facilities have been established for the benefit of certain investment funds. When an investment fund borrows from the facility in which it participates, the proceeds from the borrowings are limited for their intended use by the borrowing investment fund. KKR's obligations with respect to these financing arrangements are generally limited to KKR's pro-rata equity interest in such funds.

In addition, certain consolidated CFE vehicles issue debt securities to third party investors which are collateralized by assets held by the CFE vehicle. Debt securities issued by CFEs are supported solely by the assets held at the CFEs and are not collateralized by assets of any other KKR entity. CFEs also may have warehouse facilities with banks to provide liquidity to the CFE. The CFE's debt obligations are non-recourse to KKR beyond the assets of the CFE.

KKR's borrowings consisted of the following:

	December 31, 2016			December 31, 2015		
	Financing Available	Borrowing Outstanding	Fair Value	Financing Available	Borrowing Outstanding	Fair Value
<b>Revolving Credit Facilities:</b>						
Corporate Credit Agreement	\$ 1,000,000	\$ —	\$ —	\$ 1,000,000	\$ —	\$ —
KCM Credit Agreement	500,000	—	—	500,000	—	—
<b>Notes Issued:</b>						
KKR Issued 6.375% Notes Due 2020 (a)	—	497,804	562,960 (j)	—	497,217	578,510 (j)
KKR Issued 5.500% Notes Due 2043 (b)	—	491,158	502,800 (j)	—	490,815	517,880 (j)
KKR Issued 5.125% Notes Due 2044 (c)	—	990,009	955,240 (j)	—	988,985	994,960 (j)
KFN Issued 8.375% Notes Due 2041 (d)	—	—	—	—	289,660	273,965 (k)
KFN Issued 7.500% Notes Due 2042 (e)	—	123,008	116,699 (k)	—	123,346	120,425 (k)
KFN Issued Junior Subordinated Notes (f)	—	250,154	210,084	—	248,498	216,757
<b>Other Consolidated Debt Obligations:</b>						
Fund Financing Facilities and Other (g)	2,039,532	2,333,654	2,333,654 (l)	3,465,238	3,710,854	3,710,854 (l)
CLO Debt Obligations (h)	—	8,563,547	8,563,547	—	8,093,141	8,093,141
CMBS Debt Obligations (i)	—	5,294,741	5,294,741	—	4,272,081	4,272,081
	<u>\$ 3,539,532</u>	<u>\$ 18,544,075</u>	<u>\$ 18,539,725</u>	<u>\$ 4,965,238</u>	<u>\$ 18,714,597</u>	<u>\$ 18,778,573</u>

- (a) \$500 million aggregate principal amount of 6.375% senior notes of KKR due 2020.
- (b) \$500 million aggregate principal amount of 5.500% senior notes of KKR due 2043.
- (c) \$1.0 billion aggregate principal amount of 5.125% senior notes of KKR due 2044.
- (d) KKR consolidates KFN and thus reports KFN's outstanding \$259 million aggregate principal amount of 8.375% senior notes due 2041. On November 15, 2016, KFN redeemed all of its outstanding 8.375% senior notes due 2041.
- (e) KKR consolidates KFN and thus reports KFN's outstanding \$115 million aggregate principal amount of 7.500% senior notes due 2042.
- (f) KKR consolidates KFN and thus reports KFN's outstanding \$284 million aggregate principal amount of junior subordinated notes. The weighted average interest rate is 3.3% and the weighted average years to maturity is 19.8 years as of December 31, 2016. These debt obligations are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.
- (g) Certain of KKR's consolidated investment funds have entered into financing arrangements with major financial institutions, generally to enable such investment funds to make investments prior to or without receiving capital from fund limited partners. The weighted average interest rate is 2.4% and 2.3% as of December 31, 2016 and 2015, respectively. In addition, the weighted average years to maturity is 2.4 years and 2.5 years as of December 31, 2016 and 2015, respectively.
- (h) CLO debt obligations are carried at fair value and are classified as Level II within the fair value hierarchy. See Note 5 "Fair Value Measurements."
- (i) CMBS debt obligations are carried at fair value and are classified as Level III within the fair value hierarchy. See Note 5 "Fair Value Measurements."
- (j) The notes are classified as Level II within the fair value hierarchy and fair value is determined by third party broker quotes.

- (k) The notes are classified as Level I within the fair value hierarchy and fair value is determined by quoted prices in active markets since the debt is publicly listed.
- (l) Carrying value approximates fair value given the fund financing facilities' interest rates are variable.

## **Revolving Credit Facilities**

### *Corporate Credit Agreement*

On October 22, 2014, Kohlberg Kravis Roberts & Co. L.P. and the KKR Group Partnerships, as borrowers, entered into a credit agreement with certain lending institutions and HSBC Bank USA, National Association, as Administrative Agent (the "Corporate Credit Agreement"). The Corporate Credit Agreement provides the borrowers with a senior unsecured multicurrency revolving credit facility in an aggregate principal amount of \$1.0 billion, with the option to request an increase in the facility amount of up to an additional \$250 million, for an aggregate principal amount of \$1.25 billion, subject to certain conditions, including obtaining new or increased commitments from new or existing lenders. The credit facility is a five-year facility, scheduled to mature on October 22, 2019, with the borrowers' option to extend the maturity date, subject to the consent of the applicable lenders, and the borrowers may prepay, terminate or reduce the commitments under the credit facility at any time without penalty. Interest on borrowings under the credit facility are based on either London Interbank Offered Rate (LIBOR) or Alternate Base Rate (ABR), with the applicable margin (per annum in excess of LIBOR or the ABR) based on a corporate ratings-based pricing grid ranging from 69 basis points to 120 basis points (for LIBOR borrowings). Borrowings under the credit facility are guaranteed by KKR & Co. L.P. and any other entity (other than the borrowers) that guarantees the 2020 Senior Notes, 2043 Senior Notes or the 2044 Senior Notes. The Corporate Credit Agreement replaces a credit agreement dated February 26, 2008, which was terminated on October 22, 2014. For the years ended December 31, 2016 and 2015, no amounts were borrowed under the credit facility.

### *KCM Credit Agreement*

KKR Capital Markets maintains a revolving credit agreement with a major financial institution (the "KCM Credit Agreement") for use in KKR's capital markets business. The KCM Credit Agreement provides for revolving borrowings of up to \$500 million with a \$500 million sublimit for letters of credit.

On March 30, 2016, the KCM Credit Agreement was amended to extend the maturity date from March 30, 2017 to March 30, 2021. If a borrowing is made on the KCM Credit Agreement, the interest rate will vary depending on the type of drawdown requested. If the loan is a Eurocurrency Loan, it will be based on LIBOR plus the applicable margin which ranges initially between 1.25% and 2.50%, depending on the amount and nature of the loan. If the loan is an ABR Loan, it will be based on the prime rate plus the applicable margin which ranges initially between 0.25% and 1.50% depending on the amount and nature of the loan. Borrowings under this facility may only be used for KKR's capital markets business, and its only obligors are entities involved in KKR's capital markets business, and its liabilities are non-recourse to other parts of KKR's business.

For the year ended December 31, 2016, \$848.0 million was borrowed and \$848.0 million was repaid under the credit facility. For the year ended December 31, 2015, \$97.0 million was borrowed and \$124.0 million was repaid under the credit facility. Amounts borrowed under the KCM Credit Agreement are generally repaid in full within 3 months.

## **Notes Issued**

### *KKR Issued 6.375% Notes Due 2020*

On September 29, 2010, KKR Group Finance Co. LLC, a subsidiary of KKR Management Holdings Corp., issued \$500 million aggregate principal amount of 6.375% Senior Notes (the "2020 Senior Notes"), which were issued at a price of 99.584%. The 2020 Senior Notes are unsecured and unsubordinated obligations of KKR Group Finance Co. LLC and will mature on September 29, 2020, unless earlier redeemed or repurchased. The 2020 Senior Notes are fully and unconditionally guaranteed, jointly and severally, by KKR & Co. L.P. and the KKR Group Partnerships. The guarantees are unsecured and unsubordinated obligations of the guarantors.

The 2020 Senior Notes bear interest at a rate of 6.375% per annum, accruing from September 29, 2010. Interest is payable semi-annually in arrears on March 29 and September 29 of each year.

The indenture, as supplemented by a first supplemental indenture, relating to the 2020 Senior Notes includes covenants, including limitations on KKR Group Finance Co. LLC and the guarantors' ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell,

transfer or lease assets. The indenture, as supplemented, also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding 2020 Senior Notes may declare the 2020 Senior Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the 2020 Senior Notes and any accrued and unpaid interest on the 2020 Senior Notes automatically becomes due and payable. All or a portion of the 2020 Senior Notes may be redeemed at the issuer's option in whole or in part, at any time, and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the 2020 Senior Notes. If a change of control repurchase event occurs, the 2020 Senior Notes are subject to repurchase by the issuer at a repurchase price in cash equal to 101% of the aggregate principal amount of the 2020 Senior Notes repurchased plus any accrued and unpaid interest on the 2020 Senior Notes repurchased to, but not including, the date of repurchase.

*KKR Issued 5.500% Notes Due 2043*

On February 1, 2013, KKR Group Finance Co. II LLC, a subsidiary of KKR Management Holdings Corp., issued \$500 million aggregate principal amount of 5.50% Senior Notes (the "2043 Senior Notes"), which were issued at a price of 98.856%. The 2043 Senior Notes are unsecured and unsubordinated obligations of KKR Group Finance Co. II LLC and will mature on February 1, 2043, unless earlier redeemed or repurchased. The 2043 Senior Notes are fully and unconditionally guaranteed, jointly and severally, by KKR & Co. L.P. and the KKR Group Partnerships. The guarantees are unsecured and unsubordinated obligations of the guarantors.

The 2043 Senior Notes bear interest at a rate of 5.50% per annum, accruing from February 1, 2013. Interest is payable semi-annually in arrears on February 1 and August 1 of each year.

The indenture, as supplemented by a first supplemental indenture, relating to the 2043 Senior Notes includes covenants, including limitations on KKR Group Finance Co. II LLC and the guarantors' ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The indenture, as supplemented, also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding 2043 Senior Notes may declare the 2043 Senior Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the 2043 Senior Notes and any accrued and unpaid interest on the 2043 Senior Notes automatically becomes due and payable. All or a portion of the 2043 Senior Notes may be redeemed at the issuer's option in whole or in part, at any time, and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the 2043 Senior Notes. If a change of control repurchase event occurs, the 2043 Senior Notes are subject to repurchase by the issuer at a repurchase price in cash equal to 101% of the aggregate principal amount of the 2043 Senior Notes repurchased plus any accrued and unpaid interest on the 2043 Senior Notes repurchased to, but not including, the date of repurchase.

*KKR Issued 5.125% Notes Due 2044*

On May 29, 2014, KKR Group Finance Co. III LLC, a subsidiary of KKR Management Holdings Corp., issued \$500 million aggregate principal amount of 5.125% Senior Notes due 2044 (the "2044 Senior Notes"), which were issued at a price of 98.612%. The 2044 Senior Notes are unsecured and unsubordinated obligations of the issuer and will mature on June 1, 2044, unless earlier redeemed or repurchased. The 2044 Senior Notes are fully and unconditionally guaranteed, jointly and severally, by KKR & Co. L.P. and the KKR Group Partnerships. The guarantees are unsecured and unsubordinated obligations of the guarantors.

The 2044 Senior Notes bear interest at a rate of 5.125% per annum, accruing from May 29, 2014. Interest is payable semi-annually in arrears on June 1 and December 1 of each year, commencing on December 1, 2014.

On March 18, 2015, KKR Group Finance Co. III LLC issued an additional \$500 million aggregate principal amount of its 2044 Notes, which were priced at 101.062%. The 2044 Notes issued in March 2015 form a single series with the 2044 Notes issued in May 2014, and the terms are identical to each other except for the issue date, issue price, the first payment date, June 1, 2015, and the date from which interest begins to accrue for the 2044 Notes issued in March 2015.

The indenture, as supplemented by a first supplemental indenture, relating to the 2044 Senior Notes includes covenants, including limitations on the issuer's and the guarantors' ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The indenture, as supplemented, also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding 2044 Senior Notes may declare the 2044 Senior Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any

applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the 2044 Senior Notes and any accrued and unpaid interest on the 2044 Senior Notes automatically becomes due and payable. All or a portion of the 2044 Senior Notes may be redeemed at the issuer's option in whole or in part, at any time, and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the 2044 Senior Notes. If a change of control repurchase event occurs, the 2044 Senior Notes are subject to repurchase by the issuer at a repurchase price in cash equal to 101% of the aggregate principal amount of the 2044 Senior Notes repurchased plus any accrued and unpaid interest on the 2044 Senior Notes repurchased to, but not including, the date of repurchase.

*KFN Issued 8.375% Notes Due 2041*

On November 15, 2011, KFN issued \$258.8 million par amount of 8.375% Senior Notes ("KFN 2041 Senior Notes"), resulting in net proceeds to KFN of \$250.7 million. The notes traded under the ticker symbol "KFH" on the NYSE. Interest on the 8.375% Senior Notes was payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year. The KFN 2041 Senior Notes would have matured on November 15, 2041 unless previously redeemed or repurchased in accordance with their terms prior to such date.

On November 15, 2016, KFN redeemed all of the outstanding KFN 2041 Senior Notes for cash. The redemption price equaled 100% of the principal amount of the KFN 2041 Senior Notes plus unpaid interest accrued thereon to, but excluding, the redemption date, in accordance with the terms of the KFN 2041 Senior Notes.

*KFN Issued 7.500% Notes Due 2042*

On March 20, 2012, KFN issued \$115.0 million par amount of 7.500% Senior Notes ("KFN 2042 Senior Notes"), resulting in net proceeds to KFN of \$111.4 million. The notes trade under the ticker symbol "KFI" on the NYSE. Interest on the 7.500% Senior Notes is payable quarterly in arrears on June 20, September 20, December 20 and March 20 of each year. The KFN 2042 Senior Notes will mature on March 20, 2042 unless previously redeemed or repurchased in accordance with their terms prior to such date. KFN may redeem the KFN 2042 Senior Notes, in whole or in part, at any time on or after March 20, 2017 at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest to the redemption date. Upon a change of control and reduction in the KFN 2042 Senior Notes' ratings to below investment grade by two nationally recognized statistical ratings organizations, all terms as defined in the applicable indenture, KFN will be required to make an offer to repurchase all outstanding KFN 2042 Senior Notes at a price in cash equal to 101% of the principal amount of the notes, plus accrued and unpaid interest to, but not including, the repurchase date. The KFN 2042 Senior Notes contain certain restrictions on KFN's ability to create liens over its equity interests in its subsidiaries and to merge, consolidate or sell all or substantially all of its assets, subject to qualifications and limitations set forth in the applicable indenture. Otherwise, the Indenture does not contain any provisions that would limit KFN's ability to incur indebtedness. If an event of default with respect to the KFN 2042 Senior Notes occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the notes then outstanding may declare the principal of the notes to be due and payable immediately.

*KFN Issued Junior Subordinated Notes*

KFN also established six 30-year trusts between 2006 and 2007 for the sole purpose of issuing trust preferred securities. These trusts issued preferred securities to unaffiliated investors and common securities to KFN. The combined proceeds were invested by the trusts in junior subordinated notes issued by KFN. The junior subordinated notes are the sole assets of trusts and mature between 2036 and 2037. Interest is payable on the junior subordinated notes quarterly and based on the associated trust ranges from between LIBOR plus 2.25% and LIBOR plus 2.65%. KFN may redeem the junior subordinated notes, in whole or in part, at any time, at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest to the redemption date. As of December 31, 2016, the aggregate outstanding principal amount of the junior subordinated notes was approximately \$283.5 million.

**Other Consolidated Debt Obligations**

*Fund Financing Facilities*

Certain of KKR's investment funds have entered into financing arrangements with financial institutions, generally to provide liquidity to such investment funds. These financing arrangements are generally not direct obligations of the general partners of KKR's investment funds or its management companies. Such borrowings have varying maturities and bear interest at floating rates. Borrowings are generally secured by the investment purchased with the proceeds of the borrowing and/or the uncalled capital commitment of each respective fund. When an investment vehicle borrows, the proceeds are available only for use by that investment vehicle and are not available for the benefit of other investment vehicles or KKR. Collateral within each investment vehicle is also available only against borrowings by that investment vehicle and not against the borrowings of other investment vehicles or KKR. For the years ended December 31, 2016 and 2015, \$3.4 billion was borrowed and \$3.4 billion was repaid and \$7.2 billion was borrowed and \$3.6 billion was repaid, respectively.

*Debt Obligations of Consolidated CFEs*

As of December 31, 2016, debt obligations of consolidated CFEs consisted of the following:

	<b>Borrowing Outstanding</b>	<b>Weighted Average Interest Rate</b>	<b>Weighted Average Remaining Maturity in Years</b>
Senior Secured Notes of Consolidated CLOs	\$ 8,279,812	2.5%	10.9
Subordinated Notes of Consolidated CLOs	283,735	(a)	10.0
Debt Obligations of Consolidated CMBS Vehicles	5,294,741	4.5%	32.0
	<b>\$ 13,858,288</b>		

(a) The subordinated notes do not have contractual interest rates but instead receive a pro rata amount of the net distributions from the excess cash flows of the respective CLO vehicle. Accordingly, weighted average borrowing rates for the subordinated notes are based on cash distributions during the period, if any.

Debt obligations of consolidated CFEs are collateralized by assets held by each respective CFE vehicle and assets of one CFE vehicle may not be used to satisfy the liabilities of another. As of December 31, 2016, the fair value of the consolidated CFE assets was \$15.3 billion. This collateral consisted of Cash and Cash Equivalents Held at Consolidated Entities, Investments, and Other Assets.

As part of KKR's borrowing arrangements, KKR is subject to certain financial and operating covenants. KKR was in compliance with all of its debt covenants in all material respects as of December 31, 2016.

Scheduled principal payments for debt obligations at December 31, 2016 are as follows:

	<b>Revolving Credit Facilities</b>	<b>Notes Issued</b>	<b>Other Consolidated Debt Obligations</b>	<b>Total</b>
2017	\$ —	\$ —	\$ 111,756	\$ 111,756
2018 - 2019	—	—	1,967,711	1,967,711
2020 - 2021	—	500,000	789,727	1,289,727
2022 and Thereafter	—	1,898,500	13,395,271	15,293,771
	<b>\$ —</b>	<b>\$ 2,398,500</b>	<b>\$ 16,264,465</b>	<b>\$ 18,662,965</b>

Notes to Consolidated Financial Statements (Continued)

11. INCOME TAXES

The provision (benefit) for income taxes consists of the following:

	For the Years Ended December 31,		
	2016	2015	2014
<b>Current</b>			
Federal Income Tax	\$ (3,440)	\$ 27,978	\$ 29,388
State and Local Income Tax	(443)	6,320	8,921
Foreign Income Tax	38,052 <sup>(1)</sup>	42,036	31,972
Subtotal	34,169	76,334	70,281
<b>Deferred</b>			
Federal Income Tax	(15,032)	(19,133)	(6,327)
State and Local Income Tax	1,348	8,264	344
Foreign Income Tax	4,076 <sup>(1)</sup>	1,171	(629)
Subtotal	(9,608)	(9,698)	(6,612)
<b>Total Income Taxes</b>	<b>\$ 24,561</b>	<b>\$ 66,636</b>	<b>\$ 63,669</b>

(1) The foreign income tax provision was calculated on \$102.1 million of pre-tax income generated in foreign jurisdictions.

The following table reconciles the U.S. Federal Statutory Tax Rate to the Effective Income Tax Rate:

	For the Years Ended December 31,		
	2016	2015	2014
Statutory U.S. Federal Income Tax Rate	35.00 %	35.00 %	35.00 %
Income not attributable to KKR Management Holdings Corp. <sup>(1)</sup>	(42.68)%	(36.04)%	(36.36)%
Foreign Income Taxes	4.32 %	0.81 %	0.58 %
State and Local Income Taxes	0.05 %	0.21 %	0.13 %
Compensation Charges Borne by KKR Holdings	8.20 %	1.92 %	2.08 %
Change in Valuation Allowance	(1.03)%	0.29 %	0.08 %
Other	(1.34)%	(0.94)%	(0.34)%
<b>Effective Income Tax Rate</b>	<b>2.52 %</b>	<b>1.25 %</b>	<b>1.17 %</b>

(1) Represents primarily income attributable to (i) redeemable noncontrolling interests, (ii) noncontrolling interests and appropriated capital and (iii) investment income of certain entities and net carried interest of certain general partners of KKR investment funds that are not controlled and consolidated by KKR Management Holdings L.P.

## Notes to Consolidated Financial Statements (Continued)

Deferred income taxes reflect the net tax effects of temporary differences that may exist between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using enacted tax rates in effect for the year in which the differences are expected to reverse. A summary of the tax effects of the temporary differences is as follows:

	As of December 31,	
	2016	2015
<b>Deferred Tax Assets</b>		
Fund Management Fees	\$ 59,963	\$ 76,017
Equity Based Compensation	30,094	32,193
KKR Holdings Unit Exchanges <sup>(1)</sup>	156,624	156,202
Depreciation and Amortization	24,919	34,128
Federal Foreign Tax Credit	15,028	25,041
Interest Limitation Carryforward <sup>(2)</sup>	13,494	—
Net Operating Loss Carryforwards	33,867	—
Other	12,599	10,291
<b>Total Deferred Tax Assets before Valuation Allowance</b>	<b>346,588</b>	<b>333,872</b>
Valuation Allowance	(9,768)	(19,781)
<b>Total Deferred Tax Assets</b>	<b>336,820</b>	<b>314,091</b>
<b>Deferred Tax Liabilities</b>		
Investment Basis Differences / Net Unrealized Gains	49,872	38,700
<b>Total Deferred Tax Liabilities</b>	<b>49,872</b>	<b>38,700</b>
<b>Total Deferred Taxes, Net</b>	<b>\$ 286,948</b>	<b>\$ 275,391</b>

(1) In connection with exchanges of KKR Holdings units into common units of KKR & Co. L.P., KKR records a deferred tax asset associated with an increase in KKR Management Holdings Corp.'s share of the tax basis of the tangible and intangible assets of KKR Management Holdings L.P. This amount is offset by an adjustment to record amounts due to KKR Holdings and principals under the tax receivable agreement, which is included within Due to Affiliates in the consolidated statements of financial condition. The net impact of these adjustments was recorded as an adjustment to equity at the time of the exchanges.

(2) Represents interest expense limitations under IRC Section 163 (j), which has an indefinite carryforward.

Future realization of the above deferred tax assets is dependent on KKR generating sufficient taxable income within the period of time that the tax benefits are expected to reverse. KKR considers projections of taxable income in evaluating its ability to utilize those deferred tax assets. In projecting its taxable income, KKR begins with historical results and incorporates assumptions concerning the amount and timing of future pretax operating income. Those assumptions require significant judgment and are consistent with the plans and estimates that KKR uses to manage its business.

As of December 31, 2016, KKR has a federal net operating loss ("NOL") carryforward of \$85.7 million and a cumulative state and local NOL carryforward of \$54.4 million that will begin to expire in 2036. In addition, KKR has federal foreign tax credit ("FTC") carryforwards of \$15.0 million as of December 31, 2016. The FTC carryforwards are related to taxes paid in foreign jurisdictions, which if not utilized, will begin to expire in 2024. KKR has determined that a portion of the FTC carryforwards will not ultimately be realized due to federal limitations on FTC utilization. Therefore, KKR has established a valuation allowance of \$9.8 million as of December 31, 2016 against the deferred tax asset. For all other deferred tax assets, including net operating loss carryforwards, KKR has determined that it is more likely than not that they will be realized and that a valuation allowance is not needed as of December 31, 2016.

KKR files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, KKR is subject to examination by federal and certain state, local and foreign tax regulators. As of December 31, 2016, the U.S. federal, state and local tax returns of KKR and its predecessor entities for the years 2010 through 2015 are open under general statute of limitations provisions and therefore subject to examination.



**Notes to Consolidated Financial Statements (Continued)**

At December 31, 2016, 2015 and 2014, KKR's unrecognized tax benefits, excluding related interest and penalties, were:

	<b>For the Years Ended December 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Unrecognized Tax Benefits, beginning of period</b>	\$ 22,792	\$ 7,180	\$ 6,028
Gross increases in tax positions in prior periods	—	—	44
Gross decreases in tax positions in prior periods	(1,351)	(116)	—
Gross increases in tax positions in current period	22,810	15,959	1,369
Lapse of statute of limitations	(255)	(231)	(261)
<b>Unrecognized Tax Benefits, end of period</b>	<b>\$ 43,996</b>	<b>\$ 22,792</b>	<b>\$ 7,180</b>

If the above tax benefits were recognized it would reduce the annual effective income tax rate. KKR believes that there will not be a significant increase or decrease to the tax positions within 12 months of the reporting date.

The unrecognized tax benefits are recorded in Accounts Payable, Accrued Expenses and Other Liabilities. KKR recognizes interest and penalties accrued related to unrecognized tax benefits as income tax expense. Related to the unrecognized tax benefits, KKR accrued penalties of \$0.6 million and interest of \$1.2 million during 2016 and in total, as of December 31, 2016, recognized a liability for penalties of \$2.3 million and interest of \$5.7 million. During 2015, penalties of \$0.7 million and interest of \$2.1 million were accrued and in total, as of December 31, 2015, recognized a liability for penalties of \$1.7 million and interest of \$4.5 million. During 2014, KKR accrued penalties of \$0.2 million and interest of \$1.0 million.

## 12. EQUITY BASED COMPENSATION

The following table summarizes the expense associated with equity based compensation for the years ended December 31, 2016, 2015 and 2014 respectively.

	For the Years Ended December 31,		
	2016	2015	2014
Equity Incentive Plan Units	\$ 186,227	\$ 186,346	\$ 158,927
KKR Holdings Principal Awards	44,837	6,726	29,838
Other Exchangeable Securities	12,091	16,119	22,464
KKR Holdings Restricted Equity Units	—	132	887
Discretionary Compensation	21,735	52,256	98,287
<b>Total</b>	<b>\$ 264,890</b>	<b>\$ 261,579</b>	<b>\$ 310,403</b>

*Equity Incentive Plan*

Under the Equity Incentive Plan, KKR is permitted to grant equity awards representing ownership interests in KKR & Co. L.P. common units. Vested awards under the Equity Incentive Plan dilute KKR & Co. L.P. common unitholders and KKR Holdings pro rata in accordance with their respective percentage interests in the KKR Group Partnerships.

The total number of common units that may be issued under the Equity Incentive Plan is equivalent to 15% of the number of fully diluted common units outstanding, subject to annual adjustment. Equity awards have been granted under the Equity Incentive Plan and are generally subject to service based vesting, typically over a three to five year period from the date of grant. In certain cases, these awards are subject to transfer restrictions and/or minimum retained ownership requirements. The transfer restriction period, if applicable, lasts for (i) one year with respect to one-half of the interests vesting on any vesting date and (ii) two years with respect to the other one-half of the interests vesting on such vesting date. While providing services to KKR, if applicable, certain of these awards are also subject to minimum retained ownership rules requiring the award recipient to continuously hold common unit equivalents equal to at least 15% of their cumulatively vested awards that have the minimum retained ownership requirement.

Expense associated with the vesting of these awards is based on the closing price of the KKR & Co. L.P. common units on the date of grant, discounted for the lack of participation rights in the expected distributions on unvested units, which ranges from 8% to 56% (for awards granted prior to December 31, 2015) multiplied by the number of unvested units on the grant date. The grant date fair value of a KKR & Co. L.P. common unit reflects a discount for lack of distribution participation rights, because equity awards are not entitled to receive distributions while unvested. The discount range for awards granted prior to December 31, 2015 was based on management's estimates of future distributions that unvested equity awards will not be entitled to receive between the grant date and the vesting date. Therefore, units granted prior to December 31, 2015 that vest in earlier periods have a lower discount as compared to units that vest in later periods, which have a higher discount. The discount range will generally increase when the level of expected annual distributions increased relative to the grant date fair value of a KKR & Co. L.P. common unit. A decrease in expected annual distributions relative to the grant date fair value of a KKR & Co. L.P. common unit would generally have the opposite effect.

KKR has made equal quarterly distributions to holders of its common units in an amount of \$0.16 per common unit per quarter ( \$0.64 per year) in respect of the first quarter of 2016 through the fourth quarter of 2016. Accordingly, for grants under the Equity Incentive Plan made subsequent to December 31, 2015 but before January 1, 2017, the discount for the lack of participation rights in the expected distributions on unvested units was based on the \$0.64 expected annual distribution. Beginning with the financial results for the first quarter of 2017, KKR intends to increase its quarterly distribution to common unitholders to \$0.17 per common unit per quarter or \$0.68 per year.

Expense is recognized on a straight line basis over the life of the award and assumes a forfeiture rate of up to 8% annually based upon expected turnover by class of recipient.

## Notes to Consolidated Financial Statements (Continued)

As of December 31, 2016, there was approximately \$211.2 million of estimated unrecognized expense related to unvested awards. That cost is expected to be recognized as follows:

Year	Unrecognized Expense (in millions)
2017	125.8
2018	69.4
2019	15.7
2020	0.3
<b>Total</b>	<b>\$ 211.2</b>

A summary of the status of unvested awards granted under the Equity Incentive Plan from January 1, 2016 through December 31, 2016 is presented below:

	Units	Weighted Average Grant Date Fair Value
Balance, January 1, 2016	23,128,228	\$ 14.61
Granted	28,634,387	13.88
Vested	(12,245,083)	15.26
Forfeited	(2,019,199)	14.38
Balance, December 31, 2016	<b>37,498,333</b>	<b>\$ 13.85</b>

The weighted average remaining vesting period over which unvested awards are expected to vest is 1.5 years.

A summary of the remaining vesting tranches of awards granted under the Equity Incentive Plan is presented below:

Vesting Date	Units
April 1, 2017	8,286,713
October 1, 2017	3,598,292
April 1, 2018	10,153,182
October 1, 2018	2,984,883
April 1, 2019	6,825,834
October 1, 2019	1,519,263
April 1, 2020	3,485,143
October 1, 2020	245,023
April 1, 2021	400,000
	<b>37,498,333</b>

### KKR Holdings Awards

KKR Holdings units are exchangeable for KKR Group Partnership Units and allow for their exchange into common units of KKR & Co. L.P. on a one-for-one basis. As of December 31, 2016 and 2015, KKR Holdings owned approximately 43.9% or 353,757,398 and 44.1%, or 361,346,588 units respectively, of outstanding KKR Group Partnership Units. Awards for KKR Holdings units that have been granted are generally subject to service based vesting, typically over a three to five year period from the date of grant. They are also subject to transfer restrictions which last for (i) one year with respect to one-half of the interests vesting on any vesting date and (ii) two years with respect to the other one-half of the interests vesting on such vesting date. While providing services to KKR, the recipients are also subject to minimum retained ownership rules requiring them to continuously hold 25% of their vested interests. Upon separation from KKR, award recipients are subject to the terms of a confidentiality and restrictive covenants agreement that would require the forfeiture of certain vested and unvested units should the terms of the agreement be violated. Holders of KKR Holdings units are not entitled to participate in distributions made on KKR Group Partnership Units underlying their KKR Holdings units until such units are vested.

## Notes to Consolidated Financial Statements (Continued)

Because KKR Holdings is a partnership, all of the 353,757,398 KKR Holdings units have been legally allocated, but the allocation of 7,480,325 of these units has not been communicated to each respective principal and the final allocation and terms of vesting for these units are subject to change and the exercise of judgment by the general partner of KKR Holdings. It was therefore determined that the grant date and service inception date had not occurred and these units do not yet meet the criteria for recognition of compensation expense.

The fair value of awards granted out of KKR Holdings is based on the closing price of KKR & Co L.P. common units on the date of grant. KKR determined this to be the best evidence of fair value as a KKR & Co. L.P. common unit is traded in an active market and has an observable market price. Additionally, a KKR Holdings unit is an instrument with terms and conditions similar to those of a KKR & Co. L.P. common unit. Specifically, units in both KKR Holdings and KKR & Co. L.P. represent ownership interests in KKR Group Partnership Units and, subject to any vesting, minimum retained ownership requirements and transfer restrictions, each KKR Holdings unit is exchangeable into a KKR Group Partnership Unit and then into a KKR & Co. L.P. common unit on a one -for-one basis.

KKR Holdings Awards give rise to equity-based compensation in the consolidated statements of operations based on the grant-date fair value of the award. KKR has made equal quarterly distributions to holders of its common units in an amount of \$0.16 per common unit per quarter ( \$0.64 per year) in respect of the first quarter of 2016 through the fourth quarter of 2016. Accordingly, for grants of KKR Holdings Awards made subsequent to December 31, 2015 but before January 1, 2017, the discount for the lack of participation rights in the expected distributions on unvested units was based on the \$0.64 expected annual distribution. Beginning with the financial results for the first quarter of 2017, KKR intends to increase its quarterly distribution to common unitholders to \$0.17 per common unit per quarter or \$0.68 per year.

Expense is recognized on a straight line basis over the life of the award and assumes a forfeiture rate of up to 8% annually based on expected turnover by class of recipient.

### Modification

On February 25, 2016, certain senior KKR employees and non-employee operating consultants were granted approximately 28.9 million KKR Holdings units subject to price and service-based vesting requirements (“Original Market Condition Awards”). The Original Market Condition Awards were eligible to vest periodically on four annual vesting dates beginning on January 1, 2018, upon satisfaction of a service-based vesting condition and market condition vesting requirement based on the price of KKR common units reaching and maintaining certain specified price thresholds for a specified period of time. These price thresholds ranged from \$23.65 to \$33.78 per common unit. None of these Original Market Condition Awards were eligible to vest prior to January 1, 2018 and if applicable price targets were not achieved by the close of business on January 1, 2021, any unvested Original Market Condition Awards would have been automatically canceled and forfeited. On November 2, 2016 the Original Market Conditions Awards were modified to eliminate the market condition vesting requirement (“Modified Holdings Awards”). Instead, these Modified Holdings Awards from KKR Holdings have service based vesting in equal annual installments over a five year period beginning on May 1, 2017 and ending on May 1, 2021, subject to the grantee’s continued employment through the applicable service vesting dates.

The awards described above were granted from outstanding but previously unallocated units of KKR Holdings, and consequently these grants did not increase the number of KKR Holdings units outstanding or outstanding KKR common units on a fully-diluted basis. If and when vested, these awards will not dilute KKR's respective ownership interests in the KKR Group Partnerships.

This modification resulted in incremental value to the recipients of \$286.9 million , before consideration of estimated forfeitures, and is calculated as follows:

Description	Amounts (in millions)
Estimated fair value of Modified Awards at modification date <sup>1</sup>	\$360.3
Estimated fair value of Original Awards at modification date <sup>2</sup>	73.4
Incremental Value	<u>\$286.9</u>

<sup>1</sup> Value was estimated based on the fair value of a KKR Common Unit as described above at the date of modification.

<sup>2</sup> Value was estimated based on a Monte-Carlo simulation valuation model due the existence of the market condition. Key assumptions on the date of the modification were: (i) the price of a KKR Common unit ( \$14.08 ), the risk free rate ( 1.14% ), volatility ( 30% ) and dividend yield ( 4.55% ).

**Notes to Consolidated Financial Statements (Continued)**

This incremental value will result in compensation expense of \$266.1 million, after consideration of estimated forfeitures. The sum of the incremental expense and the remaining \$54.8 million of grant date fair value expense associated with the Original Market Condition Awards, or \$320.9 million, will be recognized over the remaining vesting period of the Modified Holdings Awards, which begins in the fourth quarter of 2016 and concludes on May 1, 2021.

As of December 31, 2016, there was approximately \$271.0 million of estimated unrecognized expense related to unvested KKR Holdings awards. That cost is expected to be recognized as follows:

<b>Year</b>	<b>Unrecognized Expense (in millions)</b>
2017	84.1
2018	59.3
2019	56.2
2020	53.4
2021	18.0
<b>Total</b>	<b>\$ 271.0</b>

A summary of the status of unvested awards granted under the KKR Holdings Plan from January 1, 2016 through December 31, 2016 is presented below:

	<b>Units</b>	<b>Weighted Average Grant Date Fair Value</b>
Balance, January 1, 2016	1,409,116	\$ 7.47
Original Market Condition Awards granted and modified	28,875,000	12.12
Granted	499,571	13.25
Vested	(1,038,804)	7.63
Forfeited	(1,498,997)	11.55
Balance, December 31, 2016	<b>28,245,886</b>	<b>\$ 12.10</b>

The weighted average remaining vesting period over which unvested awards are expected to vest is 2.2 years.

A summary of the remaining vesting tranches of awards granted under the KKR Holdings Plan is presented below:

<b>Vesting Date</b>	<b>Units</b>
April 1, 2017	768,939
May 1, 2017	5,200,000
October 1, 2017	111,293
April 1, 2018	824,999
May 1, 2018	5,200,000
April 1, 2019	349,143
May 1, 2019	5,200,000
April 1, 2020	191,512
May 1, 2020	5,200,000
May 1, 2021	5,200,000
	<b>28,245,886</b>

**Other Exchangeable Securities**

In connection with the acquisition of Avoca, KKR issued 2,545,602 equity securities of a subsidiary of a KKR Group Partnership and of KKR & Co. L.P. both of which are exchangeable into common units of KKR & Co. L.P. on a one -for-one basis (“Other Exchangeable Securities”). Certain Other Exchangeable Securities are subject to time based vesting (generally over a three -year period from February 19, 2014) and are not exchangeable into common units until vested, and in certain cases are subject to minimum retained ownership requirements and transfer restrictions. Consistent with grants of KKR Holdings awards and grants made under the KKR Equity Incentive Plan, holders of Other Exchangeable Securities are not entitled to receive distributions while unvested.

The fair value of Other Exchangeable Securities is based on the closing price of KKR & Co. L.P. common units on the date of grant. KKR determined this to be the best evidence of fair value as a KKR & Co. L.P. common unit is traded in an active market and has an observable market price. Additionally, Other Exchangeable Securities are instruments with terms and conditions similar to those of a KKR & Co. L.P. common unit. Specifically, these Other Exchangeable Securities are exchangeable into KKR & Co. L.P. common units on a one -for-one basis upon vesting.

Expense associated with the vesting of these Other Exchangeable Securities is based on the closing price of a KKR & Co. L.P. common unit on the date of grant, discounted for the lack of participation rights in the expected distributions on unvested Other Exchangeable Securities, which currently ranges from 8% to 56% multiplied by the number of unvested Other Exchangeable Securities on the issuance date. The discount range was based on management’s estimates of future distributions that unvested Other Exchangeable Securities will not be entitled to receive between the issuance date and the vesting date. Therefore, Other Exchangeable Securities that vest in earlier periods have a lower discount as compared to Other Exchangeable Securities that vest in later periods, which have a higher discount. The discount range will generally increase when the level of expected annual distributions increases relative to the issuance date fair value of a KKR & Co. L.P. common unit. A decrease in expected annual distributions relative to the grant date fair value of a KKR & Co. L.P. common unit would generally have the opposite effect. Expense is recognized on a straight line basis over the life of the security and assumes a forfeiture rate of up to 8% annually based upon expected turnover by class of recipient.

As of October 1, 2016, all Other Exchangeable Securities have either vested or forfeited and there is no material unrecognized expense associated with Other Exchangeable Securities as of December 31, 2016.

**Discretionary Compensation**

KKR employees and certain employees of certain consolidated entities are eligible to receive discretionary cash bonuses. While cash bonuses paid to most employees are borne by KKR and certain consolidated entities and result in customary compensation and benefits expense, cash bonuses that are paid to certain principals are currently borne by KKR Holdings. These bonuses are funded with distributions that KKR Holdings receives on KKR Group Partnership Units held by KKR Holdings but are not then passed on to holders of unvested units of KKR Holdings. Because principals are not entitled to receive distributions on units that are unvested, any amounts allocated to principals in excess of a principal’s vested equity interests are reflected as employee compensation and benefits expense on the consolidated statements of operations. These compensation charges are recorded based on the unvested portion of quarterly earnings distributions received by KKR Holdings at the time of the distribution.

## 13. RELATED PARTY TRANSACTIONS

## Due from Affiliates consists of:

	December 31, 2016	December 31, 2015
Amounts due from portfolio companies	\$ 66,940	\$ 46,716
Amounts due from unconsolidated investment funds	170,219	74,409
Amounts due from related entities	13,293	18,658
<b>Due from Affiliates</b>	<b>\$ 250,452</b>	<b>\$ 139,783</b>

## Due to Affiliates consists of:

	December 31, 2016	December 31, 2015
Amounts due to KKR Holdings in connection with the tax receivable agreement	\$ 128,091	\$ 127,962
Amounts due to unconsolidated investment funds	230,823	—
Amounts due to related entities	565	16,845
<b>Due to Affiliates</b>	<b>\$ 359,479</b>	<b>\$ 144,807</b>

*Tax Receivable Agreement*

KKR and certain intermediate holding companies that are taxable corporations for U.S. federal, state and local income tax purposes, may be required to acquire KKR Group Partnership Units from time to time pursuant to the exchange agreement with KKR Holdings. KKR Management Holdings L.P. made an election under Section 754 of the Internal Revenue Code that will remain in effect for each taxable year in which an exchange of KKR Group Partnership Units for common units occurs, which may result in an increase in KKR's intermediate holding companies' share of the tax basis of the assets of the KKR Group Partnerships at the time of an exchange of KKR Group Partnership Units. Certain of these exchanges are expected to result in an increase in KKR's intermediate holding companies' share of the tax basis of the tangible and intangible assets of the KKR Group Partnerships, primarily attributable to a portion of the goodwill inherent in KKR's business that would not otherwise have been available. This increase in tax basis may increase depreciation and amortization deductions for tax purposes and therefore reduce the amount of income tax KKR's intermediate holding companies would otherwise be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

KKR has entered into a tax receivable agreement with KKR Holdings, which requires KKR's intermediate holding companies to pay to KKR Holdings, or to current and former principals who have exchanged KKR Holdings units for KKR common units (as transferees of KKR Group Partnership Units), 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that the intermediate holding companies realize as a result of the increase in tax basis described above, as well as 85% of the amount of any such savings the intermediate holding companies realize as a result of increases in tax basis that arise due to future payments under the agreement. A termination of the agreement or a change of control could give rise to similar payments based on tax savings that KKR would be deemed to realize in connection with such events. In the event that other of KKR's current or future subsidiaries become taxable as corporations and acquire KKR Group Partnership Units in the future, or if KKR becomes taxable as a corporation for U.S. federal income tax purposes, KKR expects that each will become subject to a tax receivable agreement with substantially similar terms.

These payment obligations are obligations of KKR's intermediate holding companies and not the KKR Group Partnerships and are recorded within Due to Affiliates in the accompanying consolidated statements of financial condition. As such, cash payments received by common unitholders may vary from those received by holders of KKR Group Partnership Units held by KKR Holdings and KKR's current and former principals to the extent payments are made to those parties under the tax receivable agreement. Payments made under the tax receivable agreement are required to be made within 90 days of the filing of the tax returns of KKR's intermediate holding companies which may result in a timing difference between the tax savings received by KKR's intermediate holdings companies and the cash payments made to the selling holders of KKR Group Partnership Units.

For the years ended December 31, 2016, 2015 and 2014, cash payments that have been made under the tax receivable agreement were \$5.0 million, \$5.7 million and \$5.7 million, respectively. KKR expects its intermediate holding companies to

## Notes to Consolidated Financial Statements (Continued)

benefit from the remaining 15% of cash savings, if any, in income tax that they realize. As of December 31, 2016, \$4.2 million of cumulative income tax savings have been realized.

### *Discretionary Investments*

Certain of KKR's investment professionals, including its principals and other qualifying personnel are permitted to invest, and have invested, their own capital in KKR's investment funds, portfolio companies and in its strategic partnerships with other hedge fund managers. Side-by-side investments are made on the same terms and conditions as those acquired by the applicable investment fund, except that the side-by-side investments do not subject the investor to management fees, incentive fees or a carried interest. The cash contributed by these individuals aggregated \$328.3 million, \$434.9 million and \$398.3 million for the years ended December 31, 2016, 2015 and 2014, respectively.

### *Aircraft and Other Services*

Certain of the senior employees own aircraft that KKR uses for business purposes in the ordinary course of its operations. These senior employees paid for the purchase of these aircraft with personal funds and bear all operating, personnel and maintenance costs associated with their operation. The hourly rates that KKR pays for the use of these aircraft are based on current market rates for chartering private aircraft of the same type. KKR incurred \$5.1 million, \$4.4 million and \$3.4 million for the use of these aircraft for the years ended December 31, 2016, 2015 and 2014, respectively.

### *Facilities*

Certain trusts, whose beneficiaries include children of Mr. Kravis and Mr. Roberts, and certain other senior employees who are not executive officers of KKR, are partners in a real-estate based partnership that maintains an ownership interest in KKR's Menlo Park location. Payments made to this partnership were \$7.4 million, \$7.3 million and \$7.2 million for the years ended December 31, 2016, 2015 and 2014, respectively.



## 14. SEGMENT REPORTING

KKR operates through four reportable business segments. These segments, which are differentiated primarily by their business objectives and investment strategies, are presented below. These financial results represent the combined financial results of the KKR Group Partnerships on a segment basis. KKR earns the majority of its fees from subsidiaries located in the United States.

### *Private Markets*

Through KKR's Private Markets segment, KKR manages and sponsors a group of private equity funds and co-investment vehicles, including growth equity funds, which invest capital for long-term appreciation, either through controlling ownership of a company or strategic minority positions. KKR also manages and sponsors investment funds and co-investment vehicles that invest capital in real assets, such as infrastructure, energy and real estate.

### *Public Markets*

KKR operates and reports its combined credit and hedge funds businesses through the Public Markets segment. KKR's credit business invests capital in leveraged credit strategies, such as leveraged loans and high yield bonds, and alternative credit strategies such as special situations, mezzanine or corporate credit opportunities, direct lending, and revolving credit. KKR's Public Markets segment also includes its hedge funds business, which includes customized hedge fund portfolios, hedge fund-of-fund solutions and strategic partnerships consisting of minority stakes in other hedge fund managers.

### *Capital Markets*

KKR's global capital markets business supports the firm, portfolio companies, and third-party clients by developing and implementing both traditional and non-traditional capital solutions for investments or companies seeking financing. These services include arranging debt and equity financing for transactions, placing and underwriting securities offerings and providing other types of capital markets services. When KKR underwrites an offering of securities or a loan on a firm commitment basis, KKR commits to buy and sell an issue of securities or indebtedness and generate revenue by purchasing the securities or indebtedness at a discount or for a fee. When KKR acts in an agency capacity, KKR generates revenue for arranging financing or placing securities or debt with capital markets investors. We may also provide issuers with capital markets advice on security selection, access to markets, marketing considerations, securities pricing, and other aspects of capital markets transactions in exchange for a fee.

### *Principal Activities*

Through KKR's Principal Activities segment, we manage the firm's assets and deploy capital to support and grow our businesses.

KKR's Principal Activities segment uses its balance sheet assets to support KKR's investment management and capital markets businesses. Typically, the funds in our Private Markets and Public Markets businesses contractually require KKR, as general partner of the funds, to make sizable capital commitments from time to time. KKR also uses its balance sheet to acquire investments in order to help establish a track record for fundraising purposes in new strategies. KKR may also use its own capital to seed investments for new funds, to bridge capital selectively for its funds' investments or finance strategic acquisitions and partnerships, although the financial results of an acquired businesses or strategic partnership may be reported in other segments.

The Principal Activities segment also provides the required capital to fund the various commitments of KKR's Capital Markets business when underwriting or syndicating securities, or when providing term loan commitments for transactions involving portfolio companies and for third parties. The Principal Activities segment also holds assets that may be utilized to satisfy regulatory requirements for the Capital Markets business and risk retention requirements for its CLOs business.

**Key Performance Measure - Economic Net Income (“ENI”)**

ENI is used by management in making operating and resource deployment decisions as well as assessing the overall performance of each of KKR’s reportable business segments. The reportable segments for KKR’s business are presented prior to giving effect to the allocation of income (loss) between KKR & Co. L.P. and KKR Holdings and as such represents the business in total. In addition, KKR’s reportable segments are presented without giving effect to the consolidation of the funds that KKR manages.

ENI is a measure of profitability for KKR’s reportable segments and is used by management as an alternative measurement of the operating and investment earnings of KKR and its business segments. ENI is comprised of total segment revenues; less total segment expenses and certain economic interests in KKR’s segments held by third parties.

**Modification of Segment Information**

As of December 31, 2015, KKR’s management reevaluated the manner in which it made operational and resource deployment decisions and assessed the overall performance of each of KKR’s operating segments. As a result, as of December 31, 2015, KKR modified the presentation of its segment financial information relative to the presentation in prior periods. In addition, since becoming a public company, KKR’s Principal Activities segment has grown in significance and is a meaningful contributor to its financial results.

Certain of the more significant changes between KKR’s current segment presentation and its previously reported segment presentation are described in the following commentary.

*Inclusion of a Fourth Segment*

All income (loss) on investments is attributed to the Principal Activities segment. Prior to December 31, 2015, income on investments held directly by KKR was reported in the Private Markets segment, Public Markets segment or Capital Markets segment based on the character of the income generated. For example, income from private equity investments was previously included in the Private Markets segment. However, the financial results of acquired businesses and strategic partnerships with hedge fund managers have been reported in our other segments.

*Expense Allocations*

As of December 31, 2015 KKR has changed the manner in which expenses are allocated among its operating segments. Specifically, as described below, (i) a portion of expenses, except for broken deal expenses, previously reflected in the Private Markets, Public Markets or Capital Markets segments are now reflected in the Principal Activities segment and (ii) corporate expenses are allocated across all segments.

*Expenses Allocated to Principal Activities*

As of December 31, 2015, a portion of the cash compensation and benefits, occupancy and related charges and other operating expenses previously included in the Private Markets, Public Markets and Capital Markets segments is now allocated to the Principal Activities segment. The Principal Activities segment incurs its own direct costs, and an allocation from the other segments is also made to reflect the estimated amount of costs that are necessary to operate the Principal Activities segment, which are incremental to those costs incurred directly by the Principal Activities segment. The total amount of expenses (other than its direct costs) that is allocated to Principal Activities is based on the proportion of revenue earned by Principal Activities, relative to other operating segments, over the preceding four calendar years. This allocation percentage is updated annually or more frequently if there are material changes to KKR’s business.

Once the total amount of expense to be allocated to the Principal Activities segment is estimated for each reporting period, the amount of this expense will be allocated from the Private Markets, Public Markets and Capital Markets segments based on the proportion of headcount in each of these three segments.

*Allocations of Corporate Overhead*

As of December 31, 2015, corporate expenses are allocated to each of the Private Markets, Public Markets, Capital Markets and Principal Activities segments based on the proportion of revenues earned by each segment over the preceding four

**Notes to Consolidated Financial Statements (Continued)**

calendar years. In KKR's segment presentation reported prior to December 31, 2015, all corporate expenses were allocated to the Private Markets segment.

In connection with these modifications, segment information for the year ended December 31, 2014 has been presented in conformity with KKR's current segment presentation. Consequently, this information will not be consistent with historical segment financial results previously reported. While the modified segment presentation impacted the amount of economic net income reported by each operating segment, it had no impact on KKR's economic net income on a total reportable segment basis.

Notes to Consolidated Financial Statements (Continued)

The following tables present the financial data for KKR's reportable segments:

	As of and for the Year Ended December 31, 2016				
	Private Markets	Public Markets	Capital Markets	Principal Activities	Total Reportable Segments
<b>Segment Revenues</b>					
<b>Management, Monitoring and Transaction Fees, Net</b>					
Management Fees	\$ 466,422	\$ 331,440	\$ —	\$ —	\$ 797,862
Monitoring Fees	64,354	—	—	—	64,354
Transaction Fees	132,602	30,155	181,517	—	344,274
Fee Credits	(103,579)	(28,049)	—	—	(131,628)
<b>Total Management, Monitoring and Transaction Fees, Net</b>	<b>559,799</b>	<b>333,546</b>	<b>181,517</b>	<b>—</b>	<b>1,074,862</b>
<b>Performance Income (Loss)</b>					
Realized Incentive Fees	—	33,346	—	—	33,346
Realized Carried Interest	1,252,370	3,838	—	—	1,256,208
Unrealized Carried Interest	(416,060)	(4,312)	—	—	(420,372)
<b>Total Performance Income (Loss)</b>	<b>836,310</b>	<b>32,872</b>	<b>—</b>	<b>—</b>	<b>869,182</b>
<b>Investment Income (Loss)</b>					
Net Realized Gains (Losses)	—	—	—	371,563	371,563
Net Unrealized Gains (Losses)	—	—	—	(584,423)	(584,423)
Total Realized and Unrealized	—	—	—	(212,860)	(212,860)
Interest Income and Dividends	—	—	—	322,857	322,857
Interest Expense	—	—	—	(188,761)	(188,761)
Net Interest and Dividends	—	—	—	134,096	134,096
<b>Total Investment Income (Loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(78,764)</b>	<b>(78,764)</b>
<b>Total Segment Revenues</b>	<b>1,396,109</b>	<b>366,418</b>	<b>181,517</b>	<b>(78,764)</b>	<b>1,865,280</b>
<b>Segment Expenses</b>					
<b>Compensation and Benefits</b>					
Cash Compensation and Benefits	194,240	77,017	29,552	94,207	395,016
Realized Performance Income Compensation	523,448	14,873	—	—	538,321
Unrealized Performance Income Compensation	(159,786)	(1,724)	—	—	(161,510)
Total Compensation and Benefits	557,902	90,166	29,552	94,207	771,827
Occupancy and Related Charges	35,785	9,517	2,474	14,624	62,400
Other Operating Expenses	135,425	38,439	14,994	45,490	234,348
<b>Total Segment Expenses</b>	<b>729,112</b>	<b>138,122</b>	<b>47,020</b>	<b>154,321</b>	<b>1,068,575</b>
Income (Loss) attributable to noncontrolling interests	—	—	2,336	—	2,336
<b>Economic Net Income (Loss)</b>	<b>\$ 666,997</b>	<b>\$ 228,296</b>	<b>\$ 132,161</b>	<b>\$ (233,085)</b>	<b>\$ 794,369</b>
<b>Total Assets</b>	<b>\$ 1,645,364</b>	<b>\$ 1,123,103</b>	<b>\$ 354,187</b>	<b>\$ 10,210,487</b>	<b>\$ 13,333,141</b>

Notes to Consolidated Financial Statements (Continued)

As of and for the Year Ended December 31, 2015

	Private Markets	Public Markets	Capital Markets	Principal Activities	Total Reportable Segments
<b>Segment Revenues</b>					
<b>Management, Monitoring and Transaction Fees, Net</b>					
Management Fees	\$ 465,575	\$ 266,458	\$ —	\$ —	\$ 732,033
Monitoring Fees	264,643	—	—	—	264,643
Transaction Fees	144,652	28,872	191,470	—	364,994
Fee Credits	(195,025)	(24,595)	—	—	(219,620)
<b>Total Management, Monitoring and Transaction Fees, Net</b>	<b>679,845</b>	<b>270,735</b>	<b>191,470</b>	<b>—</b>	<b>1,142,050</b>
<b>Performance Income (Loss)</b>					
Realized Incentive Fees	—	19,647	—	—	19,647
Realized Carried Interest	1,018,201	8,953	—	—	1,027,154
Unrealized Carried Interest	182,628	(19,083)	—	—	163,545
<b>Total Performance Income (Loss)</b>	<b>1,200,829</b>	<b>9,517</b>	<b>—</b>	<b>—</b>	<b>1,210,346</b>
<b>Investment Income (Loss)</b>					
Net Realized Gains (Losses)	—	—	—	337,023	337,023
Net Unrealized Gains (Losses)	—	—	—	(391,962)	(391,962)
Total Realized and Unrealized	—	—	—	(54,939)	(54,939)
Interest Income and Dividends	—	—	—	411,536	411,536
Interest Expense	—	—	—	(203,085)	(203,085)
Net Interest and Dividends	—	—	—	208,451	208,451
<b>Total Investment Income (Loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>153,512</b>	<b>153,512</b>
<b>Total Segment Revenues</b>	<b>1,880,674</b>	<b>280,252</b>	<b>191,470</b>	<b>153,512</b>	<b>2,505,908</b>
<b>Segment Expenses</b>					
<b>Compensation and Benefits</b>					
Cash Compensation and Benefits	193,995	73,863	34,562	107,572	409,992
Realized Performance Income Compensation	407,280	11,438	—	—	418,718
Unrealized Performance Income Compensation	74,560	(7,633)	—	—	66,927
Total Compensation and Benefits	675,835	77,668	34,562	107,572	895,637
Occupancy and Related Charges	33,640	9,808	2,641	16,568	62,657
Other Operating Expenses	127,836	40,591	14,618	50,573	233,618
<b>Total Segment Expenses</b>	<b>837,311</b>	<b>128,067</b>	<b>51,821</b>	<b>174,713</b>	<b>1,191,912</b>
Income (Loss) attributable to noncontrolling interests	1,645	1,259	13,103	—	16,007
<b>Economic Net Income (Loss)</b>	<b>\$ 1,041,718</b>	<b>\$ 150,926</b>	<b>\$ 126,546</b>	<b>\$ (21,201)</b>	<b>\$ 1,297,989</b>
<b>Total Assets</b>	<b>\$ 1,831,716</b>	<b>\$ 1,232,404</b>	<b>\$ 521,927</b>	<b>\$ 9,843,251</b>	<b>\$ 13,429,298</b>

Notes to Consolidated Financial Statements (Continued)

As of and for the Year Ended December 31, 2014

	Private Markets	Public Markets	Capital Markets	Principal Activities	Total Reportable Segments
<b>Segment Revenues</b>					
<b>Management, Monitoring and Transaction Fees, Net</b>					
Management Fees	\$ 453,210	\$ 272,833	\$ —	\$ —	\$ 726,043
Monitoring Fees	135,160	—	—	—	135,160
Transaction Fees	214,612	27,145	217,920	—	459,677
Fee Credits	(198,680)	(23,357)	—	—	(222,037)
<b>Total Management, Monitoring and Transaction Fees, Net</b>	<b>604,302</b>	<b>276,621</b>	<b>217,920</b>	<b>—</b>	<b>1,098,843</b>
<b>Performance Income (Loss)</b>					
Realized Incentive Fees	—	47,807	—	—	47,807
Realized Carried Interest	1,159,011	34,650	—	—	1,193,661
Unrealized Carried Interest	70,058	40,075	—	—	110,133
<b>Total Performance Income (Loss)</b>	<b>1,229,069</b>	<b>122,532</b>	<b>—</b>	<b>—</b>	<b>1,351,601</b>
<b>Investment Income (Loss)</b>					
Net Realized Gains (Losses)	—	—	—	628,403	628,403
Net Unrealized Gains (Losses)	—	—	—	(396,425)	(396,425)
Total Realized and Unrealized	—	—	—	231,978	231,978
Interest Income and Dividends	—	—	—	408,084	408,084
Interest Expense	—	—	—	(134,909)	(134,909)
Net Interest and Dividends	—	—	—	273,175	273,175
<b>Total Investment Income (Loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>505,153</b>	<b>505,153</b>
<b>Total Segment Revenues</b>	<b>1,833,371</b>	<b>399,153</b>	<b>217,920</b>	<b>505,153</b>	<b>2,955,597</b>
<b>Segment Expenses</b>					
<b>Compensation and Benefits</b>					
Cash Compensation and Benefits	153,339	64,530	41,551	121,161	380,581
Realized Performance Income Compensation	463,605	32,984	—	—	496,589
Unrealized Performance Income Compensation	33,430	16,029	—	—	49,459
Total Compensation and Benefits	650,374	113,543	41,551	121,161	926,629
Occupancy and Related Charges	30,946	7,214	1,523	18,104	57,787
Other Operating Expenses	125,398	31,501	11,497	60,673	229,069
<b>Total Segment Expenses</b>	<b>806,718</b>	<b>152,258</b>	<b>54,571</b>	<b>199,938</b>	<b>1,213,485</b>
Income (Loss) attributable to noncontrolling interests	1,424	1,636	11,886	—	14,946
<b>Economic Net Income (Loss)</b>	<b>\$ 1,025,229</b>	<b>\$ 245,259</b>	<b>\$ 151,463</b>	<b>\$ 305,215</b>	<b>\$ 1,727,166</b>
<b>Total Assets</b>	<b>\$ 1,658,164</b>	<b>\$ 685,809</b>	<b>\$ 462,072</b>	<b>\$ 10,405,622</b>	<b>\$ 13,211,667</b>



## Notes to Consolidated Financial Statements (Continued)

The following tables reconcile KKR's total reportable segments to the most directly comparable financial measures calculated and presented in accordance with GAAP:

### Fees

	For the Years Ended December 31,		
	2016	2015	2014
<b>Total Segment Revenues</b>	\$ 1,865,280	\$ 2,505,908	\$ 2,955,597
Management fees relating to consolidated funds and placement fees	(178,619)	(531,027)	(510,777)
Fee credits relating to consolidated funds	2,921	202,269	203,466
Net realized and unrealized carried interest - consolidated funds	(32,651)	(1,190,699)	(1,303,794)
Total investment income (loss)	78,764	(153,512)	(505,153)
Revenue earned by oil & gas producing entities	65,754	112,328	186,876
Reimbursable expenses	81,549	66,144	55,424
Other	25,095	32,357	28,369
<b>Fees and Other</b>	<b>\$ 1,908,093</b>	<b>\$ 1,043,768</b>	<b>\$ 1,110,008</b>

### Expenses

	For the Years Ended December 31,		
	2016	2015	2014
<b>Total Segment Expenses</b>	\$ 1,068,575	\$ 1,191,912	\$ 1,213,485
Equity based compensation	264,890	261,579	310,403
Reimbursable expenses and placement fees	148,483	103,307	92,366
Operating expenses relating to consolidated funds, CFEs and other entities	104,339	65,012	93,182
Expenses incurred by oil & gas producing entities	70,312	153,611	333,123
Intangible amortization, acquisition and litigation	6,647	49,766	102,877
Other	32,228	46,038	50,631
<b>Total Expenses</b>	<b>\$ 1,695,474</b>	<b>\$ 1,871,225</b>	<b>\$ 2,196,067</b>

### Net Income (Loss) Attributable to KKR & Co. L.P. Common Unitholders

	For the Years Ended December 31,		
	2016	2015	2014
<b>Economic net income (loss)</b>	\$ 794,369	\$ 1,297,989	\$ 1,727,166
Income tax	(24,561)	(66,636)	(63,669)
Amortization of intangibles, placement fees and other, net <sup>(1)</sup>	17,267	(47,599)	(290,348)
Equity based compensation	(264,890)	(261,579)	(310,403)
Net income (loss) attributable to noncontrolling interests held by KKR Holdings	(212,878)	(433,693)	(585,135)
Preferred Unit Distributions	(22,235)	—	—
<b>Net income (loss) Attributable to KKR &amp; Co. L.P. Common Unitholders</b>	<b>\$ 287,072</b>	<b>\$ 488,482</b>	<b>\$ 477,611</b>

(1) Other primarily represents the statement of operations impact of the accounting convention differences for (i) direct interests in oil & natural gas properties outside of investment funds and (ii) certain interests in consolidated CLOs and other entities. On a segment basis, direct interests in oil & natural gas properties outside of investment funds are carried at fair value with changes in fair value recorded in Economic Net Income (Loss) and certain interests in consolidated CLOs and other entities are carried at cost. See Note 2 "Summary of Significant Accounting Policies" for the GAAP accounting for these direct interests in oil and natural gas producing properties outside investment funds and interests in consolidated CLOs and other entities.

The items that reconcile KKR's total reportable segments to the corresponding consolidated amounts calculated and presented in accordance with GAAP for net income (loss) attributable to redeemable noncontrolling interests and income (loss) attributable to noncontrolling interests are primarily attributable to the impact of KKR Holdings L.P., KKR's consolidated funds and certain other entities.



**Notes to Consolidated Financial Statements (Continued)**

*Assets*

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
<b>Total Segment Assets</b>	\$ 13,333,141	\$ 13,429,298
Impact of Consolidation of Investment Vehicles and Other Entities <sup>(1)</sup>	24,367,570	56,139,412
Carry Pool Reclassification to Liabilities	987,994	1,199,000
Impact of KKR Management Holdings Corp.	314,192	274,629
<b>Total Assets</b>	<b>\$ 39,002,897</b>	<b>\$ 71,042,339</b>

(1) Includes accounting basis difference for oil & natural gas properties of \$15,242 and \$47,005 as of December 31, 2016 and December 31, 2015, respectively.

## 15. ACQUISITIONS

*Acquisition of KFN*

On April 30, 2014, KKR completed its acquisition of KFN by an agreement and plan of merger, pursuant to which KFN became a subsidiary of KKR. KFN is a specialty finance company with expertise in a range of asset classes in which it invests, consisting primarily of corporate loans, also known as leveraged loans, high yield debt securities, interests in joint ventures and partnerships, and interests in oil and gas properties. The addition of KFN provided KKR with over \$2 billion of permanent equity capital to support the continued growth of its business.

The total consideration paid was approximately \$2.4 billion consisting entirely of the issuance of 104.3 million KKR common units as follows (amounts in thousands except unit data):

Number of KKR common units issued	104,340,028
KKR common unit price on April 30, 2014	\$ 22.71
Estimated fair value of KKR common units issued	<u>\$ 2,369,559</u>

The following is a summary of the estimated fair values of the assets acquired and liabilities as of April 30, 2014, the date they were assumed (amounts in thousands):

Cash and cash equivalents	\$ 210,413
Cash and cash equivalents held at consolidated entities	614,929
Restricted cash and cash equivalents	35,038
Investments	1,235,813
Investments of consolidated CLOs	6,742,768
Other assets	642,721
Other assets of consolidated CLOs	133,036
Total assets	<u>9,614,718</u>
Debt obligations	724,509
Debt obligations of consolidated CLOs	5,663,666
Accounts payable, accrued expenses and other liabilities	118,427
Other liabilities of consolidated CLOs	344,660
Total liabilities	<u>6,851,262</u>
Noncontrolling interests	378,983
Fair value of Net Assets Acquired	2,384,473
Less: Fair value of consideration transferred	2,369,559
Gain on acquisition	<u>\$ 14,914</u>

As of April 30, 2014, the fair value of the net assets acquired exceeded the fair value of consideration transferred by approximately \$14.9 million and relates primarily to the difference between the fair value of the assets and liabilities of CLOs consolidated by KFN. This amount has been recorded in net gains (losses) from investment activities in the consolidated statements of operations.

The consolidated statement of operations for the year ended December 31, 2014 includes the financial results of KFN since the date of acquisition, April 30, 2014, through December 31, 2014. During this period, KFN's revenues and net income (loss) attributable to KKR & Co. L.P. were \$57.6 million and \$(113.2) million, respectively. Fees for KFN represent oil and gas revenue from working and royalty interests in oil and natural gas producing properties consolidated by KKR. Additionally, the portion of net income that is allocable to KKR reflects KKR's approximate ownership interest in the KKR Group Partnerships after applicable corporate and local income taxes for the year ended December 31, 2014.

KKR incurred \$8.3 million of acquisition related costs through the date of closing, which were expensed as incurred and are reflected within General, Administrative and Other.

## Notes to Consolidated Financial Statements (Continued)

### *Acquisition of Avoca Capital*

On February 19, 2014, KKR closed its acquisition of 100% of the equity interests of Avoca Capital and its affiliates. Avoca, now renamed KKR Credit Advisors (Ireland), was an independent European credit investment manager with approximately \$8.2 billion in assets under management at the time of acquisition. The addition of Avoca provided KKR with a greater presence in the European leveraged credit markets.

The total consideration included \$83.3 million in cash and \$56.5 million in securities of a subsidiary of a KKR Group Partnership and of KKR & Co. L.P. that are exchangeable into approximately 2.4 million KKR & Co. L.P. common units, at any time, at the election of the holders of the securities. In connection with this transaction, there is no contingent consideration payable in the future.

The following is a summary of the estimated fair values of the assets acquired and liabilities as of February 19, 2014, the date they were assumed:

Cash and cash equivalents	\$	24,381
Investments		20,905
Investments of consolidated CLOs		1,226,174
Other assets of consolidated CLOs		186,609
Other assets		7,370
Intangible assets		65,880
<b>Total assets</b>		<b>1,531,319</b>
<b>Liabilities</b>		<b>13,584</b>
Debt obligations of consolidated CLOs		1,150,551
Other liabilities of consolidated CLOs		140,308
<b>Total liabilities</b>		<b>1,304,443</b>
<b>Fair Value of Net Assets Acquired</b>		<b>226,876</b>
Less: Fair value of subordinated notes of consolidated CLOs held by KKR prior to acquisition (a)		74,029
Less: Fair value of consideration transferred		139,798
<b>Gain on acquisition</b>	<b>\$</b>	<b>13,049</b>

(a) Represents subordinated notes in one of the consolidated CLOs held by KKR prior to the acquisition of Avoca. Upon acquisition of Avoca, KKR's investment in the subordinated notes was offset against the corresponding debt obligations of the consolidated CLO in purchase accounting.

As of February 19, 2014, the fair value of the net assets acquired exceeded the fair value of consideration transferred by approximately \$13.0 million and relates primarily to the difference between the fair value of the assets and liabilities of CLOs required to be consolidated in connection with the Avoca transaction. This amount has been recorded in net gains (losses) from investment activities in the consolidated statements of operations.

The consolidated statement of operations for the year ended December 31, 2014 includes the financial results of Avoca since the date of acquisition, February 19, 2014, through December 31, 2014. During this period, Avoca's revenues and net income (loss) attributable to KKR & Co. L.P. were \$39.7 million and \$(3.3) million, respectively. This net income (loss) attributable to KKR & Co. L.P. reflects amortization of intangible assets and equity based compensation charges associated with Avoca since the date of the acquisition. Additionally, the portion of net income that is allocable to KKR reflects KKR's approximate ownership interest in the KKR Group Partnerships after applicable corporate and local income taxes for the year ended December 31, 2014.

KKR incurred \$4.4 million of acquisition related costs through the date of closing, which were expensed as incurred and are reflected within General, Administrative and Other.

## Notes to Consolidated Financial Statements (Continued)

### Pro Forma Financial Information

The information that follows provides supplemental information about pro forma revenues and net income (loss) attributable to KKR & Co. L.P. as if the acquisitions of KFN and Avoca had been consummated as of January 1, 2013. Such information is unaudited and is based on estimates and assumptions which KKR believes are reasonable. These results are not necessarily indicative of the consolidated statements of operations in future periods or the results that would have actually been realized had KKR, KFN and Avoca been a combined entity during 2014 and 2013 (amounts in thousands except unit data).

<b>Selected Pro Forma Financial Information</b>	<b>For the Years Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
Revenues	\$ 1,152,397	\$ 871,144
Net Income (Loss) attributable to KKR & Co. L.P.	\$ 533,828	\$ 820,352
Net Income (Loss) attributable to KKR & Co. L.P. per common unit-basic	\$ 1.28	\$ 2.16
Net Income (Loss) attributable to KKR & Co. L.P. per common unit-diluted	\$ 1.19	\$ 2.00

## 16. EQUITY

### Unit Repurchase Program

On October 27, 2015, KKR announced the authorization of a program providing for the repurchase by KKR of up to \$500 million in the aggregate of its outstanding common units. On February 9, 2017, KKR announced an incremental \$250 million has been authorized to repurchase common units. This \$250 million amount is in addition to the \$41.2 million remaining as of February 9, 2017 under the repurchase program. Under this common unit repurchase program, common units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing, manner, price and amount of any unit repurchases will be determined by KKR in its discretion and will depend on a variety of factors, including legal requirements, price and economic and market conditions. KKR expects that the program, which has no expiration date, will be in effect until the maximum approved dollar amount has been used to repurchase common units. The program does not require KKR to repurchase any specific number of common units, and the program may be suspended, extended, modified or discontinued at any time. See Consolidated Statements of Changes in Equity for the amount of common units repurchased during the years ended December 31, 2016 and 2015.

### Distribution Policy

Beginning with the results for the quarter ending March 31, 2017, KKR intends to increase its regular quarterly distribution to holders of its common units from \$0.16 to \$0.17 per common unit per quarter. The declaration and payment of any distributions are subject to the discretion of the board of directors of the general partner of KKR and the terms of its limited partnership agreement. There can be no assurance that distributions will be made as intended or at all, that unitholders will receive sufficient distributions to satisfy payment of their tax liabilities as limited partners of KKR or that any particular distribution policy will be maintained.

### Preferred Units

On March 17, 2016, KKR & Co. L.P. issued 13,800,000 units of 6.75% Series A Preferred Units, and on June 20, 2016, KKR issued 6,200,000 units of 6.50% Series B Preferred Units, in each case, in an underwritten public offering. The Series A Preferred Units and Series B Preferred Units trade on the NYSE under the symbols "KKR PR A" and "KKR PRA B", respectively. The terms of the preferred units are set forth in the limited partnership agreement of KKR & Co. L.P.

If declared, distributions on the preferred units are payable quarterly on March 15, June 15, September 15 and December 15 of each year, at a rate per annum equal to 6.75%, in the case of the Series A Preferred Units and 6.50% in the case of the Series B Preferred Units. Distributions on the preferred units are discretionary and non-cumulative. Holders of preferred units will only receive distributions on such units when, as and if declared by the board of directors of the general partner of KKR & Co. L.P. We have no obligation to declare or pay any distribution for any distribution period, whether or not distributions on any series of preferred units are declared or paid for any other distribution period.

Unless distributions have been declared and paid (or declared and set apart for payment) on the preferred units for a quarterly distribution period, we may not declare or pay distributions on, or repurchase, any units of KKR & Co. L.P. that are

## Notes to Consolidated Financial Statements (Continued)

junior to the preferred units, including our common units, during such distribution period. A distribution period begins on a distribution payment date and extends to, but excludes, the next distribution payment date.

If KKR & Co. L.P. dissolves, then the holders of the Series A Preferred Units and Series B Preferred Units are entitled to receive payment of a \$25.00 liquidation preference per preferred unit, plus declared and unpaid distributions, if any, to the extent that we have sufficient gross income (excluding any gross income attributable to the sale or exchange of capital assets) such that holders of such preferred units have capital account balances equal to such liquidation preference, plus declared and unpaid distributions, if any.

The Series A and Series B Preferred Units do not have a maturity date. However, the Series A Preferred Units may be redeemed at our option, in whole or in part, at any time on or after June 15, 2021, at a price of \$25.00 per Series A Preferred Unit, plus declared and unpaid distributions, if any. The Series B Preferred Units may be redeemed at our option, in whole or in part, at any time on or after September 15, 2021, at a price of \$25.00 per Series B Preferred Unit, plus declared and unpaid distributions, if any. Holders of preferred units have no right to require the redemption of such units.

If a certain change of control event with a ratings downgrade occurs prior to June 15, 2021, the Series A Preferred Units may be redeemed at our option, in whole but not in part, upon at least 30 days' notice, within 60 days of the occurrence of such change of control event, at a price of \$25.25 per Series A Preferred Unit, plus declared and unpaid distributions, if any. If a certain change of control event with a ratings downgrade occurs prior to September 15, 2021, the Series B Preferred Units may be redeemed at our option, in whole but not in part, upon at least 30 days' notice, within 60 days of the occurrence of such change of control event, at a price of \$25.25 per Series B Preferred Unit, plus declared and unpaid distributions, if any. If such a change of control event occurs (whether before, on, or after June 15, 2021, in the case of the Series A Preferred Units and September 15, 2021, in the case of the Series B Preferred Units) and we do not give such notice, the distribution rate per annum on the applicable series of preferred units will increase by 5.00% , beginning on the 31st day following such change of control event.

The Series A and Series B Preferred Units are not convertible into common units of KKR & Co. L.P. and have no voting rights, except that holders of preferred units have certain voting rights in limited circumstances relating to the election of directors following the failure to declare and pay distributions, certain amendments to the terms of the preferred units, and the creation of preferred units that are senior to the Series A Preferred Units and Series B Preferred Units.

In connection with the issuance of the preferred units, the KKR Group Partnerships issued for the benefit of KKR & Co. L.P. two series of preferred units with economic terms that mirror those of each series of preferred units.

### 17. GOODWILL AND INTANGIBLE ASSETS

#### *Goodwill*

Goodwill from the acquisition of Prisma Capital Partners LP and its affiliates represents the excess of acquisition costs over the fair value of net tangible and intangible assets acquired and is primarily attributed to synergies expected to arise after the acquisition of Prisma. As of December 31, 2016 and 2015, the carrying value of goodwill was \$89.0 million . Goodwill is recorded in Other Assets in the consolidated statements of financial condition. The carrying values of goodwill allocated to the Public Markets and Principal Activities segments were \$59.0 million and \$30.0 million , respectively. All of the goodwill is currently expected to be deductible for tax purposes. See Note 8 "Other Assets and Accounts Payable, Accrued Expenses and Other Liabilities."

#### *Intangible Assets*

Intangible Assets, Net consists of the following:

	December 31, 2016	December 31, 2015
Finite-Lived Intangible Assets	\$ 253,747	\$ 284,766
Accumulated Amortization (includes foreign exchange)	(118,723)	(107,779)
Intangible Assets, Net	<u>\$ 135,024</u>	<u>\$ 176,987</u>

**Notes to Consolidated Financial Statements (Continued)**

Changes in Intangible Assets, Net consists of the following:

	<b>For the Years Ended</b>	
	<b>December 31, 2016</b>	<b>December 31, 2015</b>
Balance, Beginning of Period	\$ 176,987	\$ 209,202
Amortization Expense	(26,387)	(27,004)
Write-Offs <sup>(1)</sup>	(15,416)	—
Foreign Exchange	(160)	(5,211)
Balance, End of Period	<b>\$ 135,024</b>	<b>\$ 176,987</b>

(1) Represents the write-off of intangible assets in connection with the termination of certain management contracts.

Amortization expense including foreign exchange relating to intangible assets held at December 31, 2016 is expected to be as follows:

2017	\$ 24,751
2018	18,403
2019	15,515
2020	15,368
2021	14,867
2022 and thereafter	46,120
	<b>\$ 135,024</b>

The intangible assets as of December 31, 2016 are expected to amortize over a weighted-average period of 8.1 years.

**18. COMMITMENTS AND CONTINGENCIES**

***Debt Covenants***

Borrowings of KKR contain various debt covenants. These covenants do not, in management's opinion, materially restrict KKR's operating business or investment strategies. KKR is in compliance with its debt covenants in all material respects as of December 31, 2016 .

***Investment Commitments***

As of December 31, 2016 , KKR had unfunded commitments consisting of (i) \$2,584.9 million to its active private equity and other investment vehicles, (ii) \$610.2 million in connection with commitments by KKR's capital markets business and (iii) other investment commitments of \$70.5 million . Whether these amounts are actually funded, in whole or in part depends on the terms of such commitments, including the satisfaction or waiver of any conditions to funding.

***Non-cancelable Operating Leases***

KKR's non-cancelable operating leases consist primarily of leases of office space around the world. There are no material rent holidays, contingent rent, rent concessions or leasehold improvement incentives associated with any of these property leases. In addition to base rentals, certain lease agreements are subject to escalation provisions and rent expense is recognized on a straight-line basis over the term of the lease agreement.

## Notes to Consolidated Financial Statements (Continued)

As of December 31, 2016, the approximate aggregate minimum future lease payments, net of sublease income, required on the operating leases are as follows:

2017	\$	52,484
2018		50,453
2019		46,846
2020		42,586
2021 and thereafter		23,870
<b>Total minimum payments required</b>	<b>\$</b>	<b>216,239</b>

### *Contingent Repayment Guarantees*

The partnership documents governing KKR's carry-paying funds, including funds relating to private equity, infrastructure, energy, real estate, mezzanine, direct lending and special situations investments, generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. Under a clawback obligation, upon the liquidation of a fund, the general partner is required to return, typically on an after-tax basis, previously distributed carry to the extent that, due to the diminished performance of later investments, the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, including the effects of any performance thresholds. Excluding carried interest received by the general partners of funds that were not contributed to KKR in the acquisition of the assets and liabilities of KKR & Co. (Guernsey) L.P. (formerly known as KKR Private Equity Investors, L.P.) on October 1, 2009 (the "KPE Transaction"), as of December 31, 2016, no carried interest was subject to this clawback obligation, assuming that all applicable carry paying funds were liquidated at their December 31, 2016 fair values. Had the investments in such funds been liquidated at zero value, the clawback obligation would have been \$2,204.9 million. Carried interest is recognized in the statement of operations based on the contractual conditions set forth in the agreements governing the fund as if the fund were terminated and liquidated at the reporting date and the fund's investments were realized at the then estimated fair values. Amounts earned pursuant to carried interest are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment amounts earned decrease or turn negative in subsequent periods, recognized carried interest will be reversed and to the extent that the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, a clawback obligation would be recorded. For funds that are consolidated, this clawback obligation, if any, is reflected as an increase in noncontrolling interests in the consolidated statements of financial condition. For funds that are not consolidated, this clawback obligation, if any, is reflected as a reduction of KKR's investment balance as this is where carried interest is initially recorded.

Prior to the KPE Transaction in 2009, certain principals who received carried interest distributions with respect to certain private equity funds contributed to KKR had personally guaranteed, on a several basis and subject to a cap, the contingent obligations of the general partners of such private equity funds to repay amounts to fund investors pursuant to the general partners' clawback obligations. The terms of the KPE Transaction require that principals remain responsible for any clawback obligations relating to carry distributions received prior to the KPE Transaction, up to a maximum of \$223.6 million. Through investment realizations, the principals' potential exposure has been reduced to \$98.9 million as of December 31, 2016. Using valuations as of December 31, 2016, no amounts are due with respect to the clawback obligation required to be funded by principals. Carry distributions arising subsequent to the KPE Transaction may give rise to clawback obligations that may be allocated generally to KKR and persons who participate in the carry pool. In addition, guarantees of or similar arrangements relating to clawback obligations in favor of third party investors in an individual investment partnership by entities KKR owns may limit distributions of carried interest more generally.

### *Indemnifications and Other Guarantees*

KKR may incur contingent liabilities for claims that may be made against it in the future. KKR enters into contracts that contain a variety of representations, warranties and covenants, including indemnifications. For example, certain of KKR's investment funds and KFN have provided certain indemnities relating to environmental and other matters and have provided nonrecourse carve-out guarantees for fraud, willful misconduct and other customary wrongful acts, each in connection with the financing of certain real estate investments that KKR has made. In addition, KKR has also provided credit support to certain of its subsidiaries' obligations in connection with a limited number of investment vehicles that KKR manages. For example, KKR has guaranteed the obligations of a general partner to post collateral on behalf of its investment vehicle in connection with such vehicle's derivative transactions, and KKR has also agreed to be liable for certain investment losses and/or for providing liquidity in the events specified in the governing documents of another investment vehicle. KKR's maximum exposure under

## Notes to Consolidated Financial Statements (Continued)

these arrangements is currently unknown and KKR's liabilities for these matters would require a claim to be made against KKR in the future.

### *Litigation*

From time to time, KKR is involved in various legal proceedings, lawsuits and claims incidental to the conduct of KKR's business. KKR's business is also subject to extensive regulation, which may result in regulatory proceedings against it.

KKR currently is and expects to continue to become, from time to time, subject to examinations, inquiries and investigations by various U.S. and non U.S. governmental and regulatory agencies, including but not limited to the U.S. Securities and Exchange Commission, or SEC, Department of Justice, state attorney generals, Financial Industry Regulatory Authority, or FINRA, and the U.K. Financial Conduct Authority. Such examinations, inquiries and investigations may result in the commencement of civil, criminal or administrative proceedings against KKR or its personnel.

Moreover, in the ordinary course of business, KKR is and can be both the defendant and the plaintiff in numerous lawsuits with respect to acquisitions, bankruptcy, insolvency and other types of proceedings. Such lawsuits may involve claims that adversely affect the value of certain investments owned by KKR's funds.

KKR establishes an accrued liability for legal proceedings only when those matters present loss contingencies that are both probable and reasonably estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. No loss contingency is recorded for matters where such losses are either not probable or reasonably estimable (or both) at the time of determination. Such matters may be subject to many uncertainties, including among others (i) the proceedings may be in early stages; (ii) damages sought may be unspecified, unsupported, unexplained or uncertain; (iii) discovery may not have been started or is incomplete; (iv) there may be uncertainty as to the outcome of pending appeals or motions; (v) there may be significant factual issues to be resolved; or (vi) there may be novel legal issues or unsettled legal theories to be presented or a large number of parties. Consequently, management is unable to estimate a range of potential loss, if any, related to these matters. In addition, loss contingencies may be, in part or in whole, subject to insurance or other payments such as contributions and/or indemnity, which may reduce any ultimate loss.

It is not possible to predict the ultimate outcome of all pending legal proceedings, and some of the matters discussed above seek or may seek potentially large and/or indeterminate amounts. As of such date, based on information known by management, management has not concluded that the final resolutions of the matters above will have a material effect upon the financial statements. However, given the potentially large and/or indeterminate amounts sought or may be sought in certain of these matters and the inherent unpredictability of investigations and litigations, it is possible that an adverse outcome in certain matters could, from time to time, have a material effect on KKR's financial results in any particular period.



**Notes to Consolidated Financial Statements (Continued)**

**19. REGULATORY CAPITAL REQUIREMENTS**

KKR has registered broker-dealer subsidiaries which are subject to the minimum net capital requirements of the SEC and the FINRA. Additionally, KKR entities based in London and Ireland are subject to the regulatory capital requirements of the U.K. Financial Conduct Authority and the Central Bank of Ireland, respectively. In addition, KKR has an entity based in Hong Kong which is subject to the capital requirements of the Hong Kong Securities and Futures Ordinance, an entity based in Japan subject to the capital requirements of Financial Services Authority of Japan, and two entities based in Mumbai which are subject to capital requirements of the Reserve Bank of India or RBI and the Securities and Exchange Board of India or SEBI. All of these entities have continuously operated in excess of their respective minimum regulatory capital requirements.

The regulatory capital requirements referred to above may restrict KKR's ability to withdraw capital from its registered broker-dealer entities. At December 31, 2016, approximately \$89.2 million of cash at KKR's registered broker-dealer entities may be restricted as to the payment of cash dividends and advances to KKR.

**20. QUARTERLY FINANCIAL DATA (UNAUDITED)**

	<b>For the Three Months Ended,</b>			
	<b>March 31, 2016</b>	<b>June 30, 2016</b>	<b>September 30, 2016</b>	<b>December 31, 2016</b>
<b>Statement of Operations Data:</b>				
Fees and Other	\$ 162,805	\$ 576,757	\$ 687,056	\$ 481,475
Less: Total Expenses	308,323	423,218	511,117	452,816
Total Investment Income (Loss)	(612,928)	125,737	809,649	440,148
Income (Loss) Before Taxes	(758,446)	279,276	985,588	468,807
Income Tax / (Benefit)	1,890	6,045	10,826	5,800
Net Income (Loss)	(760,336)	273,231	974,762	463,007
Less: Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	(38)	1,533	3,121	(13,092)
Less: Net Income (Loss) Attributable to Noncontrolling Interests	(430,359)	172,115	611,288	296,789
Net Income (Loss) Attributable to KKR & Co. L.P.	(329,939)	99,583	360,353	179,310
Less: Net Income Attributable to Series A Preferred Unitholders	—	5,693	5,822	5,822
Less: Net Income Attributable to Series B Preferred Unitholders	—	—	2,379	2,519
Net Income (Loss) Attributable to KKR & Co. L.P. Common Unitholders	\$ (329,939)	\$ 93,890	\$ 352,152	\$ 170,969
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P. Per Common Unit</b>				
Basic	\$ (0.73)	\$ 0.21	\$ 0.79	\$ 0.38
Diluted	\$ (0.73)	\$ 0.19	\$ 0.73	\$ 0.35
<b>Weighted Average Common Units Outstanding</b>				
Basic	450,262,143	448,221,538	445,989,300	451,154,845
Diluted	450,262,143	481,809,612	479,975,675	484,312,804

	For the Three Months Ended,			
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
<b>Statement of Operations Data:</b>				
Fees and Other	\$ 291,345	\$ 255,874	\$ 188,626	\$ 307,923
Less: Total Expenses	515,033	554,177	276,920	525,095
Total Investment Income (Loss)	2,182,835	3,634,718	(1,136,991)	1,488,563
Income (Loss) Before Taxes	1,959,147	3,336,415	(1,225,285)	1,271,391
Income Tax / (Benefit)	16,138	30,547	(7,390)	27,341
Net Income (Loss)	1,943,009	3,305,868	(1,217,895)	1,244,050
Less: Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	1,933	(891)	(12,925)	7,371
Less: Net Income (Loss) Attributable to Noncontrolling Interests	1,670,569	2,930,453	(1,014,382)	1,204,422
Net Income (Loss) Attributable to KKR & Co. L.P.	\$ 270,507	\$ 376,306	\$ (190,588)	\$ 32,257
Less: Net Income Attributable to Series A Preferred Unitholders	—	—	—	—
Less: Net Income Attributable to Series B Preferred Unitholders	—	—	—	—
Net Income (Loss) Attributable to KKR & Co. L.P. Common Unitholders	\$ 270,507	\$ 376,306	\$ (190,588)	\$ 32,257
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P. Per Common Unit</b>				
Basic	\$ 0.62	\$ 0.84	\$ (0.42)	\$ 0.07
Diluted	\$ 0.57	\$ 0.78	\$ (0.42)	\$ 0.07
<b>Weighted Average Common Units Outstanding</b>				
Basic	434,874,820	446,794,950	452,165,697	461,374,013
Diluted	472,225,344	482,651,491	452,165,697	489,704,787

## 21. SUBSEQUENT EVENTS

### *Common Unit Distribution*

A distribution of \$0.16 per KKR & Co. L.P. common unit was announced on February 9, 2017, and will be paid on March 7, 2017 to common unitholders of record as of the close of business on February 21, 2017. KKR Holdings will receive its pro rata share of the distribution from the KKR Group Partnerships.

Beginning with the results for the quarter ending March 31, 2017, KKR intends to increase its regular quarterly distribution to holders of its common units from \$0.16 to \$0.17 per common unit per quarter.

### *Preferred Unit Distributions*

A distribution of \$0.421875 per Series A Preferred Unit has been declared and set aside for payment on March 15, 2017 to holders of record of Series A Preferred Units as of the close of business on March 1, 2017.

A distribution of \$0.406250 per Series B Preferred Unit has been declared and set aside for payment on March 15, 2017 to holders of record of Series B Preferred Units as of the close of business on March 1, 2017.

### *Unit Repurchase Program*

An incremental \$250 million has been authorized to repurchase common units. This amount is in addition to the \$41.2 million remaining as of February 9, 2017 under the current common unit repurchase program, which was originally announced on October 27, 2015. Common units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise.

### *PAAMCO Prisma*

On February 6, 2017, KKR and Pacific Alternative Asset Management Company, LLC (“PAAMCO”) announced that they entered into a strategic transaction to create a new liquid alternatives investment firm by combining PAAMCO and KKR

Prisma. Under the terms of the agreement, the entire businesses of both PAAMCO and KKR Prisma will be contributed to a newly formed company that will operate independently from KKR, and KKR will retain a 39.9% stake as a long-term strategic partner. This transaction is subject to the satisfaction of customary closing conditions, including the receipt of requisite regulatory approvals.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

### **Item 9A. CONTROLS AND PROCEDURES**

Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management, with the participation of our Co-Chief Executive Officers and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, our Co-Chief Executive Officers and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are at the reasonable assurance level: (i) effective in recording, processing, summarizing, and reporting information on a timely basis that we are required to disclose in the reports that we file or submit under the Exchange Act; and (ii) effective in ensuring that information that we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Co-Chief Executive Officers and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

#### **Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) is a process designed by, or under the supervision of, a company's principal executive and principal financial officers and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2016. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework, that was issued in 2013.

Based on its assessment, our management has concluded that, as of December 31, 2016, our internal control over financial reporting is effective.

#### **Changes in Internal Control Over Financial Reporting**

No changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) of the Exchange Act) occurred during the fourth quarter of 2016 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **Attestation Report of the Independent Registered Public Accounting Firm**

Our independent registered public accounting firm, Deloitte & Touche LLP, has issued its attestation report on our internal control over financial reporting which is included in Item 8. Financial Statements and Supplementary Data.

### **ITEM 9B. OTHER INFORMATION**

None.

## PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

**Our Managing Partner**

As is commonly the case with limited partnerships, our limited partnership agreement provides for the management of our business and affairs by a general partner rather than a board of directors. Our Managing Partner serves as our sole general partner. Our Managing Partner has a board of directors that is co-chaired by our founders Henry Kravis and George Roberts, who also serve as our Co-Chief Executive Officers and are authorized to appoint our other officers. Our Managing Partner does not have any economic interest in our partnership.

**Directors and Executive Officers**

The following table presents certain information concerning the board of directors and executive officers of our Managing Partner.

<b>Name</b>	<b>Age</b>	<b>Position with Managing Partner</b>
Henry R. Kravis	73	Co-Chief Executive Officer, Co-Chairman and Director
George R. Roberts	73	Co-Chief Executive Officer, Co-Chairman and Director
David C. Drummond	53	Director
Joseph A. Grundfest	65	Director
John B. Hess	62	Director
Patricia F. Russo	64	Director
Thomas M. Schoewe	64	Director
Robert W. Scully	67	Director
Todd A. Fisher	51	Chief Administrative Officer
William J. Janetschek	54	Chief Financial Officer
David J. Sorkin	57	General Counsel and Secretary

**Henry R. Kravis** co-founded KKR in 1976 and is Co-Chairman and Co-Chief Executive Officer of our Managing Partner. He is actively involved in managing the firm and serves on regional Private Equity Investment and Portfolio Management Committees. Mr. Kravis currently serves on the boards of First Data Corporation and ICONIQ Capital, LLC. He also serves as a director, chairman emeritus or trustee of several cultural, professional, and educational institutions, including the Business Council, Claremont McKenna College, Columbia Business School, Mount Sinai Hospital, the Partnership for New York City, the Partnership Fund for New York City, Rockefeller University, Sponsors for Educational Opportunity and Tsinghua University School of Economics and Management. Mr. Kravis founded the Kravis Leadership Institute at Claremont McKenna College, where he established the Kravis Prize in Leadership, which honors leadership in the non-profit sector. He earned a B.A. from Claremont McKenna College in 1967 and an M.B.A. from the Columbia Business School in 1969. Mr. Kravis has more than four decades of experience financing, analyzing, and investing in public and private companies, as well as serving on the boards of a number of KKR portfolio companies. As our co-founder and Co-Chief Executive Officer, Mr. Kravis has an intimate knowledge of KKR's business, which allows him to provide insight into various aspects of our business and is of significant value to the board of directors. Mr. Kravis is a first cousin of Mr. Roberts.

**George R. Roberts** co-founded KKR in 1976 and is Co-Chairman and Co-Chief Executive Officer of our Managing Partner. He is actively involved in managing the firm and serves on regional Private Equity Investment and Portfolio Management Committees. Mr. Roberts serves as a director or trustee of several cultural and educational institutions, including Claremont McKenna College. He is also founder and chairman of the board of directors of REDF, a San Francisco nonprofit organization. He earned a B.A. from Claremont McKenna College in 1966 and a J.D. from the University of California (Hastings) Law School in 1969. Mr. Roberts has more than four decades of experience financing, analyzing, and investing in public and private companies, as well as serving on the boards of a number of KKR portfolio companies. As our co-founder and Co-Chief Executive Officer, Mr. Roberts has an intimate knowledge of KKR's business, which allows him to provide insight into various aspects of our business and is of significant value to the board of directors. Mr. Roberts is a first cousin of Mr. Kravis.

**David C. Drummond** has been a member of the board of directors of our Managing Partner since March 14, 2014. Mr. Drummond has served as the senior vice president, corporate development of Alphabet Inc. (and its predecessor Google Inc.) since January 2006, as its chief legal officer since December 2006, and as its secretary since 2002. Previously, he served as Google Inc.'s vice president, corporate development and general counsel since February 2002. Prior to joining Google Inc., from July 1999 to February 2002, Mr. Drummond served as chief financial officer of SmartForce, an educational software applications company. Prior to that, Mr. Drummond was a partner at the law firm of Wilson Sonsini Goodrich & Rosati. Mr. Drummond holds a Juris Doctor degree from Stanford University and a Bachelor of Arts degree in history from Santa Clara University. Mr. Drummond provides significant value to the oversight and development of our business through his management and leadership roles at a publicly-traded global technology business and his insight into legal developments affecting global enterprises.

**Joseph A. Grundfest** has been a member of the board of directors of our Managing Partner since July 15, 2010. Mr. Grundfest has been a member of the faculty of Stanford Law School since 1990, where he is the William A. Franke Professor of Law and Business. He is also senior faculty of the Arthur and Toni Rembe Rock Center for Corporate Governance at Stanford University; founder and director of Directors' College, a venue for the professional education of directors of publicly traded corporations; and co-founder of Financial Engines, Inc., a provider of services and advice to participants in employer-sponsored retirement plans, where he has served as a director since its inception in 1996. Mr. Grundfest was a Commissioner of the SEC from 1985 to 1990. He holds a B.A. in Economics from Yale University and a J.D. from Stanford Law School. Mr. Grundfest's knowledge and expertise in capital markets, corporate governance, and securities laws provides significant value to the oversight and development of our business.

**John B. Hess** has been a member of the board of directors of our Managing Partner since July 28, 2011. Mr. Hess has been the chief executive officer of Hess Corporation since 1995 and a director since 1978. He was also director of Dow Chemical Co. from 2006 to 2013. He serves as a director on the Business Council, the Trilateral Commission and the Council on Foreign Relations and on the executive committee of the American Petroleum Institute and previously served on the Secretary of Energy Advisory Board Quadrennial Review Task Force. Mr. Hess is a member of the board of trustees at the New York Public Library, Mount Sinai Hospital, the Lincoln Center for the Performing Arts and the Dean's Advisors at Harvard Business School, and chairs The Harvard Business School Campaign. Mr. Hess earned a B.A. from Harvard College and an M.B.A. from Harvard Business School. Mr. Hess provides significant value to the oversight and development of our business through his management and leadership roles at a global energy business, and his involvement with major businesses and public policy organizations also provides valuable perspectives for our company.

**Patricia F. Russo** has been a member of the board of directors of our Managing Partner since April 15, 2011. Ms. Russo served as chief executive officer of Alcatel-Lucent from 2006 to 2008. Prior to the merger of Alcatel and Lucent in 2006, she served as chairman and chief executive officer of Lucent Technologies, Inc. from 2003 to 2006, and as president and chief executive officer from 2002 to 2003. Before rejoining Lucent in 2002, Ms. Russo was president and chief operating officer of Eastman Kodak Company from March 2001 to December 2001. Since November 2016, Ms. Russo has served on the board of Arconic Inc., which separated from Alcoa Inc., where Ms. Russo served as a director from 2008 to November 2016. She also has served as the chairman of Hewlett Packard Enterprise Company since 2015 and as a director of, Merck & Co., Inc. since 2009 and General Motors Company since 2009. Prior to its merger with Merck in 2009, Ms. Russo served as a director of Schering-Plough since 1995, and she served as a director of Hewlett Packard Company from 2011 to November 2015. She graduated from Georgetown University with a bachelor's degree in political science and history, and obtained an Advanced Management Degree from Harvard Business School's Advanced Management Program. Ms. Russo's management and leadership experience as chief executive officer of complex global companies as well as her experience with corporate strategy, mergers and acquisitions, and sales and marketing brings important expertise to the oversight and development of our business. Ms. Russo also brings extensive experience in corporate governance as a member of boards and board committees of other public companies.

**Thomas M. Schoewe** has been a member of the board of directors of our Managing Partner since March 14, 2011. Mr. Schoewe was executive vice president and chief financial officer for Wal-Mart Stores, Inc., a position he held from 2000 to 2010, and was employed by Walmart in a transitional capacity to January 2011. Prior to his employment at Walmart, Mr. Schoewe served as senior vice president and chief financial officer for Black and Decker Corp., a position he held from 1993 to 1999. Prior to that, he served for four years as Black and Decker's vice president of finance. He previously held the position of vice president of business planning and analysis. He joined Black and Decker in 1986 after serving at Chicago-based Beatrice Companies, where he was chief financial officer and controller of Beatrice Consumer Durables, Inc. He has served on the board of directors of Northrop Grumman Corporation and General Motors Company since 2011. From 2001 to May 2012, he served on the board of directors of PulteGroup Inc., which merged with Centex Corporation in 2009 and previously served on the Centex board. Mr. Schoewe graduated from Loyola University of Chicago with a bachelor's of business administration degree

in finance. Mr. Schoewe's experience in financial reporting, accounting and controls, and business planning and analysis brings important expertise to the oversight and development of our business.

**Robert W. Scully** has been a member of the board of directors of our Managing Partner since July 15, 2010. Mr. Scully was a member of the Office of the Chairman of Morgan Stanley from 2007 until his retirement in 2009, where he had previously been co-president, chairman of global capital markets and vice chairman of investment banking. Prior to joining Morgan Stanley, he served as a managing director at Lehman Brothers and at Salomon Brothers. Mr. Scully has served as a director of Zoetis Inc. since June 2013, Chubb Limited since January 2016, and prior to its acquisition of Chubb Limited, a director of ACE Limited from May 2014 to January 2016, and UBS Group AG since May 2016. Previously, he was a director of Bank of America Corporation from August 2009 to May 2013 and a public governor of the Financial Industry Regulatory Authority, or FINRA, from October 2014 to May 2016. He has also served as a director of GMAC Financial Services and MSCI Inc. He holds an A.B. from Princeton University and an MBA from Harvard Business School. Mr. Scully's 35-year career in the financial services industry brings important expertise to the oversight of our business. In addition, his leadership experience with a global financial services company brings an industry perspective to our business development within and outside the U.S. as well as issues such as talent development, senior client relationship management, strategic initiatives, risk management and audit and financial reporting.

**Todd A. Fisher** joined KKR in 1993 and is Chief Administrative Officer of our Managing Partner. Mr. Fisher is responsible for overseeing the finance, legal, information technology, human resources, public affairs and office operations functions, coordinating with the various businesses and geographies of KKR and overseeing the firm's efforts in real estate investments. He is a member of KKR's Real Estate Investment and Portfolio Management Committees and also chairs the firm's Management Committee and Risk Committee. He served as a director of Maxeda B.V. until October 2015, as a director of Rockwood Holdings, Inc. until January 2013 and Northgate Information Solutions plc until 2012. Prior to joining KKR, Mr. Fisher worked for Goldman, Sachs & Co. in New York and for Drexel Burnham Lambert in Los Angeles. Mr. Fisher holds a B.A. from Brown University, an M.A. in International Affairs from Johns Hopkins University, and an M.B.A. from the Wharton School of the University of Pennsylvania. He is currently a trustee of Brown University, vice-chairman of the Board of Advisors for The Johns Hopkins University School for Advanced International Studies, and a member of the Board of Overseas Private Investment Corporation, various committees of the United States Holocaust Museum and the Council on Foreign Relations.

**William J. Janetschek** joined KKR in 1997 and is Chief Financial Officer of our Managing Partner. He has also been the president and chief executive officer of KKR Financial Holdings LLC, or KFN, since June 2014 and a director of KFN since May 2014. Prior to joining KKR, he was a Tax Partner at Deloitte & Touche LLP. He holds a B.S. from St. John's University and an M.S., Taxation from Pace University. Mr. Janetschek is actively involved in the community, serving as a sponsor and member of a variety of non-profit organizations including Student Sponsor Partners and St. John's University.

**David J. Sorkin** joined KKR in 2007 and is General Counsel and Secretary of our Managing Partner. Prior to joining KKR, Mr. Sorkin was with Simpson Thacher & Bartlett LLP for 22 years. He served as a partner at the law firm and also served on the executive committee and was one of KKR's principal outside counsels. He received a B.A., summa cum laude, from Williams College and a J.D., cum laude, from Harvard Law School.

### **Independence and Composition of the Board of Directors**

Our Managing Partner's board of directors consists of eight directors, six of whom, Messrs. Drummond, Grundfest, Hess, Schoewe and Scully and Ms. Russo, are independent under NYSE rules relating to corporate governance matters and the independence standards described in our corporate governance guidelines. While we are exempt from NYSE rules relating to board independence, our Managing Partner intends to maintain a board of directors that consists of at least a majority of directors who are independent under NYSE rules relating to corporate governance matters. In addition, the board has considered transactions and relationships between KKR and the companies and organizations on whose boards or other similar governing bodies where our directors also serve or where our directors serve as executive officers.

### **Board Committees**

Our Managing Partner's board of directors has four standing committees: an audit committee, a conflicts committee, a nominating and corporate governance committee and an executive committee that operate pursuant to written charters as described below. Because we are a limited partnership, our Managing Partner's board is not required by NYSE rules to establish a compensation committee or a nominating and corporate governance committee or to meet other substantive NYSE corporate governance requirements. While the board has established a nominating and governance committee, we rely on available exemptions concerning the committee's composition and mandate.

*Audit Committee*

The audit committee consists of Messrs. Grundfest (Chairman), Schoewe and Scully. The purpose of the audit committee is to provide assistance to the board of directors in fulfilling its responsibility with respect to its oversight of: (i) the quality and integrity of our financial statements, including investment valuations; (ii) our compliance with legal and regulatory requirements; (iii) our independent registered public accounting firm's qualifications, independence and performance; and (iv) the performance of our internal audit function. The members of the audit committee meet the independence standards and financial literacy requirements for service on an audit committee of a board of directors pursuant to the Exchange Act and NYSE rules applicable to audit committees. The Managing Partner's board of directors has determined that each of Messrs. Grundfest, Schoewe and Scully is an "audit committee financial expert" within the meaning of Item 407(d) (5) of Regulation S-K. The audit committee has a charter which is available at the Investor Center section of our internet website at [www.kkr.com](http://www.kkr.com).

*Conflicts Committee*

The conflicts committee consists of Messrs. Drummond, Grundfest, Hess, Schoewe and Scully and Ms. Russo. The conflicts committee is responsible for reviewing specific matters that the board of directors believes may involve a conflict of interest and for enforcing our rights under any of the exchange agreement, the tax receivable agreement, the limited partnership agreement of any KKR Group Partnership or our limited partnership agreement, which we refer collectively to as the covered agreements, against KKR Holdings and certain of its subsidiaries and designees, a general partner or limited partner of KKR Holdings, or a person who holds a partnership or equity interest in the foregoing entities. The conflicts committee is also authorized to take any action pursuant to any authority or rights granted to such committee under any covered agreement or with respect to any amendment, supplement, modification or waiver to any such agreement that would purport to modify such authority or rights. In addition, the conflicts committee shall approve any amendment to any of the covered agreements that in the reasonable judgment of our Managing Partner's board of directors is or will result in a conflict of interest. The conflicts committee will determine if the resolution of any conflict of interest submitted to it is fair and reasonable to our partnership. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to our partnership and not a breach of any duties that may be owed to our unitholders. In addition, the conflicts committee may review and approve any related person transactions, other than those that are approved pursuant to our related person policy, as described under "Certain Relationships and Related Transactions, and Director Independence—Statement of Policy Regarding Transactions with Related Persons," and may establish guidelines or rules to cover specific categories of transactions. The members of the conflicts committee meet the independence standards under our corporate governance guidelines as required for service on the conflicts committee in accordance with its charter.

*Nominating and Corporate Governance Committee*

The nominating and corporate governance committee consists of Messrs. Kravis, Roberts and Scully. The nominating and corporate governance committee is responsible for identifying and recommending candidates for appointment to the board of directors and for assisting and advising the board of directors with respect to matters relating to the general operation of the board and corporate governance matters. Mr. Scully meets the independence standards under the rules of the NYSE as required for service on the nominating and corporate governance committee in accordance with its charter.

*Executive Committee*

The executive committee consists of Messrs. Kravis and Roberts. The purpose of the executive committee is to act, when necessary, in place of our Managing Partner's full board of directors during periods in which the board is not in session. The executive committee is authorized and empowered to act as if it were the full board of directors in overseeing our business and affairs, except that it is not authorized or empowered to take actions that have been specifically delegated to other board committees or to take actions with respect to: (i) the declaration of distributions on our common units; (ii) a merger or consolidation of our partnership with or into another entity; (iii) a sale, lease or exchange of all or substantially all of our assets; (iv) a liquidation or dissolution of our partnership; (v) any action that must be submitted to a vote of our Managing Partner's members or our unitholders; or (vi) any action that may not be delegated to a board committee under our Managing Partner's limited liability company agreement or the Delaware Limited Liability Company Act.



## **Code of Business Conduct and Ethics**

We have a Code of Business Conduct and Ethics which applies to our principal executive officers, principal financial officer and principal accounting officer and is available on our internet website at [www.kkr.com](http://www.kkr.com) under the "Investor Center" section. In accordance with, and to the extent required by the rules and regulations of the Securities and Exchange Commission, we intend to disclose any amendment to or waiver of the Code of Business Conduct and Ethics on behalf of an executive officer or director either on our internet website or in a Current Report on Form 8-K filing.

## **Corporate Governance Guidelines**

Our Managing Partner's board of directors has a governance policy which addresses matters such as the board of directors' responsibilities and duties, the board of directors' composition and compensation and director independence. The governance guidelines are available on our internet website at [www.kkr.com](http://www.kkr.com) under the "Investor Center" section.

## **Communications to the Board of Directors**

The non-management members of our Managing Partner's board of directors meet regularly. At each meeting of the non-management members, the non-management directors choose a director to lead the meeting. All interested parties, including any employee or unitholder, may send communications to the non-management members of our Managing Partner's board of directors by writing to: the General Counsel, KKR & Co. L.P., 9 West 57th Street, Suite 4200, New York, New York 10019.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act, requires the executive officers and directors of our general partner, and persons who beneficially own more than ten percent of a registered class of the Partnership's equity securities to file initial reports of ownership and reports of changes in ownership with the SEC and furnish the Partnership with copies of all Section 16(a) forms they file. To our knowledge, based solely on our review of the copies of such reports or written representations from such persons that they were not required to file a Form 5 to report previously unreported ownership or changes in ownership, we believe that, with respect to the fiscal year ended December 31, 2016, such persons complied with all such filing requirements.

## **ITEM 11. EXECUTIVE COMPENSATION**

### *Compensation Discussion and Analysis*

#### **Compensation Philosophy**

Our compensation program has three primary objectives: (1) to attract, motivate and retain our employees, (2) to align their interests with those of our unitholders and fund investors, and (3) to reinforce our culture and values.

**Our employees.** Our business as an investment firm is dependent on the services of our employees, including our named executive officers. Among other things, we depend on their ability, where applicable, to find, select and execute investments, manage and improve portfolio company operations, find and develop relationships with fund investors and other sources of capital, find, select and execute capital markets opportunities, and provide other services, and we cannot compete without their continued employment with us. Therefore, it is important that our key employees are compensated in a manner that motivates them to excel consistently and encourages them to remain with the firm.

**Alignment of interests.** Management equity ownership in the businesses in which we invest has been a guiding principle throughout our firm's history, and we apply that principle to ourselves: every employee of the firm is expected to have an equity interest in KKR. This equity ownership serves to align the interests of our employees with those of our unitholders. In addition, because we invest in and alongside our investment funds and have a carry pool from which we can allocate to our employees 40% of the carried interest that we generate through our business, we believe that our employees' interests are also aligned with those of our investors in the funds, vehicles and accounts that we manage, which in turn benefits our unitholders. Our carry pool is supplemented by allocating for compensation 40% of the incentive fees earned from investment funds and certain management fee refunds.

**Culture and values.** One of our most important values is our "one- firm" approach with shared responsibility and success, and we also subscribe to a culture of meritocracy and fairness. Therefore, compensation is based on the performance of the firm as a whole as well as on an individual's contributions to the firm. For example, we do not compensate people based merely on an individual's accomplishments in relation to the profits and losses of his or her business unit. In addition, we conduct, at least

annually, an evaluation process based on input from a wide range of persons regarding each employee's contribution to the firm, including his or her commitment to the firm's culture and values. We believe that using this kind of an evaluation process also promotes a measure of objectivity as a balance to a single manager's judgment.

We refer to our two Co-Chief Executive Officers, our Chief Administrative Officer, our Chief Financial Officer and our General Counsel as our "named executive officers." We believe that the elements of compensation discussed below for our named executive officers serve these primary objectives. We, as a limited partnership with no annual meeting of unitholders, are not required to conduct say-on-pay or say-on-frequency votes as provided in the Dodd-Frank Act. However, we intend periodically to review the elements of our compensation, and we may make changes to the compensation structure relating to one or more named executive officers based on the outcome of such reviews from time to time.

### **KKR Holdings**

Each of our named executive officers holds interests in our business through KKR Holdings, which is the entity that indirectly owns all of the outstanding KKR Group Partnership Units that are not allocable to us.

KKR Holdings units are, subject to certain restrictions, exchangeable for our common units, on a one-for-one basis, and generally cannot be sold to third parties for monetary value unless they are first exchanged for our common units. Because KKR Holdings units are exchangeable for our common units, we believe that our named executive officers' interests are aligned with those of our unitholders.

KKR Holdings, from time to time, receives distributions that are made on KKR Group Partnership Units that are held by it. To the extent such distributions are received on KKR Group Partnership Units that underlie any KKR Holdings units that have satisfied their respective vesting requirements, if any, at the time distributions are declared on the underlying KKR Group Partnership Units, such distributions will be allocated and further distributed to the named executive officers as and when received. To the extent that such distributions are made on KKR Group Partnership Units underlying any KKR Holdings units that have not satisfied all vesting requirements at the time distributions are declared on the underlying KKR Group Partnership Units, such distributions may be allocated or otherwise applied in such amounts and in such manner as our Co-Chief Executive Officers, acting through the general partner of KKR Holdings, may determine. KKR Holdings units generally vest over a five year period starting on May 1, 2017. See "-Compensation Elements - Year-End Bonus Compensation" for a description of these grants. As of February 22, 2017, approximately 7.5 million KKR Holdings units remain unallocated.

In 2016, our named executive officers received distributions on their vested KKR Holdings units, as well as common units, and because these distributions are not considered to be compensation, they have not been reported in the Summary Compensation Table.

### **Compensation Elements**

#### ***Base Salary***

For 2016, each of our named executive officers was paid an annual salary of \$300,000. We believe that the base salary of our named executive officers should typically not be the most significant component of total compensation. Our Co-Chief Executive Officers determined that this amount was a sufficient minimum base salary for our named executive officers and decided that it should be the same for all named executive officers. We are responsible for funding this base salary.

#### ***Year-End Bonus Compensation***

Other than their salary and certain incidental benefits noted below under "Other Compensation," our Co-Chief Executive Officers did not receive any additional compensation in 2016. They have decided at this time not to receive any bonus or other amounts from us or from KKR Holdings in excess of distributions payable with respect to their KKR Holdings units. Instead, they have decided that year-end bonus payments from KKR Holdings for 2016 should be made to our other employees in order to motivate and retain them for the benefit of the firm.

In 2016, our Chief Administrative Officer, Chief Financial Officer and General Counsel were awarded additional year-end compensation as bonus payments that were determined by our Co-Chief Executive Officers. Our Co-Chief Executive Officers made their subjective determinations by assessing our overall performance and the contributions that our Chief Administrative Officer, Chief Financial Officer and General Counsel made to our development and success, as a firm, during the year. Certain factors that were considered when determining the size of the bonus payments for our Chief Administrative Officer, Chief Financial Officer and General Counsel include (i) their respective contributions and accomplishments in 2016 in terms of

driving commercial results for the firm, leading and managing people, and living the firm's values; (ii) their respective performance and contributions relative to other senior employees at the firm, (iii) their respective performance and contributions in 2016 as compared to the prior year, and (iv) the overall financial performance of the firm in 2016 as compared to the prior year based on certain financial measures considered by management, including but not limited to distributable earnings. More specifically, in assessing Mr. Fisher's contributions, they considered his service as the firm's Chief Administrative Officer, his role in overseeing the growth and operations of the firm, his leadership in the development and continued growth of our real estate business and his leadership on the strategic direction of the firm generally. In assessing Mr. Janetschek's contributions, they considered his service as the Chief Financial Officer and his leadership and oversight of our finance, tax and accounting functions and related operations and his role with respect to strategic initiatives undertaken by the firm. Finally, in assessing Mr. Sorkin's contributions, they considered his leadership and oversight of our global legal and compliance functions and his role with respect to the strategic initiatives undertaken by the firm. Although the firm's performance in 2016 was mixed, with stronger total distributable earnings but with less fee revenues and a net total investment loss in 2016 compared to the prior year, due to individual contributions as described above, the aggregate size of the bonus granted to the named executive officers, consisting of their cash bonus and deferred equity bonus, with respect to fiscal 2016 was generally higher relative to the total bonus granted with respect to fiscal 2015. In making these determinations, our Co-Chief Executive Officers consulted with certain of our senior employees and, with respect to the determinations for our Chief Financial Officer and General Counsel, considered the recommendations of our Chief Administrative Officer. We believe that the discretion permitted to our Co-Chief Executive Officers permits them to award bonus compensation in an amount they determine to be necessary to motivate and retain these named executive officers. Because the restricted equity units associated with the deferred equity bonus were made after December 31, 2016, they do not appear in the tables below, but will appear in the tables for the year ended December 31, 2017.

Once the bonus amount is determined, the bonus amount is divided into cash compensation and, for our named executive officers, a recommendation to our Managing Partner's board of directors for an award of deferred equity bonus compensation and, in some years, additional equity compensation. The amount of deferred equity bonus compensation for our principals is calculated using a graduated range of percentages applied to different incremental amounts of total salary and bonus compensation ranging from 5% to 50%. In addition, senior employees including our named executive officers are eligible, in some years, for additional equity compensation without reference to the graduated range of percentages. Grants of additional equity compensation may be made to our named executive officers in order to deliver a total bonus compensation determined by our Co-Chief Executive Officers as described above, less the cash compensation and deferred equity bonus. No grants of additional equity compensation were made to our named executive officers in connection with 2016 year-end bonus compensation. However, see "--KKR Holdings Units" below for KKR Holdings units granted to our named executive officers in 2016.

The cash bonus amounts paid to our Chief Administrative Officer, our Chief Financial Officer and our General Counsel for 2016 are reflected in the Bonus column of the 2016 Summary Compensation Table below.

The portion of the bonus payment granted to our named executive officers (other than our Co-Chief Executive Officers, who received none) as 2016 deferred equity bonus compensation consists of grants of equity awards issued under the Equity Incentive Plan. These equity awards are restricted equity units that may be settled for our common units on a one-for-one basis. See below under "Terms of Restricted Equity Units" for more information. We call these equity grants "deferred" equity bonus compensation, because our named executive officers' ability to monetize them into cash is deferred to the future when the vesting provisions (and any applicable transfer restrictions) discussed below lapse.

The number of restricted equity units granted to our named executive officers (other than our Co-Chief Executive Officers, who received none) is determined by our Managing Partner's board of directors. As part of 2016 year-end bonus compensation, our Managing Partner's board of directors approved the following grants: 117,173 restricted equity units to our Chief Administrative Officer, 67,463 restricted equity units to our Chief Financial Officer, and 67,463 restricted equity units to our General Counsel, in each case as deferred equity bonus compensation. The number of restricted equity units was determined by dividing the dollar amount of deferred equity bonus compensation recommended by the Co-Chief Executive Officers to the board of directors by the average closing price of our common units over the ten trading days ending December 2, 2016. The restricted equity units that were granted as deferred equity bonus compensation in respect of fiscal 2016 year-end compensation are subject to a three-year service-based vesting condition (with the first vesting event occurring on April 1, 2018). The restricted equity units for the deferred equity bonus are not subject to additional transfer restrictions after vesting or any minimum retained ownership requirement. Because these grants were made after December 31, 2016 and the associated restricted equity units are generally issued in the first quarter of the following year, they do not appear in the tables below, but will appear in the tables for the year ended December 31, 2017.

Our named executive officers along with other employees at the firm were eligible for additional equity compensation awards based on their performance and contributions during the year as described above. Eligibility for this additional equity compensation was introduced for 2014 year-end compensation for our named executive officers and grants made in February 2015 for 2014 year-end compensation are reflected in the Summary Compensation Table. While no additional equity compensation was granted to our named executive officers in connection with either 2016 or 2015 year-end bonus compensation, these additional equity compensation awards may become a component of our annual year-end bonus determination for our named executive officers in the future. However, see "--KKR Holdings Units" below for KKR Holdings units granted to our named executive officers in 2016.

### ***KKR Holdings Units***

On February 25, 2016, our named executive officers (other than our Co-Chief Executive Officers, who received none) received grants of KKR Holdings units. These grants were not part of the annual compensation program, but rather the objective of these grants was to provide incremental long-term economic incentives to retain certain senior employees, including three of our named executive officers, and to further align their interests with those of unitholders. All of the KKR Holdings units received by these named executive officers at the time of the KPE Transaction and through the awards granted in 2015 have vested, and any transfer restrictions on them had lapsed by 2016. The size of the grants were determined at the discretion of the general partner of KKR Holdings L.P., subject to the approval of our board of directors, in light of the remaining KKR Holdings units available to be granted to them and other senior employees of the firm and taking into consideration the roles and responsibilities of each named executive officer, including their view of each officer's potential impact on future firm performance, growth and strategic initiatives. Following the receipt of the consent of our Managing Partner's board of directors, the general partner of KKR Holdings made the following grants: 900,000 KKR Holdings units to our Chief Administrative Officer, 550,000 KKR Holdings units to our Chief Financial Officer, and 550,000 KKR Holdings units to our General Counsel. The KKR Holdings units granted to our named executive officers were already outstanding but previously unallocated units, and consequently these grants did not increase the number of KKR Holdings units outstanding or the number of our common units outstanding on a fully-diluted basis.

When granted in February 2016, these KKR Holdings units were subject to a service-based vesting condition and also a market price vesting condition under which vesting was conditioned on the price of KKR common units reaching and maintaining certain specified price thresholds for a specified period of time. On November 2, 2016 the awards were modified by the general partner of KKR Holdings to eliminate the market condition in order to enhance the value of these awards and improve their effectiveness as an employee retention tool. Giving effect to the November amendment, KKR Holdings units granted to these named executive officers are subject to a five-year service-based vesting condition whereby the awards vest in equal annual installments beginning on May 1, 2017 and ending May 1, 2021, subject to the grantee's continued employment through the applicable service vesting dates. These KKR Holdings awards are also subject to additional transfer restrictions after vesting and a minimum retained ownership requirement. See below under "—Narrative Disclosure to Summary Compensation Table and Grants of Plan- Based Awards—Terms of KKR Holdings Units" for more information.

### ***Carried Interest***

We have available to allocate and distribute to a carry pool 40% of the carried interest that we earn, from which our employees are eligible to receive a carried interest allocation. The percentage of carried interest allocable to the carry pool may be amended with the approval of a majority of our independent directors. Carry pool allocations for the named executive officers are made by first determining a total dollar value for the named executive officer's interest in the carry pool. Due to their unique status as co-founders of our firm, our Co-Chief Executive Officers determine their own allocation from the carry pool. To make this total dollar value determination for the other named executive officers, our Co-Chief Executive Officers take into consideration the executive officer's involvement with investments and impact on the portfolio, the size of the executive officer's bonus, and other factors similar to those considered when determining the size of the bonus, as described under "—Year-End Bonus Compensation". However, the total dollar value available to be allocated to the named executive officers and other employees is limited by the total amount of investments made by our investment funds during the fiscal year, and executive officers and other employees may not be allocated any dollar value of carry in any given year. For our older funds, carry pool allocations were determined based on a percentage applied on an investment-by-investment basis. After a total dollar value, if any, for each named executive officer is determined, such dollar value was then divided by the total allocable dollar value of investments made by our funds for the year, which yielded a certain percentage for the named executive officer. This percentage was then applied consistently to each investment made during the year. Because the size of each investment was different, the nominal amount of the carry pool allocation differed by investment, although the percentage applied to each investment was consistent. For our more recent funds, carry pool allocations are determined based on a percentage applied on a fund-by-fund basis. The dollar value, if any, for each named executive officer is determined and then allocated to the applicable funds, and such dollar value is then divided by the total allocable dollar value of investments made by that fund for

the year to yield a percentage for that particular fund. If carry is paid prior to end of a fund's investment period, this percentage is applied at that time. At the end of the investment period, an adjustment would be made to account for any difference in percentages applied at the times carry was paid during the investment period and the percentage determined for a particular fund based on the total dollar values allocated to the named executive officer for such fund divided by the total allocable dollars invested during the entire investment period of such fund.

A portion of the carried interest that is available for allocation to our employees is not immediately allocated when it becomes available and is instead reserved. This reserved carried interest is later allocated to a discrete number of employees when it is determined that they deserve additional carried interest allocations based on their performance or pursuant to a matching program based on personal commitments made to a transaction or a fund. The carried interest allocated to the carry pool is maintained and administered by KKR Associates Holdings L.P., which, similar to KKR Holdings, is not a subsidiary of ours. Allocations are determined by our Co-Chief Executive Officers acting through the general partner of KKR Associates Holdings L.P.

Carried interest, if any, from the carry pool in respect of any particular investment or fund is only paid in cash after all of the following are met: (i) a realization event has occurred (e.g., sale of a portfolio company, dividend, etc.); (ii) the vehicle has achieved positive overall investment returns since its inception, in excess of performance hurdles where applicable; and (iii) with respect to investments with a fair value below cost, cost has been returned to fund investors in an amount sufficient to reduce remaining cost to the investments' fair value. To the extent any "clawback" obligation is triggered, carried interest previously distributed by the fund would have to be returned to such fund, thereby reducing the named executive officer's overall compensation for any such year. A portion of certain carried interest payable is generally not distributed to the recipient and is instead held in escrow in order to enhance the recipient's ability to satisfy any future clawback obligation. Because the amount of carried interest payable is directly tied to the realized performance of the underlying investments, we believe this fosters a strong alignment of interests among the investors in those funds and the named executive officers, and thus benefits our unitholders. In addition, several of our competitors use participation in carried interest as an important compensation element, and we believe that we must do the same in order to attract and retain the most qualified personnel.

Participation in our carry pool for our employees, including our named executive officers, is subject only to service-based vesting with certain exceptions, including acceleration upon death or disability. In general, the vesting for carry pool allocations for investments made during 2013 through 2016 is annual over a four-year period (other than for our Co-Chief Executive Officers). The vesting schedules for investments made prior to 2013 range from four-year vesting (with no vesting upon grant) for the most junior employees up to two-year vesting (and 50% vesting upon grant) for most senior employees. Vesting serves as an employment retention mechanism and enhances the alignment of interests between a participant in our carry pool and the firm as well as the limited partners in our investment funds. Due to their status as co-founders of our firm, our Co-Chief Executive Officers are typically completely vested in their carried interest allocations upon grant.

#### ***Other Compensation***

Our Co-Chief Executive Officers are reimbursed by us for the use of a car and driver, and we pay for the compensation of certain personnel who administer personal matters for them. We believe that these benefits are appropriate in light of the time that they spend on our business, the limited compensation paid by us for their services, and their unique status as co-founders of our firm. In addition, we also pay for certain tax preparation fees for our named executive officers.

#### **Minimum Retained Ownership**

While employed by us, unless waived in whole or in part, each of our named executive officers is required to hold at least 25% of the cumulative amount of KKR Holdings units that have satisfied the vesting conditions during the duration of his employment with the firm. In addition, unless waived in whole or in part, each of our named executive officers may be required, on a grant by grant basis, to hold common unit equivalents of 15% of the cumulative restricted equity units granted under the Equity Incentive Plan that have satisfied the service-based vesting condition during the duration of his employment with the firm.

#### **Compensation and Risk**

Our compensation program includes elements that we believe discourage excessive risk-taking and align the compensation of our employees with the long-term performance of the firm. For example, other than certain equity that either immediately vested as part of the grants to all employees or our founders or that were made in exchange for the contribution of assets, in each case in connection with the consummation of the KPE Transaction in October 2009, a significant majority of the equity awards granted to our employees are subject to a multi-year vesting conditions, one- and two-year post-vesting transfer

restriction periods, and/or a minimum retained ownership requirement. Because our equity awards have multi-year vesting provisions, the actual amount of compensation realized by the recipient will be tied to the long-term performance of our common units. Pursuant to our internal policies, our employees are not permitted to buy or sell derivative securities, including for hedging purposes, or to engage in short-selling to hedge their economic risk of ownership. In addition, we only make cash payments of carried interest to our employees when profitable investments have been realized and after sufficient cash has been distributed to the investors in our funds. Moreover, the general partner of a fund is required to return carried interest distributions to the fund due to, for example, underperformance by the relevant fund subsequent to the payment of such carried interest. Accordingly, the employees would be subject to a "clawback," i.e., be required to return carried interest payments previously made to a principal, all of which further discourages excessive risk-taking by our personnel.

***Summary Compensation Table***

The following table presents summary information concerning compensation that was paid for services rendered by our named executive officers during the fiscal years ended December 31, 2014, 2015 and 2016.

In 2014, 2015 and 2016, our named executive officers received distributions based on their vested KKR Holdings units or common units. Because these distributions are not considered to be compensation, these distributions are not reflected as compensation in the table below. There are certain contractual arrangements we entered into with KKR Holdings at the time of the KPE Transaction in October 2009 and thereafter, including a tax receivable agreement, that relate to payments to our named executive officers that are not compensatory and are described in "Certain Relationships and Related Transactions, and Director Independence." Because restricted equity units granted to our named executive officers as part of 2016 year-end bonus compensation were made after December 31, 2016, they do not appear in the tables below, and will appear in the tables for the year ended December 31, 2017.

Carried interest distributions to our named executive officers in respect of the carry pool for the years ended December 31, 2014, 2015 and 2016 are reflected in the All Other Compensation column in the 2016 Summary Compensation Table below.

**2016 Summary Compensation Table**

Name and Principal Position	Year	Salary (\$)	Bonus (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)</sup>	All Other Compensation (\$) <sup>(3)</sup>	Total (\$)
Henry R. Kravis Co-Chief Executive Officer	2016	300,000	—	—	63,541,599 <sup>(4)</sup>	63,841,599
	2015	300,000	—	—	51,994,055	52,294,055
	2014	300,000	—	—	64,151,272	64,451,272
George R. Roberts Co-Chief Executive Officer	2016	300,000	—	—	63,637,400 <sup>(5)</sup>	63,937,400
	2015	300,000	—	—	52,064,278	52,364,278
	2014	300,000	—	—	64,075,416	64,375,416
Todd A. Fisher Chief Administrative Officer	2016	300,000	3,585,000	12,880,497	15,660,918 <sup>(6)</sup>	32,426,415
	2015	300,000	3,485,000	3,600,328	10,622,133	18,007,461
	2014	300,000	2,260,000	1,589,225	12,381,439	16,530,664
William J. Janetschek Chief Financial Officer	2016	300,000	2,455,000	7,813,846	5,196,063 <sup>(6)</sup>	15,764,909
	2015	300,000	2,325,000	3,676,867	2,705,105	9,006,972
	2014	300,000	2,455,000	674,433	3,080,524	6,509,957
David J. Sorkin General Counsel	2016	300,000	2,455,000	7,841,425	1,695,934 <sup>(6)</sup>	12,292,359
	2015	300,000	2,390,000	3,676,867	1,396,629	7,763,496
	2014	300,000	2,455,000	649,323	1,730,754	5,135,077

(1) Represents distributions received by KKR Holdings with respect to unvested KKR Holdings units that have been distributed to the named executive officer as bonus. The discretionary bonus payments in 2014, 2015 and 2016 were made by KKR Holdings and accordingly were not economically borne by us.

(2) Stock awards reflected in the table above for each year presented represent the value of the restricted equity units and KKR Holdings units granted in such reporting period. For the fiscal years ended December 31, 2016, 2015 and 2014, restricted equity units presented in such reporting periods relate to the equity portion of the prior year bonus compensation and for the fiscal year ended December 31, 2014, also includes additional equity compensation, and in each case reflect the grant date fair value of restricted equity units. For the fiscal year ended December 31, 2016, amounts relating to KKR Holdings units represent the original grant date fair value of KKR Holdings units and the incremental fair value of such KKR Holdings units, as of the modification in November 2016. Fair value of the restricted equity units and KKR Holdings units granted to our named executive officers and the incremental fair value relating to the modification of the KKR Holdings units are calculated in accordance with Accounting Standards Codification Topic 718, Compensation-Stock Compensation ("ASC 718"). See Note 12 "Equity Based Compensation" of the financial statements included elsewhere in this report for additional information about the valuation assumptions with respect to all grants reflected in this column. These amounts reflect the aggregate grant date fair values calculated under ASC Topic 718 (or incremental fair values), and may not correspond to the actual value that will be recognized by our named executive officers. See "--Grant of Plan-Based Awards in 2016" for additional information regarding the restricted equity units and KKR Holdings units, including the modification of such units.

(3) Carried interest is presented on the basis of cash received by our named executive officers in the respective fiscal year. We believe that presenting actual cash received by our named executive officers is a more representative disclosure of their compensation than presenting accrued carried interest, because carried interest is paid only if and when there are profitable realization events relating to the underlying investments. Carried interest also includes amounts retained and allocated for distribution to the respective named executive officer, but not yet distributed to the named executive officer, which could be used to fund potential future clawback obligations if any were to arise.

(4) Consists of \$ 62,966,582 in cash payments of carried interest from the carry pool during 2016; \$40,000 in fees for Mr. Kravis's service as a KKR-designated director on the board of directors of First Data Corporation, a KKR portfolio company, during 2016; \$174,800 related to Mr. Kravis's use of a car and driver during 2016; \$340,217 related to certain personnel who administer personal matters for Mr. Kravis during 2016; and \$20,000 related to tax preparation fees. SEC rules require that transportation and personnel expenses not directly and integrally related to our business be disclosed as compensation to Mr. Kravis. Because we do not separately track personnel expenses based on whether they are incurred for business or for personal reasons, 100% of the preceding costs have been reported for Mr. Kravis.

(5) Consists of \$62,966,582 in cash payments of carried interest from the carry pool during 2016; \$230,023 related to Mr. Roberts's use of a car and driver during 2016; \$420,795 related to certain personnel who administer personal matters for Mr. Roberts during 2016; and \$20,000 related to tax preparation fees. SEC rules require that transportation and personnel expenses not directly and integrally related to our business be disclosed as compensation to Mr. Roberts. Because we do not separately track personnel expenses based on whether they are incurred for business or personal reasons, 100% of the preceding costs have been reported for Mr. Roberts.

(6) Consists of cash payments of carried interest from the carry pool during 2016 and \$20,000 related to tax preparation fees.

**Grants of Plan-Based Awards in 2016**

The following table provides supplemental information relating to grants of equity awards in the year ended December 31, 2016 provided in our Summary Compensation Table.

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)	Grant Date Fair Value of Stock and Option Awards (\$) <sup>(3)</sup>
Henry R. Kravis	—	—	—
George R. Roberts	—	—	—
Todd A. Fisher	02/23/16	101,540 <sup>(1)</sup>	1,351,497
	02/25/16	900,000 <sup>(2)</sup>	2,583,000
	11/02/16	—	8,946,000 <sup>(4)</sup>
William J. Janetschek	02/23/16	57,727 <sup>(1)</sup>	768,346
	02/25/16	550,000 <sup>(2)</sup>	1,578,500
	11/02/16	—	5,467,000 <sup>(4)</sup>
David J. Sorkin	02/23/16	59,799 <sup>(1)</sup>	795,925
	02/25/16	550,000 <sup>(2)</sup>	1,578,500
	11/02/16	—	5,467,000 <sup>(4)</sup>

- (1) The amounts represent restricted equity units granted under the Equity Incentive Plan in the year ended December 31, 2016 relating to the equity portion of the prior year bonus compensation. Each grant of restricted equity units is subject to a service-based vesting condition over a period of three years (with the first vesting event occurring on April 1, 2017). The vesting terms of these grants are described under the caption "Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards—Terms of Restricted Equity Units" below.
- (2) The amounts represent KKR Holdings units granted in the year ended December 31, 2016. Each grant of KKR Holdings units is subject to a service-based vesting condition over a period of five years (with the first vesting event occurring on May 1, 2017). The vesting terms of these grants are described under the caption "Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards—Terms of KKR Holdings Units" below.
- (3) Amounts represent the (i) grant date fair value of the restricted equity units or KKR Holdings units, as applicable, or (ii) the incremental fair value of modified KKR Holdings units, as of the modification date, as calculated in accordance with ASC Topic 718. See Note 12 "Equity Based Compensation" of the financial statements included elsewhere in this report for additional information about the valuation assumptions with respect to all grants reflected in this column. These amounts reflect the aggregate grant date fair values or incremental fair values calculated under ASC Topic 718 and may not correspond to the actual value that will be recognized by our named executive officers.
- (4) On November 2, 2016, the KKR Holdings units granted on February 25, 2016 were modified. See "--Compensation Elements--KKR Holdings Units." The amounts reflect the incremental fair value of the KKR Holdings units resulting from the modification, as described further in footnote (3) above.

**Narrative Disclosure to Summary Compensation Table and Grants of Plan- Based Awards**

***Terms of KKR Holdings Units***

The KKR Holdings units granted to our named executive officers (other than our Co-Chief Executive Officers, who received none) and other principals in the fiscal year ended December 31, 2016 are subject to five year service-based vesting requirements, transfer restrictions and minimum retained ownership requirements.

The KKR Holdings units vest in equal annual installments beginning on May 1, 2017 and ending May 1, 2021, subject to the grantee's continued employment through the applicable service vesting dates. Following this initial vesting, interests remained contingently vested while they are subject to certain transfer restrictions. Unvested KKR Holdings units are not entitled to receive distributions. As of February 22, 2017, 317,952,447 outstanding KKR Holdings units have vested, constituting 90% of the KKR Holdings units outstanding. All of the KKR Holdings units granted to our named executive officers in 2009 and 2011 have vested as of the date of this filing and transfer restrictions applicable to such units lapsed by 2016.

KKR Holdings units that are subject to transfer restrictions, unless waived, may not be sold, exchanged or otherwise transferred for a specified period of time following the initial vesting date. The transfer restriction period typically lasts for (1) one year with respect to one-half of the units vesting on the vesting date and (2) two years with respect to the other



one-half of the units vesting on such vesting date. Transfer restricted units become fully vested and transferable and may be exchanged into common units at the end of the transfer restriction period if the holder is not terminated for cause and has complied with the terms of his or her confidentiality and restrictive covenant agreement during the transfer restrictions period. See “Terms of Confidentiality and Restrictive Covenant Agreements” below.

Because KKR Holdings is a partnership, all of the 353,757,398 KKR Holdings units have been legally allocated, but the allocation of 7,480,325 of these units has not been communicated to each respective principal as of December 31, 2016. The units whose allocation has not been communicated are subject to performance-based vesting conditions, which include, (i) whether the principal is in good standing and has adhered to our policies and rules, (ii) performance of assigned tasks and duties in an effective, efficient and diligent manner, (iii) contribution and commitment to the growth, development and profitability of KKR and our business, (iv) contribution and commitment to our management and general administration; (v) contribution and commitment to the culture, business principles, reputation and morale of KKR as a whole and the team or teams to which the principal has been assigned, and (vi) contribution and commitment to our recruiting, business development, public image and marketing efforts and the professional development of our personnel. These criteria are not sufficiently specific to constitute performance conditions for accounting purposes, and the achievement, or lack thereof, will be determined based upon the exercise of judgment by the general partner of KKR Holdings. Each principal will ultimately receive between zero and 100% of the units initially allocated. The allocation of these units has not yet been communicated to the award recipients as this was management’s decision on how to best incentivize its principals. It is anticipated that additional service-based vesting conditions will be imposed at the time the allocation is initially communicated to the respective principals. We applied the guidance of ASC Topic 718 and concluded that these KKR Holdings units do not yet meet the criteria for recognition of compensation cost because neither the grant date nor the service inception date has occurred. In reaching a conclusion that the service inception date has not occurred, we considered (1) the fact that the vesting conditions are not sufficiently specific to constitute performance conditions for accounting purposes, (2) the significant judgment that can be exercised by the general partner of KKR Holdings in determining whether the vesting conditions are ultimately achieved, and (3) the absence of communication to the principals of any information related to the number of units they were initially allocated. The allocation of these units will be communicated to the award recipients when the performance-based vesting conditions have been met, and currently there is no plan as to when the communication will occur. The determination as to whether the award recipients have satisfied the performance-based vesting conditions is made by the general partner of KKR Holdings, and is based on multiple factors primarily related to the award recipients’ individual performance.

While employed by our firm, our principals, including our named executive officers, are also subject to minimum retained ownership rules that require them to continuously hold at least 25% of their cumulatively vested KKR Holdings units, unless waived.

The transfer and vesting restrictions and minimum retained ownership rules applicable to KKR Holdings units may not be enforceable in all cases and can be waived, modified or amended by KKR Holdings at any time without our consent.

The terms of the KKR Holdings units described above are distinct from equity awards issuable under our Equity Incentive Plan, which are described below.

#### ***Terms of Restricted Equity Units***

Restricted equity units are equity awards issuable under our Equity Incentive Plan, which after vesting, may be settled for our common units on an one-for-one basis (or an amount of cash equal to the fair market value of such common units).

In general, restricted equity units are subject to a service-based vesting condition and vest in equal annual installments over a multi-year period (generally three to five years) from a specified date, subject to the recipient’s continued employment with us. Following this service-based vesting, certain restricted equity unit grant agreements may also subject the common units delivered upon settlement of such restricted equity units to transfer restrictions and/or minimum retained ownership requirements. Unvested restricted equity units granted under our Equity Incentive Plan are not entitled to receive distributions.

Common units delivered upon settlement of restricted equity units that are subject to transfer restrictions, unless waived, typically may not be sold, exchanged or otherwise transferred for a specified period of time following the vesting date. The transfer restriction period typically lasts for (1) one year with respect to one-half of the units vesting on the service-based vesting date and (2) two years with respect to the other one-half of the units vesting on such service-based vesting date. Transfer restricted common units become saleable at the end of the transfer restriction period if the holder has not been terminated for cause and has not breached in any significant or intentional manner, as determined by the Administrator, the terms of his or her confidentiality and restrictive covenants contained in the grant agreement during the transfer restriction period. See “Terms of Confidentiality and Restrictive Covenant Agreements” below.

While employed by our firm, our employees, including our named executive officers, may also be subject to a minimum retained ownership requirement under the restricted equity unit grant agreement, which would obligate them to continuously hold common unit equivalents of 15% of their cumulatively vested restricted equity units, unless waived. From time to time, the transfer restrictions and minimum retained ownership requirements applicable to restricted equity units of certain employees, including our named executive officers, may be transferred to such employees' KKR Holdings units, if any, so that the total units of equity subject to transfer restrictions and minimum retained ownership requirements are expected to be the same, unless waived.

For additional information about equity awards granted under our Equity Incentive Plan, please also see "KKR & Co. L.P. Equity Incentive Plan" below.

#### ***Terms of Confidentiality and Restrictive Covenant Agreements***

The confidentiality and restrictive covenant agreements with each of our named executive officers include prohibitions on them competing with us or soliciting our clients or employees while employed by us and during a restricted period following their departure from the firm. These agreements also require personnel to protect and use the firm's confidential information only in accordance with confidentiality restrictions set forth in the agreement.

The restricted periods for our Co-Chief Executive Officers expire on (1) for voluntary terminations or terminations with cause, two years from termination and (2) for terminations without cause, one year from termination. These restricted periods are subject to reduction for any "garden leave" or "notice period" that an employee serves prior to termination of employment. The restricted periods for our other named executive officers expire (1) in the case of the prohibitions on competition with us, 12 months from termination and (2) in the case of the prohibitions on the solicitation of our clients and employees, 18 months from termination. In cases where the named executive officer is terminated involuntarily and for reasons not constituting cause, such periods are reduced to 6 months and 9 months, respectively. In addition, under certain conditions the restricted periods applicable to the solicitation of our clients and employees are subject to reduction for any "garden leave" or "notice period" that an employee serves prior to termination of employment. Except for our Co-Chief Executive Officers, these agreements also require that we, and our named executive officers, provide advance notice prior to termination of employment.

Our named executive officers other than our Co-Chief Executive Officers have entered into these confidentiality and restrictive covenant agreements with us through their restricted equity unit grant agreements and separately also with KKR Holdings, which is entitled to waive, modify or amend them at any time without our consent. However, because our Co-Chief Executive Officers have not received any restricted equity units, their confidentiality and restrictive covenant agreements are solely with KKR Holdings. Because KKR Holdings is the party to these agreements and not us, we may not be able to enforce them, and these agreements might be waived, modified or amended at any time without our consent.

#### **Outstanding Equity Awards at 2016 Fiscal Year-End**

The following table sets forth information concerning unvested restricted equity units and KKR Holdings units for each of the named executive officers as of December 31, 2016 .

Name	Stock Awards	
	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock that Have Not Vested (\$) <sup>(1)</sup>
Henry R. Kravis	—	—
George R. Roberts	—	—
Todd A. Fisher	1,176,092 <sup>(2)</sup>	\$ 18,100,056
William J. Janetschek	767,832 <sup>(3)</sup>	\$ 11,816,934
David J. Sorkin	769,423 <sup>(4)</sup>	\$ 11,841,420

(1) These amounts are based on the closing market price of our common units on the last trading day of the year ended December 31, 2016 , of \$15.39 per common unit.

(2) Includes (i) 30,422 restricted equity units granted on February 5, 2014, which will vest on April 1, 2017; (ii) 144,130 restricted equity units granted on February 23, 2015, which will vest in equal installments on April 1, 2017 and April 1, 2018; (iii) 101,540 restricted equity units granted on February 23, 2016, which will vest in equal installments on April 1, 2017, April 1,

- 2018 and April 1, 2019; and (iv) 900,000 KKR Holdings units granted on February 25, 2016, which will vest in equal installments on May 1, 2017, May 1, 2018, May 1, 2019, May 1, 2020 and May 1, 2021.
- (3) Includes (i) 12,911 restricted equity units granted on February 5, 2014, which will vest on April 1, 2017; (ii) 147,194 restricted equity units granted on February 23, 2015, which will vest in equal installments on April 1, 2017 and April 1, 2018; (iii) 57,727 restricted equity units granted on February 23, 2016, which will vest in equal installments on April 1, 2017, April 1, 2018 and April 1, 2019; and (iv) 550,000 KKR Holdings units granted on February 25, 2016, which will vest in equal installments on May 1, 2017, May 1, 2018, May 1, 2019, May 1, 2020 and May 1, 2021.
- (4) Includes (i) 12,430 restricted equity units granted on February 5, 2014, which will vest on April 1, 2017, (ii) 147,194 restricted equity units granted on February 23, 2015, which will vest in equal installments on April 1, 2017 and April 1, 2018; (iii) 59,799 restricted equity units granted on February 23, 2016, which will vest in equal installments on April 1, 2017, April 1, 2018 and April 1, 2019; and (iv) 550,000 KKR Holdings units granted on February 25, 2016, which will vest in equal installments on May 1, 2017, May 1, 2018, May 1, 2019, May 1, 2020 and May 1, 2021.

### Option Exercises and Stock Vested in 2016

The following table sets forth information concerning the vesting of restricted equity units held by each of our named executive officers during the year ended December 31, 2016 .

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#) <sup>(1)</sup>	Value Realized on Vesting (\$) <sup>(2)</sup>
Henry R. Kravis	—	—
George R. Roberts	—	—
Todd A. Fisher	151,445	\$ 2,173,236
William J. Janetschek	103,127	\$ 1,479,872
David J. Sorkin	102,647	\$ 1,472,984

- (1) The amounts reflected in this column represent vested common units, a portion of which are subject to one- and two-year transfer restrictions upon vesting. See "-- Narrative Disclosure to Summary Compensation Table and Grants of Plan- Based Awards -- Terms of Restricted Equity Units" for additional terms including with respect to the transfer of certain restrictions from the restricted equity units to employees' KKR Holdings units.
- (2) These amounts are based on the closing market price of our common units on each respective vesting date.

### Pension Benefits for 2016

We provided no pension benefits during the year ended December 31, 2016 .

### Nonqualified Deferred Compensation for 2016

We provided no defined contribution plan for the deferral of compensation on a basis that is not tax-qualified during the year ended December 31, 2016 .

### Potential Payments Upon Termination or Change in Control

Upon termination of employment, vesting generally ceases for KKR Holdings units and restricted equity units that have not vested. In addition, transfer restricted vested KKR Holdings units and, if applicable, transfer restricted equity units (which term includes the transfer restricted common units that may be delivered upon settlement of such restricted equity units) remain subject to transfer restrictions for one- and two-year periods, except as described below. See "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" for additional information regarding KKR Holdings units and transfer restricted equity units of our named executive officers.

An employee who retires after the first date on which his or her age plus years of service to KKR equals 80 will continue to vest in his or her unvested KKR Holdings units and restricted equity units for an additional two years following retirement,

subject to compliance, if applicable, with the requirement that the holder not violate the terms and conditions of his or her confidentiality and restrictive covenants during the period in which such KKR Holdings unit or restricted equity unit, if applicable, remains transfer restricted over one- and two-year periods. None of our named executive officers retired in the year ended December 31, 2016.

Upon death or permanent disability, a holder of KKR Holdings units or restricted equity units becomes immediately vested in all unvested KKR Holdings units and restricted equity units, respectively. The values of unvested KKR Holdings units and restricted equity units held by the named executive officers as of December 31, 2016 are set forth above in the Outstanding Equity Awards at 2016 Fiscal Year-End Table.

In addition, upon a change in control of KKR, a holder of KKR Holdings units and restricted equity units becomes immediately vested in all unvested KKR Holdings units and restricted equity units, respectively. As noted above, the values of unvested KKR Holdings units and restricted equity units held by the named executive officers as of December 31, 2016 are set forth above in the Outstanding Equity Awards at 2016 Fiscal Year-End Table.

Upon termination of employment, vesting generally ceases for carried interest allocations. In addition, carried interest allocations become immediately vested upon death or permanent disability.

## Director Compensation

We limit compensation for service on our Managing Partner's board of directors to the independent directors. Each independent director receives (1) an annual cash retainer of \$75,000, (2) an additional annual cash retainer of \$15,000 if such independent director is a member of the nominating and corporate governance committee, (3) an additional annual cash retainer of \$25,000 if such independent director is a member of the audit committee and (4) an additional annual cash retainer of \$25,000 if such independent director serves as the chairman of the audit committee, which reflects an increase of \$10,000 effective September 2016. Cash retainers are pro-rated if, during the calendar year, a director joins the board of directors of our Managing Partner, a director joins or resigns from a committee or the amount of a retainer is increased. In addition, on October 26, 2016, 10,088 restricted equity units were granted to each independent director pursuant to our Equity Incentive Plan.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) <sup>(1)</sup>	Total (\$)
David C. Drummond	75,000	150,000	225,000
Joseph A. Grundfest	118,130	150,000	268,130
John B. Hess	75,000	150,000	225,000
Patricia F. Russo	75,000	150,000	225,000
Thomas M. Schoewe	100,000	150,000	250,000
Robert W. Scully	115,000	150,000	265,000

- (1) Represents the aggregate grant date fair value of restricted equity units granted to each of the independent directors during the year ended December 31, 2016 as calculated in accordance with ASC Topic 718. See Note 12 "Equity Based Compensation" of the financial statements included elsewhere in this report for additional information about the valuation assumptions with respect to all grants reflected in this column. These amounts reflect the aggregate grant date fair values calculated under ASC Topic 718 and may not correspond to the actual value that will be recognized by the independent directors.

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The following table details grants of restricted equity units to each of our independent directors of our Managing Partner in the year ended December 31, 2016. The table includes the grant date and grant date fair value of 2016 restricted equity units and the aggregate number of unvested restricted equity units as of December 31, 2016 owned by each independent director who served as a director during the year ended December 31, 2016 :

Name	Grant Date <sup>(1)</sup>	Stock Awards (#)	Grant Date Fair Value (\$) <sup>(2)</sup>	Total Number of Unvested Restricted Equity Awards on December 31, 2016 (#)
David C. Drummond	10/26/2016	10,088	150,000	10,088
Joseph A. Grundfest	10/26/2016	10,088	150,000	10,088
John B. Hess	10/26/2016	10,088	150,000	10,088
Patricia F. Russo	10/26/2016	10,088	150,000	10,088
Thomas M. Schoewe	10/26/2016	10,088	150,000	10,088
Robert W. Scully	10/26/2016	10,088	150,000	10,088

- (1) The restricted equity awards were granted on October 26, 2016 and vest on October 1, 2017, subject to the grantee's continued service through the vesting date.
- (2) This column represents the grant date fair value of restricted equity units granted to each of the independent directors during the year ended December 31, 2016 as calculated in accordance with ASC Topic 718. These amounts reflect the aggregate grant date fair values calculated under ASC Topic 718 and may not correspond to the actual value that will be recognized by the independent directors.

### **KKR & Co. L.P. Equity Incentive Plan**

Our Managing Partner has adopted the KKR & Co. L.P. 2010 Equity Incentive Plan, which is referred to as the Equity Incentive Plan.

#### ***Administration***

The board of directors of our Managing Partner administers the Equity Incentive Plan. However, the board of directors of our Managing Partner may delegate such authority, including to a committee or subcommittee of the board of directors. Under the terms of the Equity Incentive Plan, the board of directors of our Managing Partner, or the committee or subcommittee thereof to whom authority to administer the Equity Incentive Plan has been delegated, as the case may be, is referred to as the Administrator. The Administrator determines who will receive awards under the Equity Incentive Plan, as well as the form of the awards, the number of units underlying the awards and the terms and conditions of the awards, consistent with the terms of the Equity Incentive Plan. The Administrator has full authority to interpret and administer the Equity Incentive Plan and its determinations will be final and binding on all parties concerned. The Administrator may delegate the authority to grant awards and the day-to-day administration of the plan to any of our employees. Grants of equity awards to our named executive officers under our Equity Incentive Plan are made only by our Managing Partner's board of directors.

#### ***Common Units Subject to the Equity Incentive Plan***

The total number of our common units that may be issued under the Equity Incentive Plan as of the effective date of the plan was equivalent to 15% of the number of fully diluted and exchanged common units outstanding as of such date; provided that beginning with the first fiscal year after the Equity Incentive Plan became effective and continuing with each subsequent fiscal year occurring thereafter, the aggregate number of common units covered by the plan will be increased, on the first day of each fiscal year of KKR & Co. L.P. occurring during the term of the plan, by a number of common units equal to the positive difference, if any, of (x) 15% of the aggregate number of common units outstanding (on a fully-diluted and exchanged basis) on the last day of the immediately preceding fiscal year minus (y) the aggregate number of common units available for issuance under the plan as of the last day of such year, unless the Administrator should decide to increase the number of common units covered by the plan by a lesser amount on any such date.

### ***Options and Unit Appreciation Rights***

The Administrator may award non-qualified unit options and unit appreciation rights under the Equity Incentive Plan. Options and unit appreciation rights granted under the Equity Incentive Plan will become vested and exercisable at such times and upon such terms and conditions as may be determined by the Administrator at the time of grant, but no option or unit appreciation right will be exercisable for a period of more than 10 years after it is granted. The exercise price per common unit will be determined by the Administrator, provided that options and unit appreciation rights granted to participants who are U.S. taxpayers (i) will not be granted with an exercise price less than 100% of the fair market value per underlying common unit on the date of grant and (ii) will not be granted unless the common unit on which it is granted constitutes equity of the participant's "service recipient" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended. To the extent permitted by the Administrator, the exercise price of an option may be paid in cash or its equivalent, in common units having a fair market value equal to the aggregate exercise price and satisfying such other requirements as may be imposed by the Administrator, partly in cash and partly in common units or through net settlement in common units. As determined by the Administrator, unit appreciation rights may be settled in common units, cash or any combination thereof.

### ***Other Equity-Based Awards***

The Administrator, in its sole discretion, may grant or sell common units, restricted common units, deferred restricted common units, phantom restricted common units, and any other awards that are valued in whole or in part by reference to, or are otherwise based on the fair market value of, the common units, including restricted equity units that may be granted from time to time, to our employees, including our named executive officers. Any of these other equity-based awards may be in such form, and dependent on such conditions, as the Administrator determines, including without limitation the right to receive, or vest with respect to, one or more common units (or the equivalent cash value of such units) upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. The Administrator may, in its discretion, determine whether other equity-based awards will be payable in cash, common units or other assets or a combination of cash, common units and other assets.

### **Compensation Committee Interlocks and Insider Participation**

Because we are a limited partnership, our Managing Partner's board of directors is not required by NYSE rules to establish a compensation committee. Our founders, Messrs. Kravis and Roberts, serve as Co-Chairmen of the board of directors of our Managing Partner and participated in discussions regarding executive compensation. For a description of certain transactions between us and our founders, see "Certain Relationships and Related Transactions, and Director Independence."

### **Compensation Committee Report**

The board of directors of our Managing Partner does not have a compensation committee. The entire board of directors has reviewed and discussed with management the foregoing Compensation Discussion and Analysis and, based on such review and discussion, has determined that the Compensation Discussion and Analysis should be included in this annual report.

Henry R. Kravis  
George R. Roberts  
David C. Drummond  
Joseph A. Grundfest  
John B. Hess  
Patricia F. Russo  
Thomas M. Schoewe  
Robert W. Scully

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

**Our Common Units**

The following table sets forth the beneficial ownership of our common units and KKR Group Partnership Units that are exchangeable for our common units by:

- each person known to us to beneficially own more than 5% of any class of the outstanding voting securities of our partnership based on our review of filings with the SEC;
- each of the directors, persons chosen to become a director and named executive officers of our Managing Partner; and
- the directors, persons chosen to become a director and executive officers of our Managing Partner as a group.

The numbers of common units and KKR Group Partnership Units outstanding and the percentage of beneficial ownership are based on 452,723,038 common units issued and outstanding and 353,757,398 KKR Group Partnership Units that are exchangeable for our common units as of February 22, 2017. Beneficial ownership is in each case determined in accordance with the rules of the SEC, and includes equity securities of which that person has the right to acquire beneficial ownership within 60 days of February 22, 2017. Under these rules, more than one person may be deemed a beneficial owner of the same securities and a person may be deemed a beneficial owner of securities as to which he has no economic interest.

Name <sup>(4)</sup>	Common Units Beneficially Owned <sup>(1)</sup>		KKR Group Partnership Units and Special Voting Units Beneficially Owned <sup>(2)</sup>		Percentage of Combined Beneficial Ownership <sup>(3)</sup>
	Number	Percent	Number	Percent	
KKR Holdings <sup>(5)(7)</sup>	2,677	*	353,757,398	100.0%	43.9%
FMR LLC <sup>(6)</sup>	40,412,832	8.9%	—	—	8.9
Henry R. Kravis <sup>(5)(7)(8)</sup>	6,965,126	1.5	353,757,398	100.0	44.7
George R. Roberts <sup>(5)(7)(8)</sup>	5,878,998	1.3	353,757,398	100.0	44.6
David C. Drummond	14,879	*	—	—	*
Joseph A. Grundfest	49,495	*	—	—	*
John B. Hess	123,095	*	—	—	*
Patricia F. Russo	42,495	*	—	—	*
Thomas M. Schoewe	50,095	*	—	—	*
Robert W. Scully	49,495	*	—	—	*
Todd A. Fisher <sup>(9)</sup>	279,518	*	9,288,035	2.6	2.1
William J. Janetschek <sup>(9)</sup>	165,514	*	3,170,827	*	*
David J. Sorkin <sup>(9)</sup>	161,131	*	3,123,593	*	*
Directors and executive officers as a group (11 persons)	9,109,998	2.0%	353,757,398	100.0%	45.0%

\* Less than 1.0%.

- (1) KKR Group Partnership Units held by KKR Holdings are exchangeable (together with the corresponding special voting units) for our common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications and compliance with lock-up, vesting and transfer restrictions as described under “Certain Relationships and Related Transactions, and Director Independence-Exchange Agreement.” Beneficial ownership of KKR Group Partnership Units reflected in this table has not also been reflected as beneficial ownership of our common units for which such KKR Group Partnership Units may be exchanged.
- (2) On any matters that may be submitted to a vote of our unitholders, the special voting units provide their holders with a number of votes that is equal to the aggregate number of KKR Group Partnership Units that such holders hold and entitle such holders to participate in the vote on the same basis as our unitholders.

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- (3) This column assumes the exchange of KKR Group Partnership Units beneficially owned into common units and a number of outstanding common units calculated in accordance with Rule 13d-3(d)(1) of the Exchange Act.
- (4) The address of each director and executive officer is c/o KKR Management LLC, 9 West 57th Street, 42nd Floor, New York, New York 10019.
- (5) KKR Holdings owns, beneficially or of record, an aggregate of 2,677 common units and 353,757,398 exchangeable KKR Group Partnership Units. Our principals hold interests in KKR Holdings that will entitle them to participate in the value of the KKR Group Partnership Units held by KKR Holdings. KKR Holdings is a limited partnership that is controlled by KKR Holdings GP Limited, its sole general partner, which has investment control over all KKR Group Partnership Units and common units held by KKR Holdings and voting control over all special voting units held by KKR Holdings. Each of Messrs. Kravis and Roberts disclaims beneficial ownership of the securities that may be deemed to be beneficially owned by him, except to the extent of his own pecuniary interest therein. Messrs. Kravis and Roberts, by virtue of their rights under the organizational documents of KKR Holdings GP Limited (the general partner of KKR Holdings), may be deemed to share dispositive and/or voting power with respect to the KKR Group Partnership Units, special voting units and common units held by KKR Holdings. Mr. Kravis disclaims beneficial ownership of the securities that may be deemed to be beneficially owned by him, except with respect to 81,709,475 KKR Group Partnership Units in which he and certain related entities have a pecuniary interest. Mr. Roberts disclaims beneficial ownership of the securities that may be deemed to be beneficially owned by him, except with respect to 86,709,475 KKR Group Partnership Units in which he and certain related entities have a pecuniary interest. The address of KKR Holdings is c/o KKR Management LLC, 9 West 57th Street, 42nd Floor, New York, New York 10019.
- (6) Based on a Schedule 13G/A filed with the Securities and Exchange Commission on February 14, 2017, FMR LLC and Abigail P. Johnson may be deemed to beneficially own and have the sole power to dispose or to direct the disposition of 40,412,832 common units. The address of these beneficial owners is 245 Summer Street, Boston, Massachusetts 02210. Certain affiliates of Fidelity provide services to us in connection with the investment management, record keeping and administration of our Equity Incentive Plan and our retirement savings plans for which they received customary fees and expenses not in excess of \$1.2 million, although certain of these fees are paid by participants in the respective plans. Affiliates of Fidelity have invested or committed to invest approximately \$95.0 million as of December 31, 2016, in our investment vehicles. Fidelity and its affiliates have in the past and may in the future participate in offerings, syndications or similar transactions with our capital markets business, including in certain cases where equity of KKR portfolio companies are offered to Fidelity's retail and institutional brokerage customers, on the same terms and conditions provided to other participants in such transactions. For the year ended December 31, 2016, in connection with such transactions affiliates of Fidelity received selling concessions of less than \$300,000 in the aggregate, which were borne by the underwriters in such transactions. Affiliates of Fidelity may also sell common units owned by our employees, including our executive officers and directors, in ordinary brokerage transactions from time to time.
- (7) KKR MIF Fund Holdings L.P. owns, beneficially or of record, an aggregate of 1,028,156 common units. The sole general partner of KKR MIF Fund Holdings L.P. is KKR MIF Carry Holdings L.P. The sole general partner of KKR MIF Carry Holdings L.P. is KKR MIF Carry Limited. Each of KKR MIF Carry Holdings L.P. (as the sole general partner of KKR MIF Fund Holdings L.P.); KKR MIF Carry Limited (as the sole general partner of KKR MIF Carry Holdings L.P.); KKR Index Fund Investments L.P. (as the sole shareholder of KKR MIF Carry Limited); KKR IFI GP L.P. (as the sole general partner of KKR Index Fund Investments L.P.); KKR IFI Limited (as the sole general partner of KKR IFI GP L.P.); KKR Fund Holdings L.P. (as the sole shareholder of KKR IFI Limited); KKR Fund Holdings GP Limited (as a general partner of KKR Fund Holdings L.P.); KKR Group Holdings L.P. (as a general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited); KKR Group Limited (as the sole general partner of KKR Group Holdings L.P.); KKR & Co. L.P. (as the sole shareholder of KKR Group Limited); and KKR Management LLC (as the sole general partner of KKR & Co. L.P.) may be deemed to be the beneficial owner of the securities. Messrs. Kravis and Roberts are the designated members of KKR Management LLC and may be deemed to share dispositive power with respect to the common units held by KKR MIF Fund Holdings L.P. Each of Messrs. Kravis and Roberts disclaims beneficial ownership of the securities.
- (8) KKR Reference Fund Investments L.P. owns, beneficially or of record, an aggregate of 3,639,010 common units. The sole general partner of KKR Reference Fund Investments L.P. is KKR IFI GP L.P. Each of KKR IFI GP L.P. (as the sole general partner of KKR Reference Fund Investments L.P.); KKR IFI Limited (as the sole general partner of KKR IFI GP L.P.); KKR Fund Holdings L.P. (as the sole shareholder of KKR IFI Limited); KKR Fund Holdings GP Limited (as a general partner of KKR Fund Holdings L.P.); KKR Group Holdings L.P. (as a general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited); KKR Group Limited (as the sole



general partner of KKR Group Holdings L.P.); KKR & Co. L.P. (as the sole shareholder of KKR Group Limited); and KKR Management LLC (as the sole general partner of KKR & Co. L.P.) may be deemed to be the beneficial owner of the securities. Messrs. Kravis and Roberts are the designated members of KKR Management LLC and may be deemed to share dispositive power with respect to the common units held by KKR MIF Fund Holdings L.P. Each of Messrs. Kravis and Roberts disclaims beneficial ownership of the securities.

- (9) The common units above for Messrs. Fisher, Janetschek and Sorkin include 136,333, 105,750 and 105,960 common units, respectively that will vest within 60 days of February 22, 2017.

### Our Managing Partner

Our Managing Partner’s outstanding limited liability company interests consist of Class A shares, which are entitled to vote on the election and removal of directors and all other matters that have not been delegated to the board of directors or reserved for the vote of Class B members, and Class B shares, which are entitled to vote only with respect to any matter requiring the approval of holders of voting interests held directly or indirectly by us in the general partners of our non-U.S. funds. Notwithstanding the number of Class A shares held by the Class A members, under our Managing Partner’s limited liability company agreement, Messrs. Kravis and Roberts, as the designated members of KKR Management LLC, are deemed to represent a majority of the Class A shares outstanding when acting together for purposes of voting on matters upon which holders of Class A shares are entitled to vote. Messrs. Kravis and Roberts may, in their discretion, designate one or more holders of Class A shares to hold such voting power and exercise all of the rights and duties of Messrs. Kravis and Roberts under our Managing Partner’s limited liability company agreement. While Messrs. Kravis and Roberts historically have acted with unanimity when managing our business, they have not entered into any agreement relating to the voting of their Class A shares. All of our Managing Partner’s other Class A shares are held by our other senior employees. Our Managing Partner’s Class B shares are divided equally among twelve employees, each of whom holds less than 10% of the voting power of the Class B shares. None of the shares in our Managing Partner provide these holders with economic interests in our business. See also “Risk Factors-Our limited partnership agreement contains provisions that reduce or eliminate duties (including fiduciary duties) of our limited partner and limit remedies available for unitholders for actions that might otherwise constitute a breach of duty. It will be difficult for unitholders to successfully challenge a resolution of a conflict of interest by our Managing Partner or by its conflicts committee.” In addition, see “Risk Factors-We are a Delaware limited partnership, and there are provisions in our limited partnership agreement regarding exculpation and indemnification of our officers and directors that differ from the Delaware General Corporation Law (DGCL) in a manner that may be less protective of the interests of our common unitholders.”

### Securities Authorized for Issuance under Equity Compensation Plans

The table set forth below provides information concerning the awards that may be issued under our Equity Incentive Plan as of December 31, 2016 .

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights <sup>(1)</sup>	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in the first column) <sup>(2)</sup>
Equity Compensation Plans Approved by Security Holders	37,519,436	—	50,209,914
Equity Compensation Plans Not Approved by Security Holders	—	—	—
<b>Total</b>	<b>37,519,436</b>	<b>—</b>	<b>50,209,914</b>

- (1) Reflects the aggregate number of restricted equity units granted under our Equity Incentive Plan and outstanding as of December 31, 2016 .

- (2) The aggregate number of common units covered by the Equity Incentive Plan is increased on the first day of each fiscal year during its term by a number of units equal to the positive difference, if any, of (a) 15% of the aggregate number of common units outstanding (on a fully-diluted basis) on the last day of the immediately preceding fiscal

year minus (b) the aggregate number of common units available for issuance under the Equity Incentive Plan as of such date (unless the Administrator of the Equity Incentive Plan should decide to increase the number of common units covered by the plan by a lesser amount). We have filed a registration statement and intend to file additional registration statements on Form S-8 under the Securities Act to register common units covered by the Equity Incentive Plan (including pursuant to automatic annual increases). Any such Form S-8 registration statement will automatically become effective upon filing. Accordingly, common units registered under such registration statement will be available for sale in the open market.

## **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The following description is a summary of the material terms of the agreements described below, and does not contain all of the information that you may find useful. For additional information, you should read the copies of our investment agreement, our exchange agreement, our registration rights agreement, our tax receivable agreement and the partnership agreements of the KKR Group Partnerships, all of which have been filed as exhibits to this report.

### **The Investment Agreement, Indemnification and Insurance**

On August 4, 2009, we entered into an investment agreement by and among us, certain of our affiliates, KPE and certain of its affiliates, as a condition to the KPE Transaction.

The investment agreement provides that the KKR Group Partnerships will indemnify us, KPE, each present and former director and officer of the general partner of KPE and certain other persons serving a similar role against certain matters relating to their roles at the general partner at KPE or relating to the registration and listing of our common units.

Pursuant to the investment agreement, we obtained directors' and officers' liability insurance for the benefit of the directors and officers (and former directors and officers) of the general partner of KPE. The indemnification and insurance provisions of the agreement terminated pursuant to its terms in the year ended December 31, 2016.

### **Exchange Agreement**

We have entered into an exchange agreement with KKR Holdings, the entity through which certain of our employees, including Messrs. Kravis, Roberts, Fisher, Janetschek and Sorkin, hold their KKR Group Partnership Units, pursuant to which KKR Holdings or certain transferees of its KKR Group Partnership Units may, on a quarterly basis (subject to the terms of the exchange agreement), exchange KKR Group Partnership Units held by them (together with corresponding special voting units) for our common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. At the election of certain of our intermediate holding companies that are partners of the KKR Group Partnerships, the intermediate holding companies may settle exchanges of KKR Group Partnership Units with cash in an amount equal to the fair market value of the common units that would otherwise be deliverable in such exchanges. To the extent that KKR Group Partnership Units held by KKR Holdings or its transferees are exchanged for our common units, our interests in the KKR Group Partnerships will be correspondingly increased. Any common units received upon such exchange will be subject to any restrictions that were applicable to the exchanged KKR Group Partnership Units, including any applicable transfer restrictions. During the year ended December 31, 2016, 7,589,190 KKR Group Partnership Units were exchanged for our common units pursuant to this agreement.

On November 2, 2010, the exchange agreement was amended and restated to provide certain rights to cancel exchanges or limit the number of units exchanged in a given quarter. The amendments also provided that certain exchanges will be with a new subsidiary, the result of which is that the income tax character of a small portion of income distributed to unitholders may differ from what it would have been absent the amendment. If additional taxes result from the inclusion of this subsidiary of ours, KKR Holdings will make payments to one of our subsidiaries in respect of those taxes.

Certain interests in KKR Holdings that are held by our employees are subject to transfer restrictions and vesting requirements that, unless waived, modified or amended, limit the ability of our employees to cause KKR Group Partnership Units to be exchanged under the exchange agreement so long as applicable vesting and transfer restrictions apply. The general partner of KKR Holdings, which is controlled by our founders, will have sole authority for waiving any applicable vesting or transfer restrictions.

As contemplated by the exchange agreement, a coordinated selling program has been established relating to sales of common units received pursuant to the exchanges by certain holders of KKR Holdings units. Pursuant to the program, sales generally take place quarterly, and management is permitted to establish an overall limit on such sales based upon the trading volume of our common units or any other factor that may be considered relevant.

### **Registration Rights Agreement**

In connection with our NYSE listing, we entered into a registration rights agreement with KKR Holdings pursuant to which we granted KKR Holdings, its affiliates and transferees of its KKR Group Partnership Units the right, under certain circumstances and subject to certain restrictions, to require us to register under the Securities Act our common units (and other securities convertible into or exchangeable or exercisable for our common units) held or acquired by them. Under the

registration rights agreement, holders of registration rights will have the right to request us to register the common units received upon the exchange of their KKR Holdings units and the sale of such common units and also have the right to require us to make available shelf registration statements permitting sales of common units into the market from time to time over an extended period. In addition, holders of registration rights will have the ability to exercise certain piggyback registration rights in connection with registered offerings requested by other holders of registration rights or initiated by us. On October 1, 2010, the registration statement we filed pursuant to this agreement was declared effective, and a post-effective amendment was declared effective on September 21, 2011. As of December 31, 2016, 353,757,398 common units remain unissued under that registration statement.

### **Tax Receivable Agreement**

We and one or more of our intermediate holding companies may be required to acquire KKR Group Partnership Units from time to time pursuant to our exchange agreement with KKR Holdings. KKR Management Holdings L.P. has made an election under Section 754 of the Internal Revenue Code, which will remain in effect for each taxable year in which an exchange of KKR Group Partnership Units for common units occurs. Certain of these exchanges are expected to result in an increase in certain of our intermediate holding companies' share of the tax basis of the tangible and intangible assets of the KKR Group Partnerships, primarily attributable to a portion of the goodwill inherent in our business, that would not otherwise have been available. This increase in tax basis may increase depreciation and amortization deductions for tax purposes and therefore reduce the amount of income tax our intermediate holding companies would otherwise be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

We have entered into a tax receivable agreement with KKR Holdings requiring our intermediate holding companies to pay to KKR Holdings or transferees of its KKR Group Partnership Units 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that our intermediate holding companies actually realize as a result of this increase in tax basis, as well as 85% of the amount of any such savings our intermediate holding companies actually realize as a result of increases in tax basis that arise due to future payments under the agreement. A termination of the agreement or a change of control could give rise to similar payments based on tax savings that we would be deemed to realize in connection with such events. This payment obligation is an obligation of the intermediate holding companies and not of either KKR Group Partnership. As such, the cash distributions to common unitholders may vary from holders of KKR Group Partnership Units (held by KKR Holdings and others) to the extent payments are made under the tax receivable agreement to exchanging holders of KKR Group Partnership Units. As the payments reflect actual tax savings received by KKR entities, there may be a timing difference between the tax savings received by KKR entities and the cash payments to exchanging holders of KKR Group Partnership Units. We expect the intermediate holding companies to benefit from the remaining 15% of cash savings, if any, in income tax that they realize. In the event that other of our current or future subsidiaries become taxable as corporations and acquire KKR Group Partnership Units in the future, or if we become taxable as a corporation for U.S. federal income tax purposes, we expect that each will become subject to a tax receivable agreement with substantially similar terms.

For purposes of the tax receivable agreement, cash savings in income tax will be computed by comparing the actual income tax liability of our intermediate holding companies to the amount of such taxes that they would have been required to pay had there been no increase to the tax basis of the tangible and intangible assets of the KKR Group Partnerships as a result of the exchanges of KKR Group Partnership Units and had the intermediate holding companies not entered into the tax receivable agreement. The term of the tax receivable agreement continues until all such tax benefits have been utilized or expired, unless the intermediate holding companies exercise their right to terminate the tax receivable agreement for an amount based on the agreed payments remaining to be made under the agreement.

Estimating the amount of payments that may be made under the tax receivable agreement is by its nature imprecise, insofar as the calculation of amounts payable depends on a variety of factors. The actual increase in tax basis, as well as the amount and timing of any payments under the tax receivable agreement, will vary depending upon a number of factors, including:

- the timing of exchanges—for instance, the increase in any tax deductions will vary depending on the fair market value, which may fluctuate over time, of the KKR Group Partnership Units, which will depend on the fair market value of the depreciable or amortizable assets of the KKR Group Partnerships at the time of the transaction;
- the price of our common units at the time of the exchange—the increase in any tax deductions, as well as the tax basis increase in other assets, of the KKR Group Partnerships, is directly proportional to the price of our common units at the time of the exchange;

- the extent to which such exchanges are taxable—if an exchange is not taxable for any reason (for instance, in the case of a charitable contribution), increased deductions will not be available; and
- the amount of tax, if any, our intermediate holding company is required to pay aside from any tax benefit from the exchanges, and the timing of any such payment. If our intermediate holding companies do not have taxable income aside from any tax benefit from the exchanges, they will not be required to make payments under the tax receivable agreement for that taxable year because no tax savings will have been actually realized.

We expect that as a result of the amount of the increases in the tax basis of the tangible and intangible assets of the KKR Group Partnerships, assuming no material changes in the relevant tax law and that we earn sufficient taxable income to realize the full tax benefit of the increased amortization of our assets, future payments under the tax receivable agreement will be substantial. The payments under the tax receivable agreement are not conditioned upon our principals' continued ownership of us and are required to be made within 90 days of the filing of the tax returns of our intermediate holding companies. For the year ended December 31, 2016 such payments made to our principals, none of whom included a member of the board of directors of our Managing Partner, were approximately \$4.4 million. Such payments to KKR Holdings were \$0.6 million and less than \$0.1 million in the aggregate was paid to Messrs. Fisher, Janetschek and Sorkin as a group.

The intermediate holding companies may terminate the tax receivable agreement at any time by making an early termination payment to KKR Holdings or its transferees, based upon the net present value (based upon certain assumptions in the tax receivable agreement) of all tax benefits that would be required to be paid by the intermediate holding companies to KKR Holdings or its transferees. In addition, the tax receivable agreement provides that upon certain mergers, asset sales, other forms of combination transactions or other changes of control, the minimum obligations of our intermediate holding companies or their successor with respect to exchanged or acquired KKR Group Partnership Units (whether exchanged or acquired before or after such transaction) would be based on certain assumptions, including that our intermediate holding companies would have sufficient taxable income to fully utilize the increased tax deductions and increased tax basis and other benefits related to entering into the tax receivable agreement. In these situations, our obligations under the tax receivable agreement could have a substantial negative impact on our liquidity.

Decisions made by our senior principals in the course of running our business, such as with respect to mergers, asset sales, other forms of business combinations or other changes of control, may influence the timing and amount of payments that are received by an exchanging or selling holder of partner interests in the KKR Group Partnerships under the tax receivable agreement. For example, the earlier disposition of assets following an exchange or acquisition transaction will generally accelerate payments under the tax receivable agreement and increase the present value of such payments, and the disposition of assets before an exchange or acquisition transaction will increase a principals' tax liability without giving rise to any rights of a principal to receive payments under the tax receivable agreement.

Payments under the tax receivable agreement will be based upon the tax reporting positions that our Managing Partner will determine. We are not aware of any issue that would cause the IRS to challenge a tax basis increase. However, neither KKR Holdings nor its transferees will reimburse us for any payments previously made under the tax receivable agreement if such tax basis increase, or the tax benefits we claim arising from such increase, is successfully challenged by the IRS. As a result, in certain circumstances payments to KKR Holdings or its transferees under the tax receivable agreement could be in excess of the intermediate holding companies' cash tax savings. The intermediate holding companies' ability to achieve benefits from any tax basis increase, and the payments to be made under this agreement, will depend upon a number of factors, as discussed above, including the timing and amount of our future income.

### **KKR Group Partnership Agreements**

We indirectly control the general partners of the KKR Group Partnerships and, through the KKR Group Partnerships and their subsidiaries, the KKR business. Because our Managing Partner operates and controls us, our Managing Partner's board of directors and our officers are ultimately responsible for all material decisions of the KKR Group Partnerships and the KKR Group Partnerships' businesses.

Pursuant to the partnership agreements of the KKR Group Partnerships, our partnership, as the controlling general partner of KKR Fund Holdings L.P., KKR Management Holdings L.P. and KKR International Holdings L.P., have the indirect right to determine when distributions will be made to the holders of KKR Group Partnership Units and the amount of any such distributions.

On March 17, 2016, in connection with the issuance of the Series A Preferred Units and on June 20, 2016, in connection with the issuance of the Series B Preferred Units, the limited partnership agreements of the KKR Group Partnerships were amended to provide for preferred units with economic terms designed to mirror those of the Series A Preferred Units and Series B Preferred Units.

The partnership agreements of the KKR Group Partnerships provide for tax distributions to the holders of KKR Group Partnership Units if the general partners of the KKR Group Partnerships determine that distributions from the KKR Group Partnerships would otherwise be insufficient to cover the tax liabilities of a holder of a KKR Group Partnership Unit. Generally, these tax distributions will be computed based on our estimate of the net taxable income of the relevant partnership allocable to a holder of a KKR Group Partnership Unit multiplied by an assumed tax rate equal to the highest effective marginal combined U.S. federal, state and local income tax rate prescribed for an individual or corporate resident in New York, New York (taking into account the nondeductibility of certain expenses and the character of our income).

The partnership agreements of the KKR Group Partnerships authorize the general partners of the KKR Group Partnerships to issue an unlimited number of additional securities of the KKR Group Partnerships with such designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to the KKR Group Partnerships Units, and which may be exchangeable for KKR Group Partnership Units.

#### **Firm Use of Private Aircraft**

Certain of our senior employees, including Messrs. Kravis and Roberts, own aircraft that we use for business purposes in the ordinary course of our operations. These senior employees paid for the purchase of these aircraft with their personal funds and bear all operating, personnel and maintenance costs associated with their operation. The hourly rates that we pay for the use of these aircraft are based on current market rates for chartering private aircraft of the same type. We incurred \$5.1 million for the use of these aircraft during the year ended December 31, 2016, of which substantially all was paid to entities collectively controlled by Messrs. Kravis and Roberts.

## **Side-By-Side and Other Investments**

Because fund investors typically are unwilling to invest their capital in a fund unless the fund's manager also invests its own capital in the fund's investments, our investment fund documents generally require the general partners of our investment funds to make minimum capital commitments to the funds. The amount of these commitments, which are negotiated by fund investors, generally range from 2% to 8% of a fund's total capital commitments at final closing, but may be greater for certain funds pursuing new strategies. When investments are made, the general partner contributes capital to the fund based on its fund commitment percentage and if applicable, acquires a capital interest in the investment that is not subject to a carried interest. Historically, these capital contributions have been funded with cash from operations that otherwise would be distributed to our employees.

In connection with the KPE Transaction, we did not acquire capital interests in investments that were funded by our employees or others involved in our business prior to October 1, 2009. Rather, those capital interests were allocated to our employees or others involved in our business and are reflected in our financial statements as noncontrolling interests in consolidated entities to the extent that we hold the general partner interest in the fund. Any capital contributions that our private equity fund general partners are required to make to a fund will be funded by us and we will be entitled to receive our allocable share of the returns thereon.

In addition, our employees and certain other qualifying personnel are permitted to invest and have invested their own capital in our funds, side-by-side investments with our funds or the firm and the funds managed by our strategic partnerships with other fund managers. Side-by-side investments are investments generally made on the same terms and conditions as those available to the applicable fund or the firm and, they, together with their investments in our funds or the funds managed by our strategic partnerships with other funds managers, are not generally subject to management fees or a carried interest. The cash invested by our employees and certain other qualifying personnel and their investment vehicles aggregated to \$328.3 million for the year ended December 31, 2016, of which \$34.6 million, \$25.9 million, \$9.9 million, \$3.1 million and \$0.6 million was invested by Messrs. Kravis, Roberts, Fisher, Janetschek, and Sorkin and their investment vehicles, respectively. These investments are not included in the accompanying consolidated financial statements. In addition, our funds invested \$8.8 million in 2016 from the commitments of certain investment vehicles associated with Mr. Hess. Such investments associated with Mr. Hess were made on the same terms and conditions as for other fund investors including management fees and/or a carried interest applicable to the relevant fund.

## **Indemnification of Directors, Officers and Others**

Under our partnership agreement, in most circumstances we will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts: our Managing Partner; any departing Managing Partner; any person who is or was an affiliate of our Managing Partner or any departing Managing Partner; any person who is or was a member, partner, tax matters partner, officer, director, employee, agent, fiduciary or trustee of our partnership or our subsidiaries, the general partner or any departing general partner or any affiliate of us or our subsidiaries, our Managing Partner or any departing Managing Partner; any person who is or was serving at the request of a Managing Partner or any departing Managing Partner or any affiliate of a Managing Partner or any departing Managing Partner as an officer, director, employee, member, partner, agent, fiduciary or trustee of another person; or any person designated by our Managing Partner. We have agreed to provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons acted in bad faith or engaged in fraud or willful misconduct. We have also agreed to provide this indemnification for criminal proceedings. Any indemnification under these provisions will only be out of our assets. Unless it otherwise agrees, our Managing Partner will not be personally liable for, or have any obligation to contribute or loan funds or assets to us to enable us to effectuate, indemnification. The indemnification of the persons described above shall be secondary to any indemnification such person is entitled from another person or the relevant KKR fund to the extent applicable. We may purchase insurance against liabilities asserted against and expenses incurred by persons in connection with our activities, regardless of whether we would have the power to indemnify the person against liabilities under our partnership agreement.

Each member of the board of directors, each an indemnitee has entered into an indemnification agreement with the Managing Partner and us. Each indemnification agreement provides that the indemnitee, subject to the limitations set forth in each indemnification agreement, shall be indemnified and held harmless by the Managing Partner on an after tax basis from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all threatened, pending or completed claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, and whether formal or informal and including appeals, in which the indemnitee may be involved, or is threatened to be involved, as a party or

otherwise, by reason of being or having been or having agreed to serve as a member of the board of directors, or while serving as a member of the board of directors, being or having been serving or having agreed to serve at the request of the Managing Partner as a director, officer, employee or agent (which, for purposes hereof, shall include a trustee, partner or manager or similar capacity) of another corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise, whether arising from acts or omissions to act occurring on, before or after the date of such indemnification agreement. Each indemnification agreement provides that the indemnitee shall not be indemnified and held harmless if there has been a final and non-appealable judgment entered by an arbitral tribunal or court of competent jurisdiction determining that, in respect of the matter for which the indemnitee is seeking indemnification pursuant to the indemnification agreement, the indemnitee acted in bad faith or engaged in fraud or willful misconduct.

#### **Guarantee of Contingent Obligations to Fund Partners; Indemnification**

The partnership documents governing KKR's carry—paying funds, including funds relating to private equity, mezzanine, infrastructure, energy, real estate, direct lending and special situations investments, generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. Under a clawback obligation, upon the liquidation of a fund, the general partner is required to return, typically on an after-tax basis, previously distributed carry to the extent that, due to the diminished performance of later investments, the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, including the effects of any performance thresholds. Excluding carried interest received by the general partners of funds that were not contributed to KKR in the KPE Transaction, as of December 31, 2016, no carried interest was subject to this clawback obligation, assuming that all applicable carry paying funds were liquidated at their December 31, 2016 fair values. Had the investments in such funds been liquidated at zero value, the clawback obligation would have been \$2,204.9 million. Carried interest is recognized in the statement of operations based on the contractual conditions set forth in the agreements governing the fund as if the fund were terminated and liquidated at the reporting date and the fund's investments were realized at the then estimated fair values. Amounts earned pursuant to carried interest are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment amounts earned decrease or turn negative in subsequent periods, recognized carried interest will be reversed and to the extent that the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, a clawback obligation would be recorded. For funds that are consolidated, this clawback obligation, if any, is reflected as an increase in noncontrolling interests in the consolidated statements of financial condition. For funds that are not consolidated, this clawback obligation, if any, is reflected as a reduction of KKR's investment balance as this is where carried interest is initially recorded.

Prior to the KPE Transaction in 2009, certain principals who received carried interest distributions with respect to certain private equity funds contributed to KKR had personally guaranteed, on a several basis and subject to a cap, the contingent obligations of the general partners of such private equity funds to repay amounts to fund investors pursuant to the general partners' clawback obligations. The terms of the KPE Transaction require that principals remain responsible for any clawback obligations relating to carry distributions received prior to the KPE Transaction, up to a maximum of \$223.6 million. Through investment realizations, this amount has been reduced to \$98.9 million as of December 31, 2016. Using valuations as of December 31, 2016, no amounts are due with respect to the clawback obligation required to be funded by principals. Carry distributions arising subsequent to the KPE Transaction may give rise to clawback obligations that may be allocated generally to KKR and principals who participate in the carry pool. In addition, guarantees of or similar arrangements relating to clawback obligations in favor of third party investors in an individual investment partnership by entities KKR owns may limit distributions of carried interest more generally.



## **Facilities**

Certain trusts, whose beneficiaries include children of Mr. Kravis and Mr. Roberts, and certain other senior employees who are not executive officers of the Company, are partners in a real-estate based partnership that maintains an ownership interest in our Menlo Park location. Payments made from us to this partnership aggregated \$7.4 million for the year ended December 31, 2016 .

## **Confidentiality and Restrictive Covenant Agreements**

Our employees have entered into confidentiality and restrictive covenant agreements that include prohibitions on our employees competing with us or soliciting clients or employees of our firm during a restricted period following their departure from the firm. For further information on these agreements, see "Executive Compensation—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards in 2016 —Terms of Confidentiality and Restrictive Covenant Agreements."

## **Other Transactions with Related Persons**

We have and may in the future continue to enter into ordinary course transactions with unaffiliated entities known to us to beneficially own more than 5% of any class of the outstanding voting securities of our partnership. These transactions may include investments by them in our funds generally on the same terms and conditions offered to other unaffiliated fund investors and participation in our capital markets transactions, including underwritings and syndications, generally on the same terms and conditions offered to other unaffiliated capital markets participants. See "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters." In February 2016, after appraisals were conducted and with the approval of the conflicts committee of our board of directors, a company owned by Mr. Kravis purchased art from KKR for \$537,900.

## **Statement of Policy Regarding Transactions with Related Persons**

The board of directors of our Managing Partner adopted a written statement of policy for our partnership regarding transactions with related persons, which we refer to as our related person policy. Our related person policy requires that a "related person" (as defined as in Item 404(a) of Regulation S-K) must promptly disclose to our General Counsel or other designated person any "related person transaction" (defined as any transaction, arrangement or relationship, or series of similar transactions, arrangements or relationships, including, without limitation, any loan, guarantee of indebtedness, transfer or lease of real estate, or use of company property) that is reportable by us under Item 404(a) of Regulation S-K in which we were or are to be a participant and the amount involved exceeds \$120,000 and in which any related person had or will have a direct or indirect material interest) and all material facts with respect thereto. Those individuals will then communicate that information to the board of directors of our Managing Partner. No related person transaction will be consummated without the approval or ratification of a committee of the board consisting exclusively of disinterested directors; provided, however, the conflicts committee of our board of directors has pre-approved certain ordinary course transactions with persons known to us to beneficially own more than 5% of our outstanding common units on terms generally not less favorable as obtained from other third parties, including investments in our funds as limited partners and participation in capital markets transactions like underwritings and syndications, the renewal of pre-existing strategic relationships with an owner of more than 5% of our outstanding common units, the use of aircraft owned by our senior employees for business purposes, certain investments by eligible employees in side-by-side investments with our firm and funds managed by our strategic partnership with other fund managers, and certain pro rata cash contributions to the Group Partnerships for cash management purposes. It is our policy that directors interested in a related person transaction will recuse themselves from any vote on a related person transaction in which they have an interest. All transactions entered into prior to July 14, 2010 were not approved in accordance with this policy as they were entered into prior to the date of adoption of the policy. All side-by-side and other investments described in this section are pre-approved in accordance with the terms of the policy.

## **Director Independence**

Please see "Directors, Executive Officers and Corporate Governance—Independence and Composition of Board of Directors" for information on director independence.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The following table summarizes the aggregate fees for professional services provided by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu Limited or their respective affiliates (collectively, the "Deloitte Entities") for the years ended December 31, 2016 and 2015.

	<b>For the Year Ended December 31, 2016</b>	
	<b>KKR</b>	<b>Completed Transactions</b>
	<b>(in thousands)</b>	
Audit Fees	\$ 22,068 <sup>(a)</sup>	\$ —
Audit-Related Fees	\$ 6,854 <sup>(b)</sup>	\$ 6,769 <sup>(d)</sup>
Tax Fees	\$ 30,804 <sup>(c)</sup>	\$ 5,478 <sup>(d)</sup>
All Other Fees	\$ —	\$ —

	<b>For the Year Ended December 31, 2015</b>	
	<b>KKR</b>	<b>Completed Transactions</b>
	<b>(in thousands)</b>	
Audit Fees	\$ 20,241 <sup>(a)</sup>	\$ —
Audit-Related Fees	\$ 7,157 <sup>(b)</sup>	\$ 6,102 <sup>(d)</sup>
Tax Fees	\$ 28,988 <sup>(c)</sup>	\$ 4,619 <sup>(d)</sup>
All Other Fees	\$ —	\$ —

- (a) Audit Fees consisted of estimated fees for each audit year for (1) the audits of our consolidated financial statements in our Annual Report on Form 10-K and services related to, or required by, statute or regulation; (2) reviews of the interim condensed consolidated financial statements included in our quarterly reports on Form 10-Q; and (3) comfort letters, consents and other services related to SEC and other regulatory filings. Estimate to actual adjustments for settlements of audit fees are reflected in the year audit fees are settled.
- (b) Audit-Related Fees primarily included merger, acquisition, and investment due diligence services for strategic acquisitions or investments in target companies for in-process transactions and transactions not completed.
- (c) Tax Fees consisted of fees for services rendered for tax compliance, planning and advisory services as well as tax fees for merger, acquisition, and investment due diligence services for strategic acquisitions or investments in target companies for in-process transactions and transactions not completed.
- (d) Audit-Related and Tax Fees included merger, acquisition, and investment due diligence services for strategic acquisitions or investments in portfolio companies that have been completed. In addition, the Deloitte Entities provided audit, audit-related, tax and other services to the portfolio companies, which are approved directly by the portfolio company's management and are not included in the amounts presented here.

Our audit committee charter, which is available on our website at [www.kkr.com](http://www.kkr.com) under "Investor Center—Unitholder (KKR & Co. L.P.)—Corporate Governance—Audit", requires the audit committee to approve in advance all audit and non-audit related services to be provided by our independent registered public accounting firm in accordance with the audit and non-audit related services pre-approval policy. All services reported in the Audit, Audit-Related, Tax, and All Other categories above were approved by the audit committee.

**PART IV**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

(a) The following documents are filed as part of this annual report.

1. Financial Statements

See Item 8 above.

2. Financial Statement Schedules:

See Schedule II - Valuation and Qualifying Accounts - Years Ended December 31, 2016, 2015 and 2014 of this Annual Report on Form 10-K. The other schedules are omitted as they are not applicable or the amounts involved are not material.

3. Exhibits:

- 2.1 Merger Agreement, dated as of December 16, 2013, among KKR & Co. L.P., KKR Fund Holdings L.P., Copal Merger Sub LLC, a Delaware limited liability company and KKR Financial Holdings LLC (incorporated by reference to Exhibit 2.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on December 17, 2013).
- 3.1 Certificate of Limited Partnership of the Registrant (incorporated by reference to Exhibit 3.1 to the KKR & Co. L.P. registration statement on Form S-1 (File No. 133-165414) filed on March 12, 2010 (the "Registration Statement").
- 3.2 Third Amended and Restated Limited Partnership Agreement of the Registrant (incorporated by reference to Exhibit 3.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on June 20, 2016).
- 3.3 Certificate of Formation of the Managing Partner of the Registrant (incorporated by reference to Exhibit 3.3 of the Registration Statement).
- 3.4 Second Amended and Restated Limited Liability Company Agreement of the Managing Partner of the Registrant (incorporated by reference to Exhibit 3.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on May 6, 2016).
- 4.1 Indenture dated as of September 29, 2010 among KKR Group Finance Co. LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on September 30, 2010).
- 4.2 First Supplemental Indenture dated as of September 29, 2010 among KKR Group Finance Co. LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on September 30, 2010).
- 4.3 Second Supplemental Indenture dated as of August 5, 2014 among KKR Group Finance Co. LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014).
- 4.4 Form of 6.375% Senior Note due 2020 (included in Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on September 30, 2010).

- 4.5 Registration Rights Agreement of KKR & Co. L.P., dated as of October 1, 2012, by and among KKR & Co. L.P., AUSA Holding Company and the other persons listed on the signature page thereto (incorporated by reference to Exhibit 4.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on November 2, 2012).
- 4.6 Indenture dated as of February 1, 2013 among KKR Group Finance Co. II LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on February 1, 2013).
- 4.7 First Supplemental Indenture dated as of February 1, 2013 among KKR Group Finance Co. II LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on February 1, 2013).
- 4.8 Second Supplemental Indenture dated as of August 5, 2014 among KKR Group Finance Co. II LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014).
- 4.9 Form of 5.500% Senior Note due 2043 (included in Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on February 1, 2013).
- 4.10 Registration Rights Agreement of KKR & Co. L.P. dated as of February 19, 2014, by and among KKR & Co. L.P. and the sellers of Avoca listed on the signature pages thereto (included in Exhibit 4.8 to the KKR & Co. L.P. Annual Report on Form 10-K filed on February 24, 2014).
- 4.11 Indenture dated as of May 29, 2014 among KKR Group Finance Co. III LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on May 29, 2014).
- 4.12 First Supplemental Indenture dated as of May 29, 2014 among KKR Group Finance Co. III LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on May 29, 2014).
- 4.13 Second Supplemental Indenture dated as of August 5, 2014 among KKR Group Finance Co. III LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.3 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014).
- 4.14 Form of 5.125% Senior Note due 2044 (included in Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on May 29, 2014).
- 4.15 Form of 6.75% Series A Preferred Unit Certificate (included in Exhibit 4.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on March 17, 2016).
- 4.16 Form of 6.50% Series B Preferred Unit Certificate (included in Exhibit 4.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on June 20, 2016).
- 4.17 Indenture, dated as of November 15, 2011, between the KKR Financial Holdings LLC and Wilmington Trust, National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on November 15, 2011).
- 4.18 Second Supplemental Indenture, dated as of March 20, 2012, between KKR Financial Holdings LLC, Wilmington Trust, National Association, as Trustee and Citibank, N.A., as Authenticating Agent, Paying Agent and Security Registrar (incorporated by reference to Exhibit 4.2 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on March 20, 2012).

- 4.19 Form of 7.500% Senior Note due March 20, 2042 of KKR Financial Holdings LLC (incorporated by reference to Exhibit 4.2 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on March 20, 2012).
- 4.20 Share Designation of the 7.375% Series A LLC Preferred Shares of KKR Financial Holdings LLC, dated as of January 17, 2013 (incorporated by reference to Exhibit 3.1 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on January 17, 2013).
- 4.21 Registration Rights Agreement, dated as of November 2, 2015, by and among KKR & Co. L.P., MW Group (GP) LTD and the other persons listed on the signature pages thereto (incorporated by reference to Exhibit 4.2 of the Registration Statement on Form S-3 (No. 333-208019) filed on November 13, 2015).
- 10.1 Second Amended and Restated Limited Partnership Agreement of KKR Management Holdings L.P. dated October 1, 2009 (incorporated by reference to Exhibit 10.1 of the Registration Statement).
- 10.1.1 Amendment No. 1 to the Second Amended and Restated Limited Partnership Agreement of KKR Management Holdings L.P., dated March 17, 2016 (incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on March 17, 2016).
- 10.1.2 Amendment No. 2 to the Second Amended and Restated Limited Partnership Agreement of KKR Management Holdings L.P., dated June 20, 2016 (incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on June 20, 2016).
- 10.2 Second Amended and Restated Limited Partnership Agreement of KKR Fund Holdings L.P. dated October 1, 2009 (incorporated by reference to Exhibit 10.2 of the Registration Statement).
- 10.2.1 Amendment to Second Amended and Restated Limited Partnership Agreement of KKR Fund Holdings L.P. dated August 5, 2014 (incorporated by reference to Exhibit 10.3 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014).
- 10.2.2 Amendment to Second Amended and Restated Limited Partnership Agreement of KKR Fund Holdings L.P., dated March 17, 2016 (incorporated by reference to Exhibit 10.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on March 17, 2016).
- 10.2.3 Amendment to Second Amended and Restated Limited Partnership Agreement of KKR Fund Holdings L.P., dated June 20, 2016 (incorporated by reference to Exhibit 10.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on June 20, 2016).
- 10.3 Amended and Restated Limited Partnership Agreement of KKR International Holdings L.P., dated August 5, 2014 (incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014).
- 10.3.1 Amendment to Amended and Restated Limited Partnership Agreement of KKR International Holdings L.P., dated March 17, 2016 (incorporated by reference to Exhibit 10.3 to the KKR & Co. L.P. Current Report on Form 8-K filed on March 17, 2016).
- 10.3.2 Amendment to Amended and Restated Limited Partnership Agreement of KKR International Holdings L.P., dated June 20, 2016 (incorporated by reference to Exhibit 10.3 to the KKR & Co. L.P. Current Report on Form 8-K filed on June 20, 2016).
- 10.4 Registration Rights Agreement dated July 14, 2010, by and among KKR & Co. L.P., KKR Holdings L.P. and the persons from time to time party thereto (incorporated by reference to Exhibit 10.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on July 20, 2010).
- 10.5 \* Form of KKR & Co. L.P. 2010 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to Amendment No. 3 to the Registration Statement filed on June 3, 2010).

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- 10.6 Tax Receivable Agreement (incorporated by reference to Exhibit 10.3 to the KKR & Co. L.P. Current Report on Form 8-K filed on July 20, 2010).
- 10.7 Amended and Restated Exchange Agreement (incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on November 3, 2010).
- 10.8 Amendment and Joinder Agreement to Exchange Agreement, dated as of August 5, 2014 among KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR Holdings L.P., KKR & Co. L.P., KKR Group Holdings L.P., KKR Subsidiary Partnership L.P., KKR Group Limited, and KKR International Holdings L.P. (incorporated by reference to Exhibit 10.2 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014).
- 10.9 Credit Agreement, dated as of October 22, 2014, among Kohlberg Kravis Roberts & Co. L.P., KKR Fund Holdings L.P., KKR Management Holdings L.P. and KKR International Holdings L.P., the other borrowers from time to time party thereto, the guarantors from time to time party thereto, the lending institutions from time to time party thereto and HSBC Bank USA, National Association, as Administrative Agent (incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Current Report on Form 8-K filed October 24, 2014).
- 10.10 Amendment No. 1 to Credit Agreement, dated as of August 18, 2015 by and among Kohlberg Kravis Roberts & Co. L.P. and HSBC Bank USA, National Association (incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed November 5, 2015).
- 10.11 \* Form of Confidentiality and Restrictive Covenant Agreement (Founders) (incorporated by reference to Exhibit 10.10 of the Registration Statement).
- 10.12 \* Form of Indemnification Agreement by and among each member of the Board of Directors of KKR Management LLC, KKR Management LLC and KKR & Co. L.P. (incorporated by reference to Exhibit 10.4 to the KKR & Co. L.P. Current Report on Form 8-K filed on July 20, 2010).
- 10.13 \* Independent Director Compensation Program (incorporated by reference to Exhibit 10.15 of the KKR & Co. L.P. Annual Report on Form 10-K filed on March 7, 2011).
- 10.14 \* Form of Grant Certificate (incorporated by reference to Exhibit 10.3 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on May 5, 2011).
- 10.15 \* Form of Public Company Equity Unit Award Agreement of KKR & Co. L.P. (Directors) (incorporated by reference to Exhibit 10.1 of the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 3, 2012).
- 10.16 \* Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. (Executive Officers) (incorporated by reference to Exhibit 10.17 of the KKR & Co. L.P. Annual Report on Form 10-K filed on February 27, 2015).
- 10.17 \* Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. (Executive Officers) (incorporated by reference to Exhibit 10.19 of the KKR & Co. L.P. Annual Report on Form 10-K filed on February 26, 2016).
- 10.18 \* Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. (Executive Officers).
- 10.19 \* Form of Grant Certificate (Executive Officers).
- 10.20 Development Agreement, dated as of October 28, 2015, by and between ERY Developer LLC and KKR HY LLC (incorporated by reference to Exhibit 10.23 of the KKR & Co. L.P. Annual Report on Form 10-K filed on February 26, 2016).
- 21.1 Subsidiaries of the Registrant

23.1	Consent of Independent Registered Public Accounting Firm Relating to the Financial Statements of KKR & Co. L.P.
31.1	Certification of Co-Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Co-Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.3	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.3	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Section 13(r) Disclosure
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Statements of Financial Condition as of December 31, 2016 and December 31, 2015, (ii) the Consolidated Statements of Operations for the years ended December 31, 2016, 2015 and 2014, (iii) the Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2016, 2015 and 2014, (iv) the Consolidated Statements of Changes in Equity for the years ended December 31, 2016, 2015 and 2014 (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014, and (vi) the Notes to the Consolidated Financial Statements.

\* Management contract or compensatory plan in which directors and/or executive officers are eligible to participate.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

**SCHEDULE****SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS****Valuation Allowance for Deferred Tax Assets****(in thousands)**

	<b>Balance at Beginning of Period</b>	<b>Tax Valuation Allowance Charged to Income Tax Provision</b>	<b>Tax Valuation Allowance Credited to Income Tax Provision</b>	<b>Balance at End of Period</b>
Year Ended:				
December 31, 2014	\$ —	\$ 4,153 <sup>(1)</sup>	\$ —	\$ 4,153
December 31, 2015	\$ 4,153	\$ 15,628 <sup>(1)</sup>	\$ —	\$ 19,781
December 31, 2016	\$ 19,781	\$ —	\$ 10,013 <sup>(2)</sup>	\$ 9,768

(1) Includes an increase in valuation allowance due to foreign tax credits, the benefit of which is not currently recognizable due to uncertainty regarding realization.

(2) Includes a decrease in the valuation allowance for foreign tax credits claimed as a deduction on the 2015 tax return.



**SIGNATURES**

Pursuant to requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 24, 2017

**KKR & CO. L.P.**

By: KKR Management LLC,  
its General Partner

Name: William J. Janetschek  
Title: Chief Financial Officer

Pursuant to the requirements of the Exchange Act of 1934 this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated below on the dates indicated below.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ HENRY R. KRAVIS</u> Henry R. Kravis	Co-Chairman and Co-Chief Executive Officer (principal executive officer) of KKR Management LLC	February 24, 2017
<u>/s/ GEORGE R. ROBERTS</u> George R. Roberts	Co-Chairman and Co-Chief Executive Officer (principal executive officer) of KKR Management LLC	February 24, 2017
<u>/s/ DAVID C. DRUMMOND</u> David C. Drummond	Director of KKR Management LLC	February 24, 2017
<u>/s/ JOSEPH A. GRUNDFEST</u> Joseph A. Grundfest	Director of KKR Management LLC	February 24, 2017
<u>/s/ JOHN. B. HESS</u> John. B. Hess	Director of KKR Management LLC	February 24, 2017
<u>/s/ PATRICK F. RUSSO</u> Patricia F. Russo	Director of KKR Management LLC	February 24, 2017
<u>/s/ THOMAS M. SCHOEWE</u> Thomas M. Schoewe	Director of KKR Management LLC	February 24, 2017
<u>/s/ ROBERT W. SCULLY</u> Robert W. Scully	Director of KKR Management LLC	February 24, 2017
<u>/s/ WILLIAM J. JANETSCHEK</u> William J. Janetschek	Chief Financial Officer (principal financial and accounting officer) of KKR Management LLC	February 24, 2017

## INDEX TO EXHIBITS

The following is a list of all exhibits filed or furnished as part of this report:

- 2.1 Merger Agreement, dated as of December 16, 2013, among KKR & Co. L.P., KKR Fund Holdings L.P., Copal Merger Sub LLC, a Delaware limited liability company and KKR Financial Holdings LLC (incorporated by reference to Exhibit 2.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on December 17, 2013).
- 3.1 Certificate of Limited Partnership of the Registrant (incorporated by reference to Exhibit 3.1 to the KKR & Co. L.P. registration statement on Form S-1 (File No. 133-165414) filed on March 12, 2010 (the "Registration Statement").
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- 3.3 Certificate of Formation of the Managing Partner of the Registrant (incorporated by reference to Exhibit 3.3 of the Registration Statement).
- 3.4 Second Amended and Restated Limited Liability Company Agreement of the Managing Partner of the Registrant (incorporated by reference to Exhibit 3.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on May 6, 2016).
- 4.1 Indenture dated as of September 29, 2010 among KKR Group Finance Co. LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on September 30, 2010).
- 4.2 First Supplemental Indenture dated as of September 29, 2010 among KKR Group Finance Co. LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on September 30, 2010).
- 4.3 Second Supplemental Indenture dated as of August 5, 2014 among KKR Group Finance Co. LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014).
- 4.4 Form of 6.375% Senior Note due 2020 (included in Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on September 30, 2010).
- 4.5 Registration Rights Agreement of KKR & Co. L.P., dated as of October 1, 2012, by and among KKR & Co. L.P., AUSA Holding Company and the other persons listed on the signature page thereto (incorporated by reference to Exhibit 4.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on November 2, 2012).
- 4.6 Indenture dated as of February 1, 2013 among KKR Group Finance Co. II LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on February 1, 2013).
- 4.7 First Supplemental Indenture dated as of February 1, 2013 among KKR Group Finance Co. II LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on February 1, 2013).

- 4.8 Second Supplemental Indenture dated as of August 5, 2014 among KKR Group Finance Co. II LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014).
- 4.9 Form of 5.500% Senior Note due 2043 (included in Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on February 1, 2013).
- 4.10 Registration Rights Agreement of KKR & Co. L.P. dated as of February 19, 2014, by and among KKR & Co. L.P. and the sellers of Avoca listed on the signature pages thereto (included in Exhibit 4.8 to the KKR & Co. L.P. Annual Report on Form 10-K filed on February 24, 2014).
- 4.11 Indenture dated as of May 29, 2014 among KKR Group Finance Co. III LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on May 29, 2014).
- 4.12 First Supplemental Indenture dated as of May 29, 2014 among KKR Group Finance Co. III LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on May 29, 2014).
- 4.13 Second Supplemental Indenture dated as of August 5, 2014 among KKR Group Finance Co. III LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.3 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014).
- 4.14 Form of 5.125% Senior Note due 2044 (included in Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on May 29, 2014).
- 4.15 Form of 6.75% Series A Preferred Unit Certificate (included in Exhibit 4.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on March 17, 2016).
- 4.16 Form of 6.50% Series B Preferred Unit Certificate (included in Exhibit 4.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on June 20, 2016).
- 4.17 Indenture, dated as of November 15, 2011, between the KKR Financial Holdings LLC and Wilmington Trust, National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on November 15, 2011).
- 4.18 Second Supplemental Indenture, dated as of March 20, 2012, between KKR Financial Holdings LLC, Wilmington Trust, National Association, as Trustee and Citibank, N.A., as Authenticating Agent, Paying Agent and Security Registrar (incorporated by reference to Exhibit 4.2 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on March 20, 2012).
- 4.19 Form of 7.500% Senior Note due March 20, 2042 of KKR Financial Holdings LLC (incorporated by reference to Exhibit 4.2 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on March 20, 2012).
- 4.20 Share Designation of the 7.375% Series A LLC Preferred Shares of KKR Financial Holdings LLC, dated as of January 17, 2013 (incorporated by reference to Exhibit 3.1 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on January 17, 2013).
- 4.21 Registration Rights Agreement, dated as of November 2, 2015, by and among KKR & Co. L.P., MW Group (GP) LTD and the other persons listed on the signature pages thereto (incorporated by reference to Exhibit 4.2 of the Registration Statement on Form S-3 (No. 333-208019) filed on November 13, 2015).

- 10.1 Second Amended and Restated Limited Partnership Agreement of KKR Management Holdings L.P. dated October 1, 2009 (incorporated by reference to Exhibit 10.1 of the Registration Statement).
- 10.1.1 Amendment No. 1 to the Second Amended and Restated Limited Partnership Agreement of KKR Management Holdings L.P., dated March 17, 2016 (incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on March 17, 2016).
- 10.1.2 Amendment No. 2 to the Second Amended and Restated Limited Partnership Agreement of KKR Management Holdings L.P., dated June 20, 2016 (incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on June 20, 2016).
- 10.2 Second Amended and Restated Limited Partnership Agreement of KKR Fund Holdings L.P. dated October 1, 2009 (incorporated by reference to Exhibit 10.2 of the Registration Statement).
- 10.2.1 Amendment to Second Amended and Restated Limited Partnership Agreement of KKR Fund Holdings L.P. dated August 5, 2014 (incorporated by reference to Exhibit 10.3 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014).
- 10.2.2 Amendment to Second Amended and Restated Limited Partnership Agreement of KKR Fund Holdings L.P., dated March 17, 2016 (incorporated by reference to Exhibit 10.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on March 17, 2016).
- 10.2.3 Amendment to Second Amended and Restated Limited Partnership Agreement of KKR Fund Holdings L.P., dated June 20, 2016 (incorporated by reference to Exhibit 10.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on June 20, 2016).
- 10.3 Amended and Restated Limited Partnership Agreement of KKR International Holdings L.P., dated August 5, 2014 (incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014).
- 10.3.1 Amendment to Amended and Restated Limited Partnership Agreement of KKR International Holdings L.P., dated March 17, 2016 (incorporated by reference to Exhibit 10.3 to the KKR & Co. L.P. Current Report on Form 8-K filed on March 17, 2016).
- 10.3.2 Amendment to Amended and Restated Limited Partnership Agreement of KKR International Holdings L.P., dated June 20, 2016 (incorporated by reference to Exhibit 10.3 to the KKR & Co. L.P. Current Report on Form 8-K filed on June 20, 2016).
- 10.4 Registration Rights Agreement dated July 14, 2010, by and among KKR & Co. L.P., KKR Holdings L.P. and the persons from time to time party thereto (incorporated by reference to Exhibit 10.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on July 20, 2010).
- 10.5 \* Form of KKR & Co. L.P. 2010 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to Amendment No. 3 to the Registration Statement filed on June 3, 2010).
- 10.6 Tax Receivable Agreement (incorporated by reference to Exhibit 10.3 to the KKR & Co. L.P. Current Report on Form 8-K filed on July 20, 2010).
- 10.7 Amended and Restated Exchange Agreement (incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on November 3, 2010).

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- 10.8 Amendment and Joinder Agreement to Exchange Agreement, dated as of August 5, 2014 among KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR Holdings L.P., KKR & Co. L.P., KKR Group Holdings L.P., KKR Subsidiary Partnership L.P., KKR Group Limited, and KKR International Holdings L.P. (incorporated by reference to Exhibit 10.2 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014).
- 10.9 Credit Agreement, dated as of October 22, 2014, among Kohlberg Kravis Roberts & Co. L.P., KKR Fund Holdings L.P., KKR Management Holdings L.P. and KKR International Holdings L.P., the other borrowers from time to time party thereto, the guarantors from time to time party thereto, the lending institutions from time to time party thereto and HSBC Bank USA, National Association, as Administrative Agent. (incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Current Report on Form 8-K filed October 24, 2014).
- 10.10 Amendment No. 1 to Credit Agreement, dated as of August 18, 2015 by and among Kohlberg Kravis Roberts & Co. L.P. and HSBC Bank USA, National Association (incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed November 5, 2015).
- 10.11 \* Form of Confidentiality and Restrictive Covenant Agreement (Founders) (incorporated by reference to Exhibit 10.10 of the Registration Statement).
- 10.12 \* Form of Indemnification Agreement by and among each member of the Board of Directors of KKR Management LLC, KKR Management LLC and KKR & Co. L.P. (incorporated by reference to Exhibit 10.4 to the KKR & Co. L.P. Current Report on Form 8-K filed on July 20, 2010).
- 10.13 \* Independent Director Compensation Program (incorporated by reference to Exhibit 10.15 of the KKR & Co. L.P. Annual Report on Form 10-K filed on March 7, 2011).
- 10.14 \* Form of Grant Certificate (incorporated by reference to Exhibit 10.3 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on May 5, 2011).
- 10.15 \* Form of Public Company Equity Unit Award Agreement of KKR & Co. L.P. (Directors) (incorporated by reference to Exhibit 10.1 of the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 3, 2012).
- 10.16 \* Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. (Executive Officers) (incorporated by reference to Exhibit 10.17 of the KKR & Co. L.P. Annual Report on Form 10-K filed on February 27, 2015).
- 10.17 \* Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. (Executive Officers) (incorporated by reference to Exhibit 10.19 of the KKR & Co. L.P. Annual Report on Form 10-K filed on February 26, 2016).
- 10.18 \* Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. (Executive Officers).
- 10.19 \* Form of Grant Certificate (Executive Officers).
- 10.20 Development Agreement, dated as of October 28, 2015, by and between ERY Developer LLC and KKR HY LLC (incorporated by reference to Exhibit 10.23 of the KKR & Co. L.P. Annual Report on Form 10-K filed on February 26, 2016).
- 21.1 Subsidiaries of the Registrant
- 23.1 Consent of Independent Registered Public Accounting Firm Relating to the Financial Statements of KKR & Co. L.P.

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- 31.1 Certification of Co-Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Co-Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.3 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.3 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.1 Section 13(r) Disclosure
- 101 Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Statements of Financial Condition as of December 31, 2016 and December 31, 2015, (ii) the Consolidated Statements of Operations for the years ended December 31, 2016, 2015 and 2014, (iii) the Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2016, 2015 and 2014, (iv) the Consolidated Statements of Changes in Equity for the years ended December 31, 2016, 2015 and 2014 (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014, and (vi) the Notes to the Consolidated Financial Statements.

\* Management contract or compensatory plan in which directors and/or executive officers are eligible to participate.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

PUBLIC COMPANY HOLDINGS UNIT AWARD AGREEMENT  
OF  
KKR & CO. L.P.  
*(Executive Officers)*

CONFIDENTIAL

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**PUBLIC COMPANY HOLDINGS UNIT AWARD AGREEMENT  
OF  
KKR & CO L.P.**

This **PUBLIC COMPANY HOLDINGS UNIT AWARD AGREEMENT** (this “**Agreement**”) of **KKR & CO L.P.** (the “**Partnership**”) is made by and between the Partnership and the undersigned (the “**Grantee**”). Capitalized terms used herein and not otherwise defined herein or in the KKR & Co. L.P. 2010 Equity Incentive Plan, as amended from time to time (the “**Plan**”), shall be as defined in Appendix A attached hereto and the Plan is hereby attached as Appendix E and incorporated by reference herein.

**RECITALS**

**WHEREAS**, the general partner of the Partnership has determined it is in the best interests of the Partnership to provide the Grantee with this Agreement pursuant to and in accordance with the terms of the Plan.

**NOW, THEREFORE**, in consideration of the mutual promises and agreements herein made and intending to be legally bound hereby, the parties hereto agree to the following:

**ARTICLE I**  
**GRANT OF PUBLIC COMPANY HOLDINGS UNITS**

**Section 1.1. Grant of Public Company Holdings Units; Conditions of Grant**

The Partnership hereby grants to the Grantee, effective as of the Grant Date specified on the REU Grant Certificate attached hereto as Appendix B (the “ **Grant Date** ”), the number of “public company holdings units”, which are restricted equity units set forth in the REU Grant Certificate attached hereto, subject to the terms and conditions of this Agreement. Each restricted equity unit that is granted pursuant to this Agreement represents the right to receive delivery of one Common Unit, subject to any adjustment pursuant to Section 9 of the Plan (each such restricted equity unit, an “ **REU** ”). Notwithstanding the foregoing, the grant of REUs hereunder is conditioned upon the Grantee’s agreement to the covenants and obligations contained in the Confidentiality and Restrictive Covenant Obligations attached hereto as Appendix D incorporated herein by reference.

**Section 1.2. REUs and Agreement Subject to Plan; Administrator**

This Agreement and the grant of REUs provided for herein shall be subject to the provisions of the Plan, except that if there are any express differences or inconsistencies between the provisions of the Plan and this Agreement, the provisions of this Agreement shall govern. For the avoidance of doubt, the Partnership may delegate to any employee of the KKR Group its duties and powers hereunder, and any reference to the “Administrator” contained herein shall be deemed to include any such delegate.

**ARTICLE II**  
**VESTING AND SETTLEMENT OF REUS**

**Section 2.1. Vesting of REUs**

- (a) The following vesting provisions shall apply to the REUs:
- (i) Subject to the Grantee’s continued Employment through the Service Vesting Date or Service Vesting Dates, as applicable, as specified in the REU Grant Certificate attached hereto, the REUs shall become vested on such date or dates, as applicable, as to the percentage(s) set forth in such REU Grant Certificate.
  - (ii) If, prior to the date the REUs are vested as provided in Section 2.1(a)(i) above or otherwise terminate and are forfeited pursuant to Section 2.1(b) and (c) below: (A) the Grantee’s Employment terminates due to the Grantee’s Retirement, if applicable, then all Retirement REUs shall, in the discretion of the Administrator, be fully vested as a result thereof; (B) the Grantee dies or experiences a Disability, then all unvested REUs shall be vested as a result thereof, provided that if the Grantee is not an employee of the KKR Group, then any vesting of unvested REUs described in this clause (B) shall be in the discretion of the Administrator; or (C) there occurs a Change in Control prior to any termination of the Grantee’s Employment,

then all or any portion of any unvested REUs may, in the discretion of the Administrator, be vested as a result thereof. Notwithstanding the foregoing, if the Partnership receives an opinion of counsel that there has been a legal judgment and/or legal development in the Grantee's jurisdiction that would likely result in the favorable treatment applicable to the Retirement REUs pursuant to this Section 2.1(a)(ii) being deemed unlawful and/or discriminatory, then the Partnership will not apply the favorable treatment at the time the Grantee's Employment terminates due to the Grantee's Retirement under clause (A) above, and the REUs will be treated as set forth in Section 2.1(a)(i), 2.1(b), 2.1(c) or the other provisions of this Section 2.1(a)(ii), as applicable.

(iii) All REUs that become vested under this Section 2.1(a) are eligible to be Settled pursuant to Section 2.2 of this Agreement.

- (b) If the Grantee's Employment terminates for any reason other than due to the Grantee's death, Disability or Retirement, each as provided for in Section 2.1(a) above, all then unvested REUs (including any REUs that are not Retirement REUs) shall immediately terminate and be forfeited without consideration, and no Common Units shall be delivered hereunder.
- (c) The Grantee's right to vest in the REUs under the Plan, if any, will terminate effective as of the date that the Grantee is no longer actively providing services (even if still considered employed or engaged under local Law) and will not be extended by any notice period mandated under local Law (e.g., active Employment would not include a period of "garden leave" or similar period pursuant to local Law) except as may be otherwise agreed in writing by the Partnership or the Designated Service Recipient with the Grantee; the Administrator shall have the exclusive discretion to determine when the Grantee is no longer actively employed or engaged for purposes of the REUs.

## **Section 2.2. Settlement of REUs**

- (a) To the extent that (i) an REU granted hereunder becomes vested pursuant to Section 2.1(a) above and (ii) the related Service Vesting Date has also occurred, then with respect to such percentage of REUs set forth next to the applicable Service Vesting Date on the REU Grant Certificate, such REU shall be Settled as soon as administratively practicable on or following the applicable Service Vesting Date for such REU; provided that the Administrator may determine that such Settlement may instead occur on or as soon as administratively practicable after the first day of the next permissible trading window of Common Units that opens for employees of the KKR Group to sell Common Units (provided that in any event such Settlement shall not be later than the time permitted under Section 409A, if applicable). For the avoidance of doubt, the Settlement of any REUs that become vested pursuant to Section 2.1(a)(ii) above shall not be accelerated, such that, with respect to any such REUs, only that percentage of such REUs that would otherwise have become vested on each applicable Service Vesting Date as set forth on the REU Grant Certificate pursuant to Section 2.1(a)(i) shall be Settled at each such Service Vesting Date in accordance with the foregoing sentence. The date on which any REU is to be Settled

hereunder is referred to as a “ **Delivery Date.** ” The Settlement of each REU shall be effected in accordance with, and subject to the provisions of, Section 2.2(b) below.

- (b) On any Delivery Date, each vested REU that is then being Settled shall be cancelled in exchange for the Partnership delivering to the Grantee either (i) the number of Common Units equal to the number of REUs that are to be Settled on such Delivery Date pursuant to Section 2.2(a) above or (ii) an amount of cash, denominated in U.S. dollars, equal to the Fair Market Value of the foregoing number of Common Units (a “ **Cash Payment** ”). The Administrator may elect in its sole discretion whether to Settle the REUs in Common Units or by a Cash Payment, and in the case of the Cash Payment, whether to have the Cash Payment delivered by the member of the KKR Group that employs or engages the Grantee or to which the Grantee otherwise is rendering services (the “ **Designated Service Recipient** ”).
- (c) Subject to the provisions of this Article II relating to the number of REUs that are to be Settled on any applicable Delivery Date and solely to the extent permitted under Section 409A, if applicable, the Partnership may impose such other conditions and procedures in relation to the Settlement of REUs as it may reasonably determine. In addition to the foregoing and notwithstanding anything else in this Agreement, the Administrator may require that any or all of the Common Units that may be delivered to the Grantee under this Section 2.2 that the Grantee intends to sell, from time to time, may only be sold through a coordinated sales program as defined by the Administrator.
- (d) Any of the foregoing payments or deliveries shall in all instances be subject to Sections 4.3 and 4.5 below, as applicable.

**Section 2.3. No Distribution Payments**

The REUs granted to the Grantee hereunder do not include the right to receive any distribution payments.

**ARTICLE III  
RESTRICTIONS ON TRANSFERS AND OTHER LIMITATIONS**

**Section 3.1. Transfer Restrictions on REUs**

- (a) The Grantee may not Transfer all or any portion of the Grantee’s REUs to any Other Holder (including to any Family Related Holder) without the prior written consent of the Administrator, which consent may be given or withheld, or made subject to such conditions (including the receipt of such legal or tax opinions and other documents that the Partnership may require) as are determined by the Administrator, in its sole discretion.
- (b) Any Transfer of REUs by the Grantee to Other Holders permitted by the Administrator pursuant to Section 3.1(a) shall be made in accordance with Section 3.4.

- (c) Any purported Transfer of REUs that is not in accordance with this Section 3.1 is null and void.

### **Section 3.2. Confidentiality and Restrictive Covenants**

The Grantee acknowledges and agrees that Grantee is bound by and will comply with the Confidentiality and Restrictive Covenant Obligations contained in Appendix D, which obligations are incorporated by reference herein, and any other agreements that the Grantee has entered into with the Designated Service Recipient, the Partnership, KKR Holdings L.P., KKR Associates Holdings L.P., or any other member of the KKR Group, with respect to the Grantee's obligation to keep confidential the nonpublic, confidential or proprietary information of the KKR Group and its Affiliates and any restrictive covenants concerning the Grantee's obligations not to compete with the KKR Group or solicit its clients or employees after termination of Employment), as such agreements may be amended from time to time. If the Grantee is a limited partner of KKR Holdings L.P. or KKR Associates Holdings L.P., the Grantee further acknowledges and agrees that references to a Confidentiality and Restrictive Covenant Agreement in the limited partnership agreements of KKR Holdings L.P. and KKR Associates Holdings L.P. shall be deemed to include and also refer to the Confidentiality and Restrictive Covenant Obligations contained in Appendix D hereto.

### **Section 3.3. Post-Settlement Transfer Restrictions on Common Units**

The provisions of this Section 3.3 shall or shall not be applicable to the REUs granted to the Grantee hereunder as indicated on the REU Grant Certificate.

- (a) The Grantee may not Transfer all or any portion of the Grantee's Transfer Restricted Common Unit (as defined below) (including to any Family Related Holder) without the prior written consent of the Administrator, which consent may be given or withheld, or made subject to such conditions (including the receipt of such legal or tax opinions and other documents that the Partnership may require) as are determined by the Administrator, in its sole discretion. For the avoidance of doubt, Transfer Restricted Common Units may only be held in an account with an institution, and subject to terms and conditions, which have been approved by the Administrator from time to time. Any Transfer of Transfer Restricted Common Units by the Grantee to Other Holders permitted by the Administrator pursuant to Section 3.3(a) shall be made in accordance with Section 3.4.
- (b) A " **Transfer Restricted Common Unit** " refers to all Common Units delivered upon Settlement of a vested REU until (i) the first anniversary of the Service Vesting Date related thereto, in the case of 50% of such Common Units and (ii) the second anniversary of such Service Vesting Date, in the case of the other 50% of such Common Units.
- (c) If the Grantee breaches in any significant or intentional manner, as determined by the Administrator in his sole discretion, any of the Grantee's covenants as stated in the Confidentiality and Restrictive Covenant Obligations contained in Appendix D, the Administrator, in his sole discretion, may direct that the Grantee forfeit all or a portion of the Transfer Restricted Common Units held by the Grantee in an amount determined by the Administrator in his sole discretion. The Grantee hereby consents and agrees to immediately surrender and deliver such Transfer Restricted Common Units to the Partnership, without the payment of any consideration, receipt of any further notice or fulfillment of any other condition.
- (d) If for any reason the Grantee's Employment is terminated for Cause, unless otherwise determined by the Administrator in writing, all Transfer Restricted Common Units held by the Grantee shall automatically be forfeited by the Grantee without payment of any consideration. The Grantee hereby consents and agrees to immediately surrender and deliver such Transfer Restricted Common Units to the Partnership, without the payment of any consideration, receipt of any further notice or fulfillment of any other condition.
- (e) Any forfeiture of Transfer Restricted Common Units contemplated by Section 3.3(c) or Section 3.3(d) shall require no additional procedures on the part of the Partnership or its Affiliates. The Grantee hereby acknowledges that the Administrator may take any and all actions to reflect the forfeiture of Transfer Restricted Common Units hereunder, including but not limited to the delivery of a

written notice to the institution contemplated in Section 3.3(a) that holds the Transfer Restricted Common Units, and agrees to take any further action to memorialize such forfeiture as the Administrator may require.

- (f) The Administrator may, from time to time, waive the provisions of this Section 3.3, subject to the imposition of any conditions or further requirements, as determined by the Administrator in his sole discretion. Without limiting the foregoing, (i) the Administrator may impose equivalent transfer or forfeiture restrictions on the Grantee's other equity, if any, held in KKR Holdings, L.P., the Partnership or any of their respective Affiliates (or any of their respective equity incentive plans) to the extent that the provisions of this Section 3.3 are waived, and (ii) the Grantee hereby consents in advance to the imposition of such equivalent transfer or forfeiture restrictions for purposes of the governing documents of Grantee's other equity, if any, held in KKR Holdings, L.P., the Partnership or any of their respective Affiliates (or any of their respective equity incentive plans) to the extent the Administrator waives the application of this Section 3.3 to the Transfer Restricted Common Units.
- (g) For the avoidance of doubt, the provisions of this Section 3.3 also apply in the event the Grantee receives a Cash Payment in Settlement of a vested REU on a Delivery Date as provided in Section 2.2(b).
- (h) Any purported Transfer of Transfer Restricted Common Units that is not in accordance with this Section 3.3 is null and void.

#### **Section 3.4. Transfers to Other Holders**

- (a) Transfers of REUs or Transfer Restricted Common Units by the Grantee to Other Holders are not permitted unless the Administrator provides his prior written consent pursuant Section 3.1 or Section 3.3. Prior to a Transfer of any REUs or Transfer Restricted Common Units to any Other Holder, the Other Holder must consent in writing to be bound by this Agreement as an Other Holder and deliver such consent to the Administrator.
- (b) If an REU or Transfer Restricted Common Unit is held by an Other Holder, such Other Holder shall be bound by this Agreement in the same manner and to the same extent as the Grantee is bound hereby (or would be bound hereby had the Grantee continued to hold such REU or Transfer Restricted Common Unit). Any Transfer to an Other Holder must be undertaken in compliance with Section 3.1(a). For the avoidance of doubt, any vesting requirement of Section 2.1 above that applies to an REU or transfer or forfeiture restrictions that are applicable to Transfer Restricted Common Units (including those Transfer Restricted Common Units delivered upon Settlement of a Transferred REU) held by an Other Holder shall be satisfied or deemed to be satisfied under this Article III only to the extent that such vesting requirement or transfer or forfeiture restrictions, as applicable, would otherwise have been satisfied if the REU or Transfer Restricted Common Unit had not been Transferred by the Grantee, and any REU and Transfer Restricted Common Unit, as applicable, that is held by an Other Holder shall cease to be held by such Other Holder under this Article III if the REU or Transfer Restricted Common Unit, as applicable, would have then ceased to be held by the Grantee if the REU or Transfer Restricted Common Unit had not been Transferred by the Grantee to such Other Holder.

- (c) In the event of a property settlement or separation agreement between the Grantee and his or her spouse, the Grantee agrees that he or she shall use reasonable efforts to retain all of his or her REUs and Transfer Restricted Common Units and shall reimburse his or her spouse for any interest he or she may have under this Agreement out of funds, assets or proceeds separate and distinct from his or her interest under this Agreement.

### **Section 3.5. Minimum Retained Ownership Requirement**

The provisions of this Section 3.5 shall or shall not be applicable to the REUs granted to the Grantee hereunder as indicated on the REU Grant Certificate.

- (a) For so long as the Grantee retains his or her Employment, the Grantee (collectively with all Family Related Holders who become Other Holders, if applicable) must continuously hold an aggregate number of Common Unit Equivalents that is at least equal to fifteen percent (15%) of the cumulative amount of (x) all REUs granted to the Grantee under this Agreement and (y) all other REUs designated as “public company holdings units” that have been or are hereafter granted to the Grantee under the Plan, in each case that have become vested pursuant to Section 2.1(a) (or similar provision in any other “public company holdings units” grant agreement), prior to any net Settlement permitted by Section 4.5.
- (b) “ **Common Unit Equivalents** ” means any combination of: (i) REUs that are or become vested pursuant to Section 2.1 of this Agreement and Common Units delivered upon Settlement of any such REUs (even if they are Transfer Restricted Common Units) and (ii) REUs designated as “public company holdings units” granted to the Grantee under the Plan that are or become vested pursuant to a provision similar to Section 2.1 of this Agreement and Common Units delivered upon Settlement of any such REUs (even if a provision similar to the transfer restrictions on Transfer Restricted Common Units has not yet been satisfied).
- (c) The Administrator may, from time to time, waive the provisions of this Section 3.5, subject to the imposition of any conditions or further requirements, as determined by the Administrator in his sole discretion. Without limiting the foregoing, (i) the Administrator may impose equivalent transfer restrictions on the Grantee’s other equity, if any, held in KKR Holdings, L.P., the Partnership or any of their respective

Affiliates (or any of their respective equity incentive plans) to the extent that the provisions of this Section 3.5 are waived, and (ii) the Grantee hereby consents in advance to the imposition of such equivalent transfer restrictions for purposes of the governing documents of Grantee’s other equity, if any, held in KKR Holdings, L.P., the Partnership or any of their respective Affiliates (or any of their respective equity incentive plans) to the extent the Administrator waives the application of this Section 3.5 to the Common Unit Equivalents.

- (d) Any purported Transfer of any Common Units that would result in a violation of this Section 3.5 is null and void. Notwithstanding anything to the contrary contained in this Agreement (including, without limitation, Section 4.7) this Section 3.5 shall survive any termination of this Agreement.

## **ARTICLE IV MISCELLANEOUS**

### **Section 4.1. Governing Law**

This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, United States of America, without giving effect to any otherwise governing principles of conflicts of law that would apply the Laws of another jurisdiction.

### **Section 4.2. Arbitration**

- (a) Any and all disputes which cannot be settled amicably, including any ancillary claims of any party, arising out of, relating to or in connection with the validity, negotiation, execution, interpretation, performance or non-performance of this Agreement (including the validity, scope and enforceability of this arbitration provision) shall be finally settled by arbitration conducted by a single arbitrator in New York, New York in accordance with the then-existing Rules of Arbitration of the International Chamber of Commerce. If the parties to the dispute fail to agree on the selection of an arbitrator within 30 days of the receipt of the request for arbitration, the International Chamber of Commerce shall make the appointment. The arbitrator shall be a lawyer and shall conduct the proceedings in the English language. Performance under this Agreement shall continue if reasonably possible during any arbitration proceedings. Except as required by Law or as may be reasonably required in connection with ancillary judicial proceedings to compel arbitration, to obtain temporary or preliminary judicial relief in aid of arbitration, or to confirm or challenge an arbitration award, the arbitration proceedings, including any hearings, shall be confidential, and the parties shall not disclose any awards, any materials in the proceedings created for



the purpose of the arbitration, or any documents produced by another party in the proceedings not otherwise in the public domain. Judgment on any award rendered by an arbitration tribunal may be entered in any court having jurisdiction thereover.

- (b) Notwithstanding the provisions of Section 4.2(a), the Partnership may bring an action or special proceeding in any court of competent jurisdiction for the purpose of compelling the Grantee to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder, or enforcing an arbitration award and, for the purposes of this clause (b), the Grantee (i) expressly consents to the application of Section 4.2(c) below to any such action or proceeding, (ii) agrees that proof shall not be required that monetary damages for breach of the provisions of this Agreement would be difficult to calculate and that remedies at law would be inadequate, and (iii) irrevocably appoints the Secretary or General Counsel of the Partnership (or any officer of the Partnership) at the address identified for the Partnership as set forth in Section 4.6 below as such Grantee's agent for service of process in connection with any such action or proceeding and agrees that service of process upon such agent, who shall promptly advise such Grantee of any such service of process, shall be deemed in every respect effective service of process upon the Grantee in any such action or proceeding.
- (c) EACH PARTY HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE U.S. FEDERAL AND STATE COURTS LOCATED IN NEW YORK, NEW YORK FOR THE PURPOSE OF ANY JUDICIAL PROCEEDING BROUGHT IN ACCORDANCE WITH THE PROVISIONS OF THIS SECTION 4.2, OR ANY JUDICIAL PROCEEDING ANCILLARY TO AN ARBITRATION OR CONTEMPLATED ARBITRATION ARISING OUT OF OR RELATING TO OR CONCERNING THIS AGREEMENT. Such ancillary judicial proceedings include any suit, action or proceeding to compel arbitration, to obtain temporary or preliminary judicial relief in aid of arbitration, or to confirm or challenge an arbitration award. The parties acknowledge that the forums designated by this clause (c) have

a reasonable relation to this Agreement and to the parties' relationship with one another. The parties hereby waive, to the fullest extent permitted by applicable Law, any objection which they now or hereafter may have to personal jurisdiction or to the laying of venue of any such ancillary suit, action or proceeding referred to in this Section 4.2 brought in any court referenced therein and such parties agree not to plead or claim the same.

#### **Section 4.3. Remedies; Recoupment; Right to Set-Off**

- (a) The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive its right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by Law or under the terms of any other applicable agreement.
- (b) To the extent required or advisable, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules promulgated thereunder and any other similar Laws including but not limited to the European Directives 2011/61/EU, 2013/36/EU and 2014/91/EU, the Administrator may specify in any other document or a policy to be incorporated into this Agreement by reference, that the Grantee's rights, payments, and benefits with respect to REUs awarded hereunder and/or Common Units delivered to the Grantee in respect of REUs awarded hereunder shall be subject to reduction, cancellation, forfeiture or recoupment.
- (c) The Administrator may set-off any amounts due under this Agreement or otherwise against any amounts which may be owed to the Partnership or its Affiliates by the Grantee under this Agreement, any other relationship or otherwise. The Grantee hereby expressly authorizes the Partnership and its Affiliates to take any and all actions on the Grantee's behalf (including, without limitation, payment, credit and satisfaction of amounts owed) in connection with the set-off of any amounts owed to the Partnership or its Affiliates or otherwise.

#### **Section 4.4. Amendments and Waivers**

- (a) This Agreement (including the Definitions contained in Appendix A attached hereto, the REU Grant Certificate attached as Appendix B hereto, the Additional Terms and Conditions attached as Appendix C hereto, the Confidentiality and Restrictive Covenant Obligations attached as Appendix D hereto, and any other provisions as may be required to be appended to this Agreement under applicable local Law) may be amended, supplemented, waived or modified only in accordance with Section 4(c) of the Plan or Section 13 of the Plan, as applicable, or as may be required for purposes of compliance or enforceability with applicable local Law; provided, however, that the REU Grant Certificate shall be deemed amended from time to time to reflect any adjustments provided for under the Plan.
- (b) No failure or delay by any party in exercising any right, power or privilege hereunder (other than a failure or delay beyond a period of time specified herein) shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

#### **Section 4.5. Withholding**

Regardless of any action the Partnership or the Designated Service Recipient takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to the Grantee's participation in the Plan and legally applicable to the Grantee (" **Tax-Related Items** "), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and may exceed the amount actually withheld by the Partnership or the Designated Service Recipient. The Grantee further acknowledges that the Partnership and/or the Designated Service Recipient (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the REUs, including, but not limited to, the grant, vesting or Settlement of the REUs, the delivery of Common Units or a Cash Payment upon Settlement of the REUs, the lapse of any restrictions imposed on the Grantee's Transfer Restricted Common Units, the subsequent sale of Common Units acquired under the Plan and the receipt of any distributions; and (2) do not commit to and are under no obligation to structure the terms of the REUs or any aspect of the REUs to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result. Further, if the Grantee has become subject to tax in more than one jurisdiction, the Grantee acknowledges that the Partnership and/or the Designated Service Recipient (or the Affiliate formerly employing, engaging or retaining the Grantee, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Grantee will pay or make adequate arrangements satisfactory to the Partnership and/or the Designated Service Recipient to satisfy all Tax-Related Items. In this regard, the Grantee authorizes the Partnership and/or the Designated Service Recipient, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:

- (a) withholding from the Cash Payment, the Grantee's wages or other cash compensation paid to the Grantee by the Partnership and/or the Designated Service Recipient; or

- (b) withholding from proceeds of the sale of Common Units delivered upon Settlement of the REUs either through a voluntary sale or through a mandatory sale arranged by the Partnership (on the Grantee's behalf pursuant to this authorization); or
- (c) withholding in Common Units to be delivered upon Settlement of the REUs.

To avoid negative accounting treatment, the Partnership may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding in Common Units, for tax purposes, the Grantee is deemed to have been issued the full number of Common Units subject to the Settled Common Units, notwithstanding that a number of the Common Units are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Grantee's participation in the Plan.

Finally, the Grantee shall pay to the Partnership or the Designated Service Recipient any amount of Tax-Related Items that the Partnership or the Designated Service Recipient may be required to withhold or account for as a result of the Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Partnership may refuse to issue or deliver the Common Units, the Cash Payment or the proceeds of the sale of Common Units, if the Grantee fails to comply with the Grantee's obligations in connection with the Tax-Related Items.

#### **Section 4.6. Notices**

All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by courier service, by fax or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified for purposes of notice given in accordance with this Section 4.6):

- (a) If to the Partnership, to:

KKR & Co. L.P.  
9 West 57th Street, Suite 4200  
New York, New York 10019  
U.S.A.  
Attention: Chief Financial Officer

- (b) If to the Grantee, to the most recent address for the Grantee in the books and records of the Partnership or the Designated Service Recipient.

#### **Section 4.7. Entire Agreement; Termination of Agreement; Survival**

- (a) This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements and understandings, whether oral or written, pertaining thereto. The Grantee acknowledges that the grant of REUs provided for under this Agreement is in full satisfaction of any and all grants of equity or equity-based awards that representatives of the Partnership or its Affiliates, on or prior to the date hereof, may have informed the Grantee that such Grantee is entitled to receive.
- (b) This Agreement shall terminate when the Grantee and all Other Holders cease to hold any of the REUs or Transfer Restricted Common Units that have been granted or delivered, as applicable, hereunder. Notwithstanding anything to the contrary herein, this Article IV shall survive any termination of this Agreement.

#### **Section 4.8. Severability**

If any term or other provision of this Agreement is held to be invalid, illegal or incapable of being enforced by any rule of Law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions is not affected in any manner materially adverse to any party. Upon a determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

#### **Section 4.9. Binding Effect**

This Agreement shall be binding upon and inure to the benefit of all of the parties and, to the extent permitted by this Agreement, their successors, executors, administrators, heirs, legal representatives and assigns.

#### **Section 4.10. Appendices**

Appendices A, B, C and D constitute part of this Agreement. Notwithstanding the provisions of this Article IV, the provisions of Sections 10 through 19 (inclusive) of Appendix D shall govern solely with respect to, and shall be applicable only to the interpretation, administration and enforcement of, the provisions of Appendix D, but not to any other provisions of this Agreement or any other of its Appendices, including but not limited to Sections 3.2 and 3.3(c) of this Agreement. For the further avoidance of doubt, and without limiting the foregoing sentence, Sections 3.2 and 3.3(c) of this Agreement shall only be governed by, and shall only be subject to administration and enforcement under, the provisions of this Article IV, and shall not be governed by or subject to interpretation, administration or enforcement under any of Sections 10 through 19 (inclusive) of Appendix D.

#### **Section 4.11. Further Assurances**

The Grantee shall perform all other acts and execute and deliver all other documents as may be necessary or appropriate to carry out the purposes and intent of this Agreement.

#### **Section 4.12. Interpretation; Defined Terms; Section 409A; Employment with Designated Service Recipient; Headings**

- (a) Throughout this Agreement, nouns, pronouns and verbs shall be construed as masculine, feminine, neuter, singular or plural, whichever shall be applicable. Unless otherwise specified, all references herein to “Articles,” “Sections” and clauses shall refer to corresponding provisions of this Agreement. The word “including” is not meant to be exclusive, but rather shall mean “including without limitation” wherever used in this Agreement. Reference to “hereto”, “herein” and similar words is to this entire Agreement (including any Appendices) and not a particular sentence or section of this Agreement. All references to “date” and “time” shall mean the applicable date (other than a Saturday or Sunday or any day on which the Federal Reserve Bank of New York is closed or any day on which banks in the city of New York, New York are required to close, in which case such date refers to the next occurring date that is not described in this parenthetical) or time in New York, New York.
- (b) This Section 4.12(b) applies to Grantees who are U.S. tax residents (such as, a U.S. citizen, greencard holder or a U.S. tax resident under the substantial presence test) to the extent applicable. All references to any “separation from service” or termination of the Employment of, or the services to be provided by, the Grantee, shall be deemed to refer to a “separation from service” within the meaning of Section 409A, if applicable. Notwithstanding anything herein to the contrary, (i) if at the time of the Grantee’s termination of Employment the Grantee is a “specified employee” as defined in Section 409A of the Code and the deferral of the commencement of any payments or delivery of Common Units otherwise payable or provided hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A, then the Partnership will defer the commencement of the payment of any such payments or delivery hereunder (without any reduction in such payments or delivery of Common Units ultimately paid or provided to the Grantee) until the date that is six months following the Grantee’s termination of Employment (or the earliest date as is permitted under Section 409A) and (ii) if any other payments or other deliveries due to the Grantee hereunder could cause the application of an accelerated or additional tax under Section 409A, such payments or other deliveries shall be deferred if deferral will make such payment or other delivery compliant under Section 409A, or otherwise such payment or other delivery shall be restructured, to the extent possible, in a manner, determined by the Administrator, that does not cause such an accelerated or additional tax. The Partnership shall use commercially reasonable efforts to implement the provisions of this Section 4.12(b) in good faith; provided that none of the Partnership, the General Partner, the Administrator nor any of the Partnership’s, KKR Group’s employees, directors or representatives shall have any liability to the Grantee with respect to this Section 4.12(b).
- (c) For the avoidance of doubt, any references to the Employment of the Grantee in this Agreement refer solely to the Employment of the Grantee by the Designated Service Recipient or any other member of the KKR Group. The grant of REUs under this Agreement in no way implies any Employment relationship with the General Partner, the Partnership or with any other member of the KKR Group, other than

the Designated Service Recipient with which a formal Employment relationship is currently in effect with the Grantee, or any other member of the KKR Group with which a formal Employment relationship is currently in effect with the Grantee. If the Grantee changes Employment from the Designated Service Recipient as of the Grant Date to another member of the KKR Group, references to Designated Service Recipient hereunder shall refer to such other member of the KKR Group with which the Grantee has Employment.

- (d) The headings and subheadings in this Agreement are included for convenience and identification only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof.

#### **Section 4.13. Counterparts**

This Agreement may be executed and delivered (including by facsimile transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed and delivered shall be deemed to be an original

but all of which taken together shall constitute one and the same agreement. Copies of executed counterparts transmitted by telecopy or other electronic transmission service shall be considered original executed counterparts for purposes of this Agreement.

[Rest of page intentionally left blank]

**IN WITNESS WHEREOF** , the Partnership has executed this Agreement as of the date specified under the signature of the Grantee.

**KKR & CO. L.P.**

By: KKR MANAGEMENT LLC,  
its general partner

By:

x

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**IN WITNESS WHEREOF** , the undersigned Grantee has caused this counterpart signature page to this Agreement to be duly executed as of the date specified under the signature of the Grantee.

**“GRANTEE”**

**Electronic Signature**

Name: **Participant Name**

Dated: **Grant Date**

## **APPENDIX A DEFINITIONS**

In addition the defined terms set forth in the Plan, the following terms shall have the following meanings for purposes of the Agreement:

“ **Cause** ” means, with respect to the Grantee, the occurrence or existence of any of the following as determined fairly on an informed basis and in good faith by the Administrator: (i) any act of fraud, misappropriation, dishonesty, embezzlement or similar conduct by the Grantee against any member of the KKR Group (including the Partnership), KKR Holdings L.P., KKR Associates Holdings L.P., a Fund, or a Portfolio Company, (ii) a Regulatory Violation that has a material adverse effect on (x) the business of any member of the KKR Group or (y) the ability of the Grantee to function as an employee, associate or in any similar capacity (including consultant) with respect to the KKR Group, taking into account the services required of the Grantee and the nature of the business of the KKR Group, or (iii) a material breach by the Grantee of a material provision of any Written Policies or the deliberate failure by the Grantee to perform the Grantee’s duties to the KKR Group, *provided that* in the case of this clause (iii), the Grantee has been given written notice of such breach or failure within 45 days of the KKR Group becoming aware of such breach or failure and, where such breach or failure is curable, the Grantee has failed to cure such breach or failure within (A) 15 days of receiving notice thereof or (B) such longer period of time, not to exceed 30 days, as may be reasonably necessary to cure such breach or failure provided that the Grantee is then working diligently to cure such breach or failure. If such breach or failure is not capable of being cured, the notice given to the Grantee may contain a date of termination that is earlier than 15 days after the date of such notice.

“ **Disability** ” means, as to any Person, such Person’s inability to perform in all material respects such Person’s duties and responsibilities to the KKR Group by reason of a physical or mental disability or infirmity which inability is reasonably expected to be permanent and has continued (i) for a period of six consecutive months or (ii) such shorter period as the Administrator may reasonably determine in good faith.

“ **Employment** ” means the Grantee’s employment or engagement (including any similar association determined by the Administrator to constitute employment or engagement for purposes of this Agreement) with (x) the Designated Service Recipient or any other member of the KKR Group or (y) any consultant or service provider that provides services to any member of the KKR Group;

provided that in the case of clause (y), service provided as a consultant or service provider must be approved by the Administrator in order to qualify as “Employment” hereunder.

“ **Family Related Holder** ” means, in respect of the Grantee, any of the following: (i) such Grantee’s spouse, parents, parents-in-law, children, siblings and siblings-in-law, descendants of siblings, and grandchildren, (ii) any trust or other personal or estate planning vehicle established by such Grantee, (iii) any charitable organization established by such Grantee and (iv) any successor-in-interest to such Grantee, including but not limited to a conservator, executor or other personal representative.

“ **Group Partnerships** ” means KKR Management Holdings L.P., a Delaware limited partnership, KKR Fund Holdings L.P., a Cayman Island exempted limited partnership, and KKR International Holdings L.P., a Cayman Island exempted limited partnership, along with any partnership designated in the future as a “Group Partnership” by KKR & Co. L.P.

“ **KKR Capstone** ” means (i) KKR Capstone Americas LLC, KKR Capstone EMEA LLP, KKR Capstone EMEA (International) LLP, KKR Capstone Asia Limited and any other “Capstone” branded entity that provides similar consulting services to the KKR Group and Portfolio Companies and (ii) the direct and indirect parents and subsidiaries of the foregoing.

“ **KKR Group** ” means the Group Partnerships, the direct and indirect parents of the Group Partnerships (the “ **Parents** ”), any direct or indirect subsidiaries of the Parents or the Group Partnerships, the general partner or similar controlling entities of any investment fund, account or vehicle that is managed, advised or sponsored by the KKR Group (the “ **Funds** ”) and any other entity through which any of the foregoing directly or indirectly conducts its business, but shall exclude Portfolio Companies.

“ **Law** ” means any statute, law, ordinance, regulation, rule, code, executive order, injunction, judgment, decree or other order issued or promulgated by any national, supranational, state, federal, provincial, local or municipal government or any administrative or regulatory body with authority therefrom with jurisdiction over the Partnership or any Participant, as the case may be.

“ **Other Holder** ” means any Person that holds an REU, other than the Grantee.

“ **Portfolio Company** ” means a company over which a Fund exercises a significant degree of control as an investor.

“ **Regulatory Violation** ” means, with respect to the Grantee (i) a conviction of the Grantee based on a trial or by an accepted plea of guilt or *nolo contendere* of any felony or misdemeanor crime involving moral turpitude, false statements, misleading omissions, forgery, wrongful taking, embezzlement, extortion or bribery, (ii) a final determination by any court of competent jurisdiction or governmental regulatory body (or an admission by the Grantee in any settlement agreement) that the Grantee has violated any U.S. federal or state or comparable non-U.S. securities laws, rules or regulations or (iii) a final determination by self-regulatory organization having authority with respect to U.S. federal or state or comparable non-U.S. securities laws, rules or regulations (or an admission by the Grantee in any settlement agreement) that the Grantee has violated the written rules of such self-regulatory organization that are applicable to any member of the KKR Group.



“ **Retirement** ” means the resignation by the Grantee of the Grantee’s Employment with the KKR Group (other than for Cause), on or after the date that the Grantee’s age, plus the Grantee’s years of Employment with the KKR Group equals at least 80; *provided that* such date shall be no earlier than December 31, 2012.

“ **Retirement REUs** ” means, with respect to any Grantee whose Employment terminates due to Retirement, any REUs with a Service Vesting Date that would, if the Grantee’s Employment were not so terminated, occur within two years after the date of such termination due to Retirement.

“ **REU Grant Certificate** ” means the REU Grant Certificate delivered to the Grantee and attached to this Agreement, as the same may be modified pursuant to Section 4.4(a) of the Agreement.

“ **Section 409A** ” means Section 409A of the U.S. Internal Revenue Code of 1986, as the same may be amended from time to time, and the applicable regulations, including temporary regulations, promulgated under such Section, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

“ **Service Vesting Date** ” means, with respect to any REU, the date set forth in the REU Grant Certificate as the “Service Vesting Date.”

“ **Settle** ”, “ **Settled** ” or “ **Settlement** ” means the discharge of the Partnership’s obligations in respect of an REU through the delivery to the Grantee of (i) Common Units or (ii) a Cash Payment, in each case in accordance with Article II.

“ **Transfer** ” or “ **Transferred** ” means with respect to any REU or Common Unit, any (i) sale, assignment, transfer or other disposition thereof or any interests therein or rights attached thereto, whether voluntarily or by operation of Law, or (ii) creation or placement of any mortgage, claim, lien, encumbrance, conditional sales or other title retention agreement, right of first refusal, preemptive right, pledge, option, charge, security interest or other similar interest, easement, judgment or imperfection of title of any nature whatsoever.

“ **Written Policies** ” means the written policies of the KKR Group included in its employee manual, code of ethics and confidential information and information barrier policies and procedures and other documents relating to the Grantee’s Employment, association or other similar affiliation with the KKR Group.

**APPENDIX B**  
**REU GRANT CERTIFICATE**

Grantee Name: **Participant Name**

Grant Date: **Grant Date**

Number of REUs: **Number of Awards Granted**

Service Vesting Date: The following sets forth each applicable Service Vesting Date upon which the REUs granted hereunder shall become vested, subject to the Grantee's continued Employment through each such date:

Percentage of REUs that Become Vested on Applicable Service Vesting Date	Applicable Service Vesting Date

Vesting and Settlement of the REUs is subject to all terms and conditions contained in the Agreement to which this REU Grant Certificate is attached. Notwithstanding the foregoing:

The post-settlement transfer restrictions contained in Section 3.3 of the Agreement  shall /  shall not be applicable to the REUs (and any resulting Common Units) granted under this REU Grant Certificate.

The minimum retained ownership requirements contained in Section 3.5 of the Agreement  shall /  shall not be applicable to the REUs (and any resulting Common Units) granted under this REU Grant Certificate.

APPENDIX C

ADDITIONAL TERMS AND CONDITIONS

The terms and conditions in this Appendix C supplement the provisions of the Agreement, unless otherwise indicated herein. Capitalized terms contained in this Appendix C and not defined herein shall have the same meaning as such terms are defined in the Agreement into which this Appendix C is incorporated by reference therein and to which this Appendix C is attached, or the Plan, as applicable.

**1. Data Privacy**

*The Grantee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Grantee's personal data as described in this Agreement and any other Award materials ("Data") by and among, as applicable, the Designated Service Recipient, the Partnership and its Affiliates for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan.*

*The Grantee understands that the Partnership and the Designated Service Recipient may hold certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number (e.g. resident registration number), salary, nationality, job title, any Common Units or directorships held in the Partnership, details of all REUs or any other entitlement to Common Units awarded, canceled, exercised, vested, unvested or outstanding in the Grantee's favor, for the exclusive purpose of implementing, administering and managing the Plan.*

*The Grantee understands that Data will be transferred to any third parties assisting the Partnership with the implementation, administration and management of the Plan. The Grantee understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than the Grantee's country. The Grantee understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. The Grantee authorizes the Partnership, its subsidiaries, the Designated Service Recipient and any other possible recipients which may assist the Partnership (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan. The Grantee understands that Data will be held only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan. The Grantee understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, the Grantee understands that he or she is providing the consents herein on a purely voluntary basis. If the Grantee does not consent, or if the Grantee later seeks to revoke his or her consent, the Grantee's employment status or service and career with the Designated Service Recipient will not be affected; the only consequence of refusing or withdrawing the Grantee's consent is that the Partnership would not be able to grant him or her REUs or*

*other awards or administer or maintain such awards. Therefore, the Grantee understands that refusing or withdrawing his or her consent may affect the Grantee's ability to participate in the Plan. For more information on the consequences of the Grantee's refusal to consent or withdrawal of consent, the Grantee understands that he or she may contact his or her local human resources representative.*

## **2. Nature of Grant**

In accepting the Award, the Grantee acknowledges, understands and agrees that:

- (a) the Plan is established voluntarily by the Partnership, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Partnership at any time;
- (b) the grant of the REUs is voluntary and occasional and does not create any contractual or other right to receive future grants, or benefits in lieu of REUs, even if REUs have been granted in the past;
- (c) all decisions with respect to future grants of REUs, if any, will be at the sole discretion of the Partnership;
- (d) the Grantee's participation in the Plan shall not create a right to further Employment with the Designated Service Recipient and shall not interfere with the ability of the Designated Service Recipient to terminate the Grantee's Employment or service relationship (if any) at any time;
- (e) the Grantee is voluntarily participating in the Plan;
- (f) the REUs and the Common Units subject to the REUs, and the income and value of same, are extraordinary items, which are outside the scope of the Grantee's Employment or service contract, if any;
- (g) the REUs and the Common Units subject to the REUs, and the income and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;
- (h) the grant of REUs and the Grantee's participation in the Plan will not be interpreted to form an Employment or service contract or relationship with the Partnership, the Designated Service Recipient or any Affiliate;
- (i) the future value of the underlying Common Units is unknown, indeterminable and cannot be predicted with certainty;
- (j) no claim or entitlement to compensation or damages shall arise from forfeiture of the REUs resulting from termination of the Grantee's Employment (for any reason whatsoever and whether or not in breach of local labor laws and whether or not later found to be invalid), and in consideration of the grant of REUs, the Grantee agrees not to institute any claim against the Partnership, the Designated Service Recipient or any Affiliate;
- (k) unless otherwise agreed with the Partnership in writing, the REUs and the Common Units subject to the REUs, and the income and value of same, are not granted as

consideration for, or in connection with, the service the Grantee may provide as a director of the Designated Service Recipient, the Partnership or any Affiliate;

- (l) subject to Section 9 of the Plan, the REUs and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability; and
- (m) the following provisions apply only if the Grantee is providing services outside the United States:
  - (i) the REUs and the Common Units subject to the REUs, and the income and value of same, are not part of normal or expected compensation or salary for any purpose;
  - (ii) the REUs and the Common Units subject to the REUs, and the income and value of same, are not intended to replace any pension rights or compensation; and
  - (iii) neither the Designated Service Recipient, the Partnership nor any Affiliate shall be liable for any foreign exchange rate fluctuation between the Grantee's local currency and the United States Dollar that may affect the value of the REUs or of any amounts due to the Grantee pursuant to the vesting of the REUs or the subsequent sale of any Common Units acquired upon vesting.

### **3. No Advice Regarding Award**

The Partnership is not providing any tax, legal or financial advice, nor is the Partnership making any recommendations regarding the Grantee's participation in the Plan, or the Grantee's acquisition or sale of the underlying Common Units. The Grantee should consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

### **4. Language**

If the Grantee has received the Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

### **5. Electronic Delivery and Acceptance**

The Partnership may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Partnership or a third party designated by the Partnership.

### **6. Restrictions on Trading in Securities**

In addition to any policies and procedures which govern Grantee's ability to trade in Common Units as well as other securities of the Partnership set forth in the Partnership's trading window policy, Grantee may be subject to additional securities trading and market abuse laws in his or her country of residence. These laws may affect Grantee's ability to acquire or dispose of Common Units or rights to Common Units (e.g., REUs) under the Plan, particularly during such times as the Grantee is considered to have access to material nonpublic information concerning the Partnership (as

defined by the Laws of the Grantee's country). Any restrictions under these Laws or regulations are separate from and in addition to any policies and procedures set forth by the Partnership. The Grantee is responsible for ensuring compliance with any applicable restrictions and should consult his or her personal legal advisor on this matter.

**7. Foreign Asset / Account, Exchange Control Reporting**

Depending upon the country to which Laws the Grantee is subject, the Grantee may have certain exchange control, foreign asset and/or account reporting requirements that may affect the Grantee's ability to acquire or hold Common Units under the Plan or cash received from participating in the Plan (including from any sale proceeds arising from the sale of Common Units) in the Grantee's Fidelity brokerage account or a bank or other brokerage account outside the Grantee's country of residence. The Grantee's country may require that he or she report such accounts, assets or transactions to the applicable authorities in the Grantee's country. The Grantee also may be required to repatriate sale proceeds or other funds received as a result of his or her participation in the Plan to his or her country through a designated bank or broker and/or within a certain time after receipt. The Grantee is responsible for knowledge of and compliance with any such regulations and should speak with his or her own personal tax, legal and financial advisors regarding same.

## APPENDIX D

### Confidentiality and Restrictive Covenant Obligations

A. Capitalized terms contained in this Appendix D and not defined herein shall have the same meaning as such terms are defined in the Agreement into which this Appendix D is incorporated by reference therein and to which this Appendix D is attached, or the Plan, as applicable. Further, for the purposes of this Appendix D, the “**Company**” shall refer to the KKR Group;

B. In connection with the Grantee’s employment, engagement, association or other similar affiliation with an entity of the KKR Group, the Grantee is being issued one or more REUs pursuant to the Agreement to which this Appendix D is attached;

C. The Grantee acknowledges and agrees that the Grantee will receive financial benefits from the KKR Group’s business through their participation in the value of the REUs;

D. The Grantee further acknowledges and agrees that (i) during the course of the Grantee’s employment, engagement, association or other similar affiliation with the KKR Group, the Grantee will receive and have access to confidential information of the KKR Group and the Portfolio Companies (collectively, the “***KKR Related Entities***”) and have influence over and the opportunity to develop relationships with Clients, Prospective Clients, Portfolio Companies and partners, members, employees and associates of the Company; and (ii) such confidential information and relationships are extremely valuable assets in which the KKR Group has invested, and will continue to invest, substantial time, effort and expense in developing and protecting; and

E. The Grantee acknowledges and agrees that (i) the REUs will materially benefit the Grantee; (ii) it is essential to protect the business interests and goodwill of the Company and that the Company be protected by the restrictive covenants and confidentiality undertaking set forth herein; (iii) it is a condition precedent to the Grantee receiving REUs that the Grantee agree to be bound by the restrictive covenants and confidentiality undertaking contained herein; and (iv) the KKR Group would suffer significant and irreparable harm from a violation by the Grantee of the confidentiality undertaking set forth herein as well as the restrictive covenants set forth herein for a period of time after the termination of the Grantee’s employment, engagement, association or other similar affiliation with the KKR Group.

F. This Appendix D is made in part for the benefit of the KKR Group and the Designated Service Recipient and the parties intend, acknowledge, and agree that the KKR Group and the Designated Service Recipient are third party beneficiaries of this Appendix D and any one of them is authorized to waive compliance with any provision hereof by delivering a written statement clearly expressing the intent to waive such compliance to the Grantee and a duly authorized representative of the KKR Group or Designated Service Recipient.

NOW, THEREFORE, to provide the Company with reasonable protection of its interests and goodwill and in consideration for (i) the REUs and any other consideration that the Grantee will receive in connection with and as a result of the Grantee’s employment, engagement, association or other similar affiliation with the KKR Group; (ii) the material financial and other benefits that the Grantee will derive from such REUs and other consideration (if any); and (iii)

other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Grantee hereby agrees to the following restrictions:

1. Outside Business Activities.

The Grantee acknowledges that, during the course of the Grantee's employment, engagement, association or other similar affiliation with the KKR Group, the Grantee will be subject to the Written Policies. The Written Policies include restrictions that limit the ability of the Grantee to engage in outside business and other activities without the prior approval of the Company. If the Grantee has an employment, engagement or other similar contract with the KKR Group, the Grantee may be subject to similar restrictions under that agreement. The Grantee hereby agrees that, during the Grantee's employment, engagement, association or other similar affiliation with the KKR Group, the Grantee will comply with all such restrictions that are from time to time in effect which are applicable to the Grantee.

2. Confidentiality Undertaking.

The Grantee acknowledges that, during the course of the Grantee's employment, engagement, association or other similar affiliation with the KKR Group, the Grantee will receive and have access to Confidential Information (as defined below) of the Company and the Portfolio Companies. Recognizing that any disclosure of such information could have serious consequences to one or more of the Company and the Portfolio Companies, the Grantee hereby agrees that, except as provided herein, the Grantee will not under any circumstances (either while employed, engaged, associated or otherwise affiliated with the KKR Group, or at any time after the Termination Date) for any purpose other than in the ordinary course of the performance of the Grantee's duties as an employee, consultant, associate or other affiliated person of the KKR Group, use or divulge, communicate, publish, make available, or otherwise disclose any Confidential Information to any person or entity, including but not limited to any business, firm, governmental body, partnership, corporation, press service or otherwise, other than to (i) any executive or employee of the Company in the ordinary course of the performance of Grantee's duties as an employee, consultant, associate or other affiliated person of the KKR Group; (ii) any person or entity to the extent explicitly authorized by an executive of the Company in the ordinary course of the performance of Grantee's duties as an employee, consultant, associate or other affiliated person of the KKR Group; (iii) any attorney, accountant, consultant or similar service provider retained by the Company who is required to know such information and is obligated to keep such information confidential; or (iv) any person or entity to the extent the law or legal process requires disclosure by the Grantee, provided that, in the case of clause (iv), the Grantee must first give the Partnership or the Designated Service Recipient prompt written notice of any such requirement, disclose no more information than is so required in the opinion of competent legal counsel, and cooperate fully with all efforts by the Company to obtain a protective order or similar confidentiality treatment for such information.

Notwithstanding the foregoing, nothing in this Appendix E shall prohibit the Grantee from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the U.S. Securities and Exchange Commission, or making other disclosures to the extent protected under the whistleblower provisions of federal law or regulation (or comparable laws or regulations that similarly prohibit the impediment of such protected disclosures), and the Grantee shall not be required to advise or seek permission from the Partnership or the Designated Service Recipient prior to making any such report or



disclosure; provided, however, that (i) Grantee shall inform such governmental agency or entity that the information Grantee is providing is confidential and (ii) neither the Partnership nor the Designated Service Recipient authorizes the waiver of (or the disclosure of information covered by) the attorney-client privilege or work product protection or any other privilege or protection belonging to the Partnership, the Designated Service Recipient or their Affiliates, to the fullest extent permitted by law.

As used in this Section 2, an “**executive**” of the KKR Group means an employee of the Company with the title of “Member,” “Managing Director,” “Director,” “Principal” or other employee of the Company acting in a managerial or supervisory capacity. “**Confidential Information**” means (a) all confidential, proprietary or non-public information of, or concerning the business, operations, activities, personnel, finances, plans, personal lives, habits, history, clients, investors, or otherwise of the KKR Related Entities or any person who at any time is or was a member, partner, officer, director, other executive, employee or stockholder of any of the foregoing, (b) all confidential, proprietary or non-public information of or concerning any member of a family of any of the individuals referred to in clause (a), whether by birth, adoption or marriage (including but not limited to any of their current or former spouses or any living or deceased relatives), and (c) all confidential, proprietary or non-public information of or concerning any of the clients or investors of the KKR Related Entities or any other person or entity with which or whom any of the KKR Related Entities or their respective clients or investors does business or has a relationship. Confidential Information includes information about the KKR Related Entities relating to or concerning any of their (i) finances, investments, profits, pricing, costs, and accounting, (ii) intellectual property (including but not limited to patents, inventions, discoveries, plans, research and development, processes, formulae, reports, protocols, computer software, databases, documentation, trade secrets, know-how and business methods), (iii) personnel, compensation, recruiting and training, and (iv) any pending or completed settlements, arbitrations, litigation, governmental investigations and similar proceedings. Notwithstanding the foregoing, Confidential Information does not include any portions of the foregoing that the Grantee can demonstrate by sufficient evidence satisfactory to the Company that has been (i) lawfully published in a form generally available to the public prior to any disclosure by the Grantee in breach of this Appendix D or (ii) made legitimately available to the Grantee by a third party without breach of any obligation of confidence owed to the Company or any Portfolio Company.

Without limiting the generality of the foregoing, the Grantee agrees that it will be a breach of this Appendix D to write about, provide, disclose or use in any fashion at any time any Confidential Information that is or becomes part of the basis for, or is used in any way in connection with any part of any book, magazine or newspaper article, any interview or is otherwise published in any media of any kind utilizing any technology now known or created in the future.

Upon termination of the Grantee's employment, engagement, association or other similar affiliation with the KKR Group for any reason, the Grantee hereby agrees to (i) cease and not thereafter commence any and all use of any Confidential Information; (ii) upon the request of the Company promptly deliver to the Company or, at the option of the Company destroy, delete or expunge all originals and copies of any Confidential Information in any form or medium in the Grantee's possession or control (including any of the foregoing stored or located in the Grantee's home, laptop or other computer that is not the property of the Company, its Affiliates or Portfolio Companies); (iii) notify and fully cooperate with the Company regarding the delivery

or destruction of any other Confidential Information of which the Grantee is aware; and (iv) upon the request of the Company sign and deliver a statement that the foregoing has been accomplished.

The Grantee acknowledges that he or she is aware that applicable securities laws place certain restrictions on any person who has received from an issuer material, non-public information concerning the issuer with respect to purchasing or selling securities of such issuer or from communicating such information to any other person and further agrees to comply with such securities laws. Without limiting anything in this Appendix D, the Grantee hereby expressly confirms his or her explicit understanding that the Grantee's obligations hereunder are in addition to, and in no way limit, the Grantee's obligations under compliance procedures of the Company including those contained in the Written Policies.

Notwithstanding anything in this Appendix D to the contrary, the Grantee may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of any member of the Company in which the Grantee holds an interest and all materials of any kind (including opinions or other tax analyses) that are provided to the Grantee relating to such tax treatment and tax structure.

### 3. Notice Period.

The Grantee acknowledges and agrees that the Designated Service Recipient may terminate his or her employment, engagement, association or other similar affiliation with the Designated Service Recipient at any time for any reason or for no reason at all with or without reasons constituting Cause. The Designated Service Recipient or the Grantee, as applicable, shall provide advance written notice (which may be by email) of the termination of the Grantee's employment, engagement, association or other similar affiliation with the Designated Service Recipient at least 90 days prior to actual termination (such 90-day period, the "**Notice Period**"); provided, however, that no advance notice shall be required by the Designated Service Recipient and the provisions of this Section 3 shall not be applicable to the Designated Service Recipient if the Grantee's employment, engagement, association or other similar affiliation is terminated by the Designated Service Recipient for reasons constituting Cause or due to any conduct by Grantee that, in the judgment of the Designated Service Recipient in its sole discretion, amounts to gross negligence or reckless or willful misconduct. Notice pursuant to this Section 3 shall be provided by the Grantee to any of the Chief Executive Officers, General Counsel or Chief Human Resources Officer of the KKR Group.

During the Notice Period, the Grantee shall perform his or her regular duties and any transitional responsibilities (including but not limited to helping to transition work, projects, and Client relationships internally to others) as determined and directed by the Designated Service Recipient in its sole discretion, and Grantee shall not be employed, engaged, associated or otherwise similarly affiliated with any business other than the business of the KKR Group; provided, however, the Designated Service Recipient reserves the right to require the Grantee not to be in the offices of the KKR Group, not to undertake all or any of the Grantee's duties or not to contact Clients or Prospective Clients (as defined in Section 5 below), other persons employed, engaged, associated or otherwise similarly affiliated with the KKR Group, or others (or any combination thereof) unless otherwise instructed during all or any part of the Notice Period. During the Notice Period, and except as provided in the next sentence, the Grantee shall continue to receive his or her salary, and the Grantee shall not be entitled to receive or be

considered for payment of any other amount for his or her services during the Notice Period (including without limitation any bonus or equity award). In addition, the Designated Service Recipient in its sole discretion may elect to reduce the Notice Period and pay the Grantee his or her salary, but no other amount, for the period from the conclusion of the reduced Notice Period to the end of the original Notice Period, and the Grantee's employment, engagement, association or other similar affiliation with the KKR Group, shall be terminated as of the day immediately following the conclusion of the reduced Notice Period.

#### 4. Non-Compete.

The Grantee hereby agrees that, while employed, engaged, associated or otherwise similarly affiliated with the KKR Group, and in addition during the Non-Compete Period (as defined below), the Grantee will not directly or indirectly set up, be employed or engaged by, hold an office in or provide consulting, advisory or other similar services to or for the benefit of, a Competing Business (i) where the activities or services of the Grantee in relation to the Competing Business are similar or substantially related to any activity that the Grantee engaged in or any service that the Grantee provided, in connection with the Grantee's employment, engagement, association or other similar affiliation with the KKR Group or (ii) that competes with a business for which the Grantee had direct or indirect managerial or supervisory responsibility with the KKR Group, including through the Grantee's position on the Management Committee or similar committee or group, including without limitation the Public Markets & Distribution Management Committee, for one or more businesses of the KKR Group, in each case, at any time during the 12 months preceding the Termination Date.

For the purposes of this Appendix D, a "**Competing Business**" means a business that competes (i) in a Covered Country with any business conducted by the Company on the date on which the Grantee's employment, engagement, association or other similar affiliation with the KKR Group is terminated (the "**Termination Date**") or (ii) in any country with any business that the Company was, on the Termination Date, formally considering conducting. A "**Covered Country**" means the United States, United Kingdom, the Republic of Ireland, France, Hong Kong, China, Japan, the Republic of Korea, Australia, India, United Arab Emirates, Saudi Arabia, Brazil, Canada, Singapore, Spain, Luxembourg or any other country where the Company conducted business on the Termination Date; provided that if the Grantee is located in Japan, the definition of Covered Country shall exclude the phrase "any other country where the Company conducted business on the Termination Date" to the extent unenforceable under applicable law. The "**Non-Compete Period**" for the Grantee shall commence on the Termination Date and shall expire upon the twelve month anniversary of the Termination Date. Notwithstanding the foregoing, if the Grantee's employment, engagement, association or other similar affiliation with the KKR Group, is terminated involuntarily and for reasons not constituting Cause, the Non-Compete Period will expire on the six month anniversary of the Termination Date.

Notwithstanding the foregoing, nothing in this Appendix D shall be deemed to prohibit the Grantee from (i) associating with any business whose activities consist principally of making passive investments for the account and benefit of the Grantee or members of the Grantee's immediate family where such business does not, within the knowledge of the Grantee, compete with a business of the KKR Group for specific privately negotiated investment opportunities; (ii) making and holding passive investments in publicly traded securities of a Competing Business where such passive investment does not exceed 5% of the amount of such securities that are

outstanding at the time of investment; or (iii) making and holding passive investments in limited partner or similar interests in any investment fund or vehicle with respect to which the Grantee does not exercise control, discretion or influence over investment decisions.

5. Non-Solicitation of Clients and Prospective Clients; Non-Interference.

The Grantee hereby agrees that, while employed, engaged, associated or otherwise similarly affiliated with the KKR Group, and in addition during the Post-Termination Restricted Period (as defined below), the Grantee will not, directly or indirectly, (i) solicit, or assist any other person in soliciting, the business of any Client or Prospective Client for, or on behalf of, a Competing Business; (ii) provide, or assist any other person in providing, for any Client or Prospective Client any services that are substantially similar to those that the Company provided or proposed to be provided to such Client or Prospective Client; or (iii) impede or otherwise interfere with or damage, or attempt to impede or otherwise interfere with or damage, any business relationship or agreement between the Company and any Client or Prospective Client. As used in this Section 5, “**solicit**” means to have any direct or indirect communication inviting, advising, encouraging or requesting any person to take or refrain from taking any action with respect to the giving by such person of business to a Competing Business, regardless of who initiated such communication.

For purposes of this Appendix D, “**Client**” means any person (a) for whom the Company provided services, including any investor in any Fund, any client of the KKR Group’s broker-dealer business, or any Portfolio Company and (b) with whom the Grantee, individuals reporting to the Grantee or any other individuals over whom the Grantee had direct or indirect managerial or supervisory responsibility had any contact or dealings on behalf of, and involving Confidential Information of, the Company during the 12 months prior to the Termination Date; and “**Prospective Client**” means any person with whom (I) the Company has had negotiations or discussions concerning becoming a Client and (II) the Grantee, individuals reporting to the Grantee or any other individuals over whom the Grantee had direct or indirect managerial or supervisory responsibility had any contact or dealings on behalf of, and involving Confidential Information of, the Company during the 12 months prior to the Termination Date.

6. Non-Solicitation of Personnel; No Hire.

The Grantee hereby agrees that, while employed, engaged, associated or otherwise similarly affiliated with the KKR Group, and in addition during the Post-Termination Restricted Period, the Grantee will not, directly or indirectly, solicit, employ, engage or retain, or assist any other person in soliciting, employing, engaging or retaining, any Covered Person. As used in this Section 6, “**solicit**” means to have any direct or indirect communication inviting, advising, encouraging or requesting any Covered Person to terminate his or her employment, engagement, association or other affiliation with the KKR Group or KKR Capstone or recommending or suggesting that a third party take any of the foregoing actions, including by way of identifying such Covered Person to the third party, in each case regardless of who initiated such communication.

For purposes of this Appendix D, a “**Covered Person**” means a person who is or on the Termination Date was either (i) employed or engaged by the KKR Group as an employee or officer or otherwise associated or similarly affiliated with the KKR Group in any position, including as a member or partner, having functions and duties substantially similar to those of

an employee or officer; (ii) a Senior Advisor, Industry Advisor or KKR Advisor to the KKR Group; (iii) employed or engaged by KKR Capstone as an employee or officer or otherwise associated or similarly affiliated with KKR Capstone in any position, including as a member or partner, having functions and duties substantially similar to those of an employee or officer; or (iv) a person who provides services exclusively to the Company or any Portfolio Company and has functions and duties that are substantially similar to those of a person listed in sub-clauses (i), (ii) or (iii) above.

#### 7. Post-Termination Restricted Period.

The “ ***Post-Termination Restricted Period*** ” for the Grantee shall commence on the Termination Date and shall expire upon the eighteen month anniversary of the Termination Date. Notwithstanding the foregoing, if the Grantee’s employment, engagement, association or other similar affiliation with the KKR Group is terminated involuntarily and for reasons not constituting Cause, the Post-Termination Restricted Period will expire on the nine month anniversary of the Termination Date. To the extent that the Grantee continues to be employed or engaged by, or otherwise associated or similarly affiliated with, the KKR Group, during any “garden leave” or “notice” period in which the Grantee is required to not perform any services for or enter the premises of the Company, and to otherwise comply with all terms and conditions imposed on the Grantee during such “garden leave” or “notice” period, the applicable Post-Termination Restricted Period shall be reduced by the amount of any such “garden leave” or “notice” period in which the Grantee complies with such terms.

#### 8. Intellectual Property: Works Made for Hire

Except as otherwise agreed in writing between the Grantee and the Partnership, the Designated Service Recipient or other member of the KKR Group, as applicable, the Grantee agrees that all work and deliverables that the Grantee prepares, creates, develops, authors, contributes to or improves, either alone or with third parties, during the course of the Grantee’s employment, engagement, association or other similar affiliation with the KKR Group, within the scope of the services provided to or with the use of any of the resources of the KKR Group, including but not limited to notes, drafts, scripts, documents, designs, inventions, data, presentations, research results, developments, reports, processes, programs, spreadsheets and other materials and all rights and intellectual property rights thereunder including but not limited to rights of authorship (collectively, “ ***Work Product*** ”), are works-made-for-hire owned exclusively by the KKR Group. The Grantee hereby irrevocably assigns, transfers and conveys, to the maximum extent permitted by law, all right, title and interest that the Grantee may have in such Work Product (and any written records thereof) to the KKR Group (or any of its designees), to the extent ownership of any such rights does not vest originally with the KKR Group. The Grantee acknowledges and agrees that the Units issued pursuant to the Agreement are sufficient compensation for such assignment, transference and conveyance. To the extent the foregoing assignment is deemed to be invalid or unenforceable, Grantee grants the KKR Group, at no additional charge an exclusive, worldwide, irrevocable, royalty-free, perpetual, assignable license under all intellectual property in and to the Work Product.

#### 9. Non-Disparagement.

The Grantee hereby agrees that the Grantee will not at any time during his or her employment, engagement, association or other similar affiliation with the Designated Service Recipient or for

five years thereafter make any disparaging, defamatory, or derogatory written or oral statements or other communications about or in reference to the Designated Service Recipient, the Partnership or any other member of the KKR Group or KKR Capstone (including their respective businesses or reputations), including but not limited to any of their Clients, Prospective Clients, Portfolio Companies, or Covered Persons; provided that this provision shall not prevent the Grantee from (i) making reports to or testifying before any court, governmental agency, or regulatory body, including the U.S. Securities and Exchange Commission, or pursuant to any legal or regulatory process or proceeding or (ii) engaging in activity protected by applicable law, rule or regulations, including the U.S. National Labor Relations Act.

10. Representations; Warranties; Other Agreements.

The Grantee acknowledges and agrees that the Grantee will derive material financial and other benefits from the Grantee's employment, engagement, association or other similar affiliation with the KKR Group, and that the restrictions contained herein are reasonable in all circumstances and necessary to protect the legitimate business interests of the Company, to have and enjoy the full benefit of its business interests and goodwill. The Grantee further agrees and acknowledges that such restrictions will not unnecessarily or unreasonably restrict or otherwise limit the professional opportunities of the Grantee should his or her employment, engagement, association or other similar affiliation with the KKR Group terminate, that the Grantee is fully aware of the Grantee's obligations under this Appendix D and that the livelihood of the Grantee is not impaired by the Grantee's entry into the covenants contained herein. The Partnership and the Designated Service Recipient shall have the right, exercisable in its sole discretion, to directly or indirectly make a payment to the Grantee or grant other consideration if, and to the extent, necessary to enforce the restrictions contained herein in accordance with any applicable law.

11. Certain Relationships.

The Grantee acknowledges and agrees that the Grantee's compliance with this Appendix D is a material part of the Grantee's arrangements with the Company. Notwithstanding anything to the contrary herein, this Appendix D does not constitute an employment, engagement or other similar agreement between the Grantee and the Company, or any other of the KKR Related Entities (including but not limited to the Partnership), and shall not interfere with or otherwise affect any rights any such person or entity may have to terminate the Grantee's employment, engagement, association or other similar affiliation at any time upon such notice as may be required by law or the terms of any agreement or arrangement with the Grantee.

12. Injunctive Relief: Third Party Beneficiaries.

The Grantee acknowledges and agrees that the remedies of the Partnership and the Designated Service Recipient at law for any breach of this Appendix D would be inadequate and that for any breach of this Appendix D, the Designated Service Recipient may terminate your employment, engagement, association or other similar affiliation with the Company and shall, in addition to any other remedies that may be available to it at law or in equity, or as provided for in this Appendix D, be entitled to an injunction, restraining order or other equitable relief, without the necessity of posting a bond, restraining the Grantee from committing or continuing to commit any violation of this Appendix D. The Grantee further acknowledges and agrees that the Partnership and the Designated Service Recipient shall not be required to prove, or offer proof,

that monetary damages for a breach of this Appendix D would be difficult to calculate and that any remedies at law would be inadequate for any breach of this Appendix D. The parties intend, acknowledge, and agree that each member of the KKR Group is a third party beneficiary of this Agreement and is authorized to enforce any provision hereof by delivering a written statement expressing the intent to enforce the provisions hereof to the Grantee or the Designated Service Recipient. The Grantee has executed this Agreement for the benefit of each member of the KKR Group.

13. Amendment; Waiver.

This Appendix D may not be amended, restated, supplemented or otherwise modified other than by an agreement in writing signed by the parties hereto; provided, however, that the Partnership, the KKR Group or the Designated Service Recipient may reduce the scope of, or waive compliance with any part of, any obligation of the Grantee arising under this Appendix D, at any time without any action, consent or agreement of any other party. No failure to exercise and no delay in exercising, on the part of any party, of any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The waiver of any particular right, remedy, power or privilege shall not affect or impair the rights, remedies, powers or privileges of any person with respect to any subsequent default of the same or of a different kind by any party hereunder. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law. No waiver of any provision hereto shall be effective unless it is in writing and signed by the person asserted to have granted such waiver.

14. Assignment.

This Appendix D may not be assigned by any party hereto without the prior written consent of the other party hereto, except that the consent of the Grantee shall be deemed to have been given to the Partnership and the Designated Service Recipient (and the Grantee acknowledges that the Partnership and the Designated Service Recipient shall therefore have the right without further consent) to assign its rights hereunder, in whole or in part, to (i) any member of the KKR Group that becomes a Designated Service Recipient or (ii) any person who is a successor of the Partnership or the Designated Service Recipient by merger, consolidation or purchase of all or substantially all of its assets, in which case such assignee shall be substituted for the Partnership and the Designated Service Recipient hereunder with respect to the provisions so assigned and be bound under this Appendix D and by the terms of the assignment in the same manner as the Partnership and the Designated Service Recipient was bound hereunder. Any purported assignment of this Appendix D in violation of this section shall be null and void.

15. Governing Law.

This Appendix D shall be governed by and construed in accordance with the laws of the State of New York.

## 16. Resolution of Disputes.

- (a) Subject to paragraphs (b) and (c) below, any and all disputes which cannot be settled amicably, including any ancillary claims of any party, arising out of, relating to or in connection with the validity, negotiation, execution, interpretation, performance, non performance or termination of this Appendix D (including the validity, scope and enforceability of this arbitration provision) (each a “ ***Dispute*** ”) shall be finally settled by arbitration conducted by a single arbitrator in New York, New York in accordance with the then existing Rules of Arbitration of the International Chamber of Commerce (the “ ***ICC*** ”). If the parties to the Dispute fail to agree on the selection of an arbitrator within 30 days of the receipt of the request for arbitration, the ICC shall make the appointment. The arbitrator shall be a lawyer and shall conduct the proceedings in the English language. Performance under this Appendix D shall continue if reasonably possible during any arbitration proceedings.
- (b) Prior to filing a Request for Arbitration or an Answer under the Rules of Arbitration of the ICC, as the case may be, the Partnership or the Designated Service Recipient may, in its sole discretion, require all Disputes or any specific Dispute to be heard by a court of law in accordance with paragraph (e) below and, for the purposes of this paragraph (b), each party expressly consents to the application of paragraphs (e) and (f) below to any such suit, action or proceeding. If an arbitration proceeding has already been commenced in connection with a Dispute at the time that the Partnership or the Designated Service Recipient commences such proceedings in accordance with this paragraph (b), such Dispute shall be withdrawn from arbitration.
- (c) Subject to paragraph (b) above, either party may bring an action or special proceeding in any court of law (or, if applicable, equity) for the purpose of compelling a party to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder or enforcing an arbitration award and, for the purposes of this paragraph (c), each party expressly consents to the application of paragraphs (e) and (f) below to any such suit, action or proceeding.
- (d) Except as required by law or as may be reasonably required in connection with judicial proceedings to compel arbitration, to obtain temporary or preliminary judicial relief in aid of arbitration or to confirm or challenge an arbitration award, the arbitration proceedings, including any hearings, shall be confidential, and the parties shall not disclose any awards, any materials in the proceedings created for the purpose of the arbitration or any documents produced by another party in the proceedings not otherwise in the public domain. Judgment on any award rendered by an arbitration tribunal may be entered in any court having jurisdiction thereover.
- (e) EACH PARTY HEREBY IRREVOCABLY SUBMITS AND AGREES TO THE EXCLUSIVE JURISDICTION OF THE COURTS, AND VENUE, LOCATED IN NEW YORK, NEW YORK FOR THE PURPOSE OF ANY SUIT, ACTION OR PROCEEDING BROUGHT IN ACCORDANCE WITH THE PROVISIONS OF PARAGRAPHS (B) OR (C) ABOVE. The parties acknowledge that the forum designated by this paragraph (e) has a reasonable relation to this Appendix D, and to the parties' relationship with one another. The parties hereby waive, to the fullest extent permitted by applicable law, any objection which they now or hereafter may



have to personal jurisdiction or to the laying of venue of any suit, action or proceeding brought in any court referred to in the preceding sentence or pursuant to paragraphs (b) or (c) above and such parties agree not to plead or claim the same.

- (f) The parties agree that if a suit, action or proceeding is brought under paragraphs (b) or (c) proof shall not be required that monetary damages for breach of the provisions of this Appendix D would be difficult to calculate and that remedies at law would be inadequate, and they irrevocably appoint the Secretary or General Counsel of the Partnership or the Designated Service Recipient or an officer of the Partnership or the Designated Service Recipient (at the then-current principal business address of the Partnership or the Designated Service Recipient) as such party's agent for service of process in connection with any such action or proceeding and agrees that service of process upon such agent, who shall promptly advise such party of any such service of process, shall be deemed in every respect effective service of process upon the party in any such action or proceeding.

#### 17. Entire Agreement.

This Appendix D contains the entire agreement and understanding among the parties hereto with respect to the subject matter of this Appendix D and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with the Partnership, the Company, or KKR Holdings L.P. with respect to the subject matter of this Appendix D (including but not limited to any prior grant agreement for an equity award under the Plan that contains one or more appendices with respect to the subject matter of this Appendix D) or any Confidentiality and Restrictive Covenant Agreement previously executed with the Partnership, the Company or KKR Holdings L.P. The express terms of this Appendix D control and supersede any course of performance and any usage of the trade inconsistent with any of the terms of this Appendix D.

#### 18. Severability.

Notwithstanding Section 13 or any other provision of this Appendix D to the contrary, any provision of this Appendix D that is prohibited or unenforceable in any jurisdiction (including but not limited to the application, if applicable, of Rule 5.6 of the New York Rules of Professional Conduct (or successor rule)) shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. In such event, the invalid provision shall be partially enforced, reformed or substituted with a valid provision which most closely approximates the intent and the economic effect of the invalid provision to give effect to the provision to the maximum extent permitted in such jurisdiction or in such case. Grantee specifically acknowledges that Grantee has been provided with valuable consideration in exchange for the covenants set forth herein and, accordingly, such partial enforcement or reformation is necessary to avoid frustrating the Company's purpose in awarding the Grantee such consideration.

19. Interpretation .

Notwithstanding anything contained in Article IV of the Agreement, the provisions of Sections 10 through 19 (inclusive) of this Appendix D shall govern with respect to, and shall be applicable only to the interpretation, administration and enforcement of, the provisions of this Appendix D, and shall not govern or otherwise apply to, or have any administrative or interpretive effect on, any other provisions of the remainder of the Agreement or any other of its Appendices.

## APPENDIX E

### KKR & CO. L.P. 2010 EQUITY INCENTIVE PLAN

#### 1. Purpose of the Plan

The KKR & Co. L.P. 2010 Equity Incentive Plan (the “Plan”) is designed to promote the long term financial interests and growth of KKR & Co. L.P., a Delaware limited partnership (the “Partnership”) and its Affiliates by (i) attracting and retaining directors, officers, employees, consultants or other service providers of the Partnership or any of its Affiliates, including but not limited to directors of KKR Management LLC, the Partnership’s general partner (the “General Partner”) and (ii) aligning the interests of such individuals with those of the Partnership and its Affiliates by providing them with equity-based awards based on the common units of limited partner interest in the Partnership (the “Common Units”).

#### 2. Definitions

The following capitalized terms used in the Plan have the respective meanings set forth in this Section:

- (a) Act: The Securities Exchange Act of 1934, as amended, or any successor thereto.
- (b) Administrator: The Board, or the committee or subcommittee thereof to whom authority to administer the Plan has been delegated pursuant to Section 4 hereof.
- (c) Affiliate: With respect to any specified Person, any other Person that directly or indirectly through one or more intermediaries Controls, is Controlled by or is under common control with such specified Person. As used herein, the term “Control” (including the terms “Controlled by” and “under common Control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, as trustee or executor, by contract or otherwise, including the ownership, directly or indirectly, of securities having the power to elect a majority of the board of directors or similar body governing the affairs of such Person.
- (d) Award: Individually or collectively, any Option, Unit Appreciation Right, or Other Unit-Based Awards based on or relating to the Common Units issuable under the Plan.
- (e) Board: The board of directors of the General Partner.
- (f) Change in Control: Except as otherwise set forth in any applicable Award agreement, (i) the occurrence of any Person, other than a Person approved by the General Partner, becoming the general partner of the Partnership, (ii) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation) in one or more series of related transactions of all or substantially all of the combined assets of the Group Partnerships taken as a whole to any Person other than a Permitted Person, (iii) the consummation of any transaction or a series of related transactions (including any merger or consolidation) that results in any Person (other than a Permitted Person) becoming the

beneficial owner of a majority of the controlling interests in any one or more Group Partnerships that together hold all or substantially all of the combined assets of the Group Partnerships taken as a whole, or (iv) the occurrence of any other event as determined by the Board to constitute a Change in Control. Solely for the purpose of this definition, the term “person” shall have the meaning given to such term under Section 13(d)(3) of the Act or any successor provision thereto; and for purposes of the Plan, the term “beneficial owner” shall have the meaning given to such term under Rule 13d-3 promulgated under the Act or any successor provision thereto, and the combined assets of the Group Partnerships shall exclude the portion of any such assets that are allocable to holders of any non-controlling interests in any consolidated subsidiaries.

(g) Code: The Internal Revenue Code of 1986, as amended, or any successor thereto.

(h) Effective Date: The date on which the Board adopts the Plan, or such later date as is designated by the Board, provided that in no event shall such date be prior to the date that limited partnership interests of the Partnership become listed and traded on the New York Stock Exchange or The NASDAQ Stock Market.

(i) Employee Exchange Agreement: That certain Exchange Agreement, dated as of July 14, 2010, by and among KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., and KKR Holdings L.P.

(j) Employment: The term “Employment” as used herein shall be deemed to refer to (i) a Participant’s employment if the Participant is an employee of the Partnership or any of its Affiliates, (ii) a Participant’s services as a consultant or partner, if the Participant is consultant to, or partner of, the Partnership or of any of its Affiliates, and (iii) a Participant’s services as a non-employee director, if the Participant is a non-employee member of the Board.

(k) Fair Market Value: Of a Common Unit on any given date means (i) the closing sale price per Common Unit on the New York Stock Exchange or The NASDAQ Stock Market (a “U.S. Exchange”) on that date (or, if no closing sale price is reported, the last reported sale price), (ii) if the Common Units are not listed for trading on a U.S. Exchange, the closing sale price (or, if no closing sale price is reported, the last reported sale price) as reported on that date in composite transactions for the principal national securities exchange registered pursuant to the Act on which the Common Units are listed, (iii) if the Common Units are not so listed on a U.S. Exchange, the last quoted bid price for the Common Units on that date in the over-the-counter market as reported by Pink Sheets LLC or a similar organization, or (iv) if the Common Units are not so quoted by Pink Sheets LLC or a similar organization, the average of the mid-point of the last bid and ask prices for the Common Units on that date from a nationally recognized independent investment banking firm selected by the General Partner for this purpose.

(l) Group Partnerships: KKR Management Holdings L.P., a Delaware limited partnership, and KKR Fund Holdings L.P., a Cayman Island exempted limited partnership, along with any partnership designated in the future as a “Group Partnership” by the Partnership.

(m) Group Partnership Unit : A “Group Partnership Unit” as defined in the Pre-Listing Plan.

(n) KKR Group : The Group Partnerships, the direct and indirect parents of the Group Partnerships (the “Parents”), any direct or indirect subsidiaries of the Parents or the Group Partnerships, the general partner or similar controlling entities of any investment fund or vehicle that is managed, advised or sponsored by the KKR Group (the “Funds”) and any other entity through which any of the foregoing directly or indirectly conducts its business, but shall exclude any company over which a Fund exercises a significant degree of control as an investor.

(o) Option : An option to purchase Common Units granted pursuant to Section 6 of the Plan.

(p) Option Price : The purchase price per Common Unit of an Option, as determined pursuant to Section 6(a) of the Plan.

(q) Other Unit-Based Awards : Awards granted pursuant to Section 8 of the Plan.

(r) Participant : A director, officer, employee, consultant or other service provider of the Partnership or of any of its Affiliates, including but not limited to any director of the General Partner, who is selected by the Administrator to participate in the Plan.

(s) Permitted Person : The term “Permitted Person” means (i) an individual who (a) is an executive of the KKR Group, (b) devotes substantially all of his or her business and professional time to the activities of the KKR Group and (c) did not become an executive of the KKR Group or begin devoting substantially all of his or her business and professional time to the activities of the KKR Group in contemplation of a Change in Control or (ii) any Person in which any one or more such individuals directly or indirectly holds a majority of the controlling interests.

(t) Person : A ny individual, corporation, partnership, limited partnership, limited liability company, limited company, joint venture, trust, unincorporated or governmental organization or any agency or political subdivision thereof .

(u) Pre-Listing Award : Any equity-based award (whether an option, unit appreciation right, restricted equity unit, phantom equity unit, or other equity-based award based in whole or in part on the fair market value of any equity unit or otherwise) granted pursuant to the Pre-Listing Plan.

(v) Pre-Listing Plan : KKR Management Holdings L.P. 2009 Equity Incentive Plan.

(w) Unit Appreciation Right : A unit appreciation right granted pursuant to Section 7 of the Plan.

### **3. Common Units Subject to the Plan**

Subject to Section 9 hereof, the total number of Common Units which shall be available for issuance under the Plan shall be, as of the Effective Date, 15% of the Common Units outstanding as of the Effective Date on a fully converted and diluted basis (the “Initial Plan”

Amount”), of which all or any portion may be issued as Common Units. Notwithstanding the foregoing, beginning with the first fiscal year of the Partnership occurring after the Effective Date and continuing with each subsequent fiscal year of the Partnership occurring thereafter, the aggregate number of Common Units covered by the Plan will be increased, on the first day of each fiscal year of the Partnership occurring during the term of the Plan, by a number of Common Units equal to the positive difference, if any, of (x) 15% of the aggregate number of Common Units outstanding on the last day of the immediately preceding fiscal year of the Partnership minus (y) the Initial Plan Amount, as such amount may have been increased by this sentence in any prior fiscal year, unless the Administrator should decide to increase the number of Common Units covered by the Plan by a lesser amount on any such date. The issuance of Common Units or the payment of cash upon the exercise of an Award or any Pre-Listing Award or in consideration of the settlement, cancellation or termination of an Award or any Pre-Listing Award shall reduce the total number of Common Units covered by and available for issuance under the Plan, as applicable (with any Awards or Pre-Listing Awards settled in cash reducing the total number of Common Units by the number of Common Units determined by dividing the cash amount to be paid thereunder by the Fair Market Value of one Common Unit on the date of payment), and the issuance of Group Partnership Units in consideration of the settlement, cancellation or termination of any Pre-Listing Award shall reduce the total number of Common Units covered by and available for issuance under the Plan by a number of Common Units equal to the number of Group Partnership Units so issued multiplied by the Exchange Rate (as defined in the Employee Exchange Agreement). Common Units which are subject to Awards which are cancelled, forfeited, terminated or otherwise expired by their terms without the payment of consideration, and Common Units which are used to pay the exercise price of any Award, may be granted again subject to Awards under the Plan. For the avoidance of doubt, Common Units which are subject to Awards other than Options or Unit Appreciation Rights which are withheld to pay tax withholding obligations will be deemed not to have been delivered and will be available for further Awards under the Plan.

For purposes of this Section 3, the number of Common Units that, as of a particular date, will be considered to be “covered by” the Plan will be equal to the sum of (i) the number of Common Units available for issuance pursuant to the Plan but which are not subject to an outstanding Award or Pre-Listing Award as of such date, (ii) the number of Common Units subject to outstanding Awards or Pre-Listing Awards as of such date and (iii) the number of Group Partnership Units subject to outstanding Pre-Listing Awards as of such date multiplied by the Exchange Rate (as defined in the Employee Exchange Agreement) as in effect on such date. For purposes of this Section 3, (A) an Option or Unit Appreciation Right that has been granted under the Plan or the Pre-Listing Plan will be considered to be an “outstanding” Award or Pre-Listing Award, as applicable, until it is exercised or cancelled, forfeited, terminated or otherwise expires by its terms, (B) a Common Unit that has been granted as an Award under the Plan that is subject to vesting conditions will be considered an “outstanding” Award until the vesting conditions have been satisfied or the Award otherwise terminates or expires unvested by its terms, (C) a Group Partnership Unit that has been granted as a Pre-Listing Award under the Pre-Listing Plan that is subject to vesting conditions will be considered an “outstanding” Pre-Listing Award until the vesting conditions have been satisfied or the Pre-Listing Award otherwise terminates or expires unvested by its terms and (D) any Award or Pre-Listing Award other than an Option, Unit Appreciation Right, Common Unit or Group Partnership Unit that is subject to vesting conditions will be considered to be an “outstanding” Award or Pre-Listing Award, as applicable, until it has been settled.

#### 4. Administration

(a) Administration and Delegation. The Plan shall be administered by the Administrator. The Administrator may delegate the authority to grant Awards under the Plan to any employee or group of employees of the Partnership or of any Affiliate of the Partnership; provided that such delegation and grants are consistent with applicable law and guidelines established by the Board from time to time. The Administrator may delegate the day-to-day administration of the Plan to any employee or group of employees of the Partnership or the General Partner or any of their respective Affiliates or a nationally recognized third-party stock plan administrator.

(b) Substitution of Prior Awards. Awards may, in the discretion of the Administrator, be made under the Plan in assumption of, or in substitution for, outstanding awards previously granted by the Partnership, any Affiliate of the Partnership or any entity acquired by the Partnership or with which the Partnership combines. The number of Common Units underlying such substitute awards shall be counted against the aggregate number of Common Units available for Awards under the Plan.

(c) Interpretation; Corrections; Final and Binding Decisions. The Administrator is authorized to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, and to make any other determinations that it deems necessary or desirable for the administration of the Plan. The Administrator may correct any defect or supply any omission or reconcile any inconsistency in the Plan or Award agreement in the manner and to the extent the Administrator deems necessary or desirable, without the consent of any Participant. Any decision of the Administrator in the interpretation and administration of the Plan, as described herein, shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned (including, but not limited to, Participants and their beneficiaries and successors).

(d) Establishment of Award Terms. The Administrator shall have the full power and authority to establish the terms and conditions of any Award consistent with the provisions of the Plan and to waive any such terms and conditions at any time (including, without limitation, accelerating or waiving any vesting conditions).

(e) Payment of Taxes Due. The Administrator shall require payment of any amount it may determine to be necessary to withhold for federal, state, local or other taxes as a result of the exercise, grant or vesting of an Award. To the extent that such withholding arises in connection with the settlement of an Award with Common Units, the Administrator may, in its sole discretion, cause such payments to be funded by reducing the Common Units delivered upon settlement by an amount of Common Units having a Fair Market Value equal to the amount of payments that would then be due (and if an Award is settled in cash, the Administrator may withhold cash in respect to such taxes due). The Administrator shall establish the manner in which any such tax obligation may be satisfied by the Participant.

#### 5. Limitations

No Award may be granted under the Plan after the tenth anniversary of the Effective Date, but Awards theretofore granted may extend beyond that date.

## **6. Terms and Conditions of Options**

Options granted under the Plan shall be non-qualified options for federal income tax purposes, and shall be subject to the foregoing and the following terms and conditions and to such other terms and conditions, not inconsistent therewith, as the Administrator shall determine:

(a) Option Price. The Option Price per Common Unit shall be determined by the Administrator, provided that, solely for the purposes of an Option granted under the Plan to a Participant who is a U.S. taxpayer, in no event will the Option Price be less than 100% of the Fair Market Value on the date an Option is granted.

(b) Exercisability. Options granted under the Plan shall be exercisable at such time and upon such terms and conditions as may be determined by the Administrator, but in no event shall an Option be exercisable more than ten years after the date it is granted.

(c) Exercise of Options.

(i) Except as otherwise provided in the Plan or in an Award agreement, an Option may be exercised for all, or from time to time any part, of the Common Units for which it is then exercisable. For purposes of this Section 6 of the Plan, the exercise date of an Option shall be the later of the date a notice of exercise is received by the Partnership and, if applicable, the date payment is received by the Partnership pursuant to clauses (A), (B), (C) or (D) in the following sentence.

(ii) The Option Price for the Common Units as to which an Option is exercised shall be paid to the Partnership, and in the manner designated by the Administrator, pursuant to one or more of the following methods: (A) in cash or its equivalent (e.g., by personal check); (B) in Common Units having a Fair Market Value equal to the aggregate Option Price for the Common Units being purchased and satisfying such other requirements as may be imposed by the Administrator; provided that such Common Units have been held by the Participant for such period as may be established from time to time by the Administrator in order to avoid adverse accounting treatment applying generally accepted accounting principles; (C) partly in cash and partly in such Common Units; (D) if there is a public market for the Common Units at such time, through the delivery of irrevocable instructions to a broker to sell Common Units obtained upon the exercise of the Option and to deliver promptly to the Partnership an amount out of the proceeds of such sale equal to the aggregate Option Price for the Common Units being purchased, or (E) to the extent permitted by the Administrator, through net settlement in Common Units.

(iii) To the extent compliant with applicable laws, no Participant shall have any rights to distributions or other rights of a holder with respect to Common Units subject to an Option until the Participant has given written notice of exercise of the Option, paid in full the Option Price for such Common Units and, if applicable, has satisfied any other conditions imposed by the Administrator pursuant to the Plan.



(d) Attestation. Wherever in this Plan or any agreement evidencing an Award a Participant is permitted to pay the Option Price of an Option or taxes relating to the exercise of an Option by delivering Common Units, the Participant may, subject to procedures satisfactory to the Administrator, satisfy such delivery requirement by presenting proof of beneficial ownership of such Common Units, in which case the Partnership shall treat the Option as exercised without further payment and/or shall withhold such number of Common Units from the Common Units acquired by the exercise of the Option, as appropriate.

## 7. Terms and Conditions of Unit Appreciation Rights

(a) Grants. The Administrator may grant (i) a Unit Appreciation Right independent of an Option or (ii) a Unit Appreciation Right in connection with an Option, or a portion thereof. A Unit Appreciation Right granted pursuant to clause (ii) of the preceding sentence (A) may be granted at the time the related Option is granted or at any time prior to the exercise or cancellation of the related Option, (B) shall cover the same number of Common Units covered by an Option (or such lesser number of Common Units as the Administrator may determine) and (C) shall be subject to the same terms and conditions as such Option except for such additional limitations as are contemplated by this Section 7 (or such additional limitations as may be included in an Award agreement).

(b) Exercise Price. The exercise price per Common Unit of a Unit Appreciation Right shall be an amount determined by the Administrator; provided, however, that in the case of a Unit Appreciation Right granted in conjunction with an Option, or a portion thereof, the exercise price may not be less than the Option Price of the related Option; provided, further that, solely for the purposes of a Unit Appreciation Right granted under the Plan to a Participant who is a U.S. taxpayer, in the case of a Unit Appreciation Right that was not granted in conjunction with an Option, the exercise price per Unit Appreciation Right shall not be less than 100% of the Fair Market Value on the date the Unit Appreciation Right is granted.

(c) Terms of Grant: Each Unit Appreciation Right granted independent of an Option shall entitle a Participant upon exercise to an amount equal to (i) the excess of (A) the Fair Market Value on the exercise date of one Common Unit over (B) the exercise price per Common Unit, times (ii) the number of Common Units covered by the Unit Appreciation Right. Each Unit Appreciation Right granted in conjunction with an Option, or a portion thereof, shall entitle a Participant to surrender to the Partnership the unexercised Option, or any portion thereof, and to receive from the Partnership in exchange therefore an amount equal to (i) the excess of (A) the Fair Market Value on the exercise date of one Common Unit over (B) the Option Price per Common Unit, times (ii) the number of Common Units covered by the Option, or portion thereof, which is surrendered. Payment shall be made in Common Units or in cash, or partly in Common Units and partly in cash (any such Common Units valued at such Fair Market Value), all as shall be determined by the Administrator.

(d) Exercisability: Unit Appreciation Rights may be exercised from time to time upon actual receipt by the Partnership of written notice of exercise stating the number of Common Units with respect to which the Unit Appreciation Right is being exercised. The date a notice of exercise is received by the Partnership shall be the exercise date. The Administrator, in its sole discretion, may determine that no fractional Common Units will be issued in payment for Unit Appreciation Rights, but instead cash will be paid for the fractional Common Units and

the number of Common Units to be delivered will be rounded downward to the next whole Common Unit.

(e) Limitations. The Administrator may impose, in its discretion, such conditions upon the exercisability of Unit Appreciation Rights as it may deem fit, but in no event shall a Unit Appreciation Right be exercisable more than ten years after the date it is granted.

## **8. Other Unit-Based Awards**

The Administrator, in its sole discretion, may grant or sell Awards of Common Units, restricted Common Units, deferred restricted Common Units, phantom restricted Common Units or other Common Unit-based awards based in whole or in part on the Fair Market Value of the Common Units (“Other Unit-Based Awards”). Such Other Unit-Based Awards shall be in such form, and dependent on such conditions, as the Administrator shall determine, including, without limitation, the right to receive, or vest with respect to, one or more Common Units (or the equivalent cash value of such Common Units) upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. Other Unit-Based Awards may be granted alone or in addition to any other Awards granted under the Plan. Subject to the provisions of the Plan, the Administrator shall determine to whom and when Other Unit-Based Awards will be made, the number of Common Units to be awarded under (or otherwise related to) such Other Unit-Based Awards; whether such Other Unit-Based Awards shall be settled in cash, Common Units, or other assets or a combination of cash, Common Units and other assets; and all other terms and conditions of such Awards (including, without limitation, the vesting provisions thereof and provisions ensuring that all Common Units so awarded and issued shall be fully paid and non-assessable).

## **9. Adjustments Upon Certain Events**

Notwithstanding any other provisions in the Plan to the contrary, the following provisions shall apply to all Awards granted under the Plan:

(a) Equity Restructurings. In the event of any extraordinary Common Unit distribution or split, recapitalization, rights offering, split-up or spin-off or any other event that constitutes an “equity restructuring” (as defined under Financial Accounting Standards Board (FASB) Accounting Standards Codification 718) with respect to Common Units, the Administrator shall, in the manner determined appropriate or desirable by the Administrator and without liability to any person, adjust any or all of (i) the number of Common Units or other securities of the Partnership (or number and kind of other securities or property) with respect to which Awards may be granted under the Plan, and (ii) the terms of outstanding Awards, including, but not limited to (A) the number of Common Units or other securities of the Partnership (or number and kind of other securities or property) subject to outstanding Awards or to which outstanding Awards relate, (B) the Option Price or exercise price of any Option or Unit Appreciation Right and (C) any performance targets or other applicable terms.

(b) Mergers, Reorganizations and Other Corporate Transactions. In the event of any reorganization, merger, consolidation, combination, repurchase or exchange of Common Units or other securities of the Partnership, issuance of warrants or other rights to purchase Common Units or other securities of the Partnership, or other similar corporate transaction or event that affects the Common Units such that an adjustment is determined by the

Administrator in its discretion to be appropriate or desirable, the Administrator in its sole discretion and without liability to any person shall make such substitution or adjustment, if any, as it deems to be equitable as to (i) the number of Common Units or other securities of the Partnership (or number and kind of other securities or property) with respect to which Awards may be granted under the Plan, and (ii) the terms of any outstanding Award, including (A) the number of Common Units or other securities of the Partnership (or number and kind of other securities or property) subject to outstanding Awards or to which outstanding Awards relate, (B) the Option Price or exercise price of any Option or Unit Appreciation Right and (C) any performance targets or other applicable terms.

(c) Change in Control. In the event of a Change in Control after the Effective Date, (i) if determined by the Administrator in the applicable Award agreement or otherwise, any outstanding Awards then held by Participants which are unexercisable or otherwise unvested or subject to lapse restrictions shall automatically be deemed exercisable or otherwise vested or no longer subject to lapse restrictions, as the case may be, as of immediately prior to such Change in Control and (ii) the Administrator may (subject to Sections 16 and 18), but shall not be obligated to: (A) accelerate, vest or cause the restrictions to lapse with respect to all or any portion of an Award; (B) cancel such Awards for fair value (as determined in the sole discretion of the Administrator) which, in the case of Options and Unit Appreciation Rights, may equal the excess, if any, of value of the consideration to be paid in the Change in Control transaction to holders of the same number of Common Units subject to such Options or Unit Appreciation Rights (or, if no consideration is paid in any such transaction, the Fair Market Value of the Common Units subject to such Options or Unit Appreciation Rights) over the aggregate exercise price of such Options or Unit Appreciation Rights; (C) provide that any Options or Unit Appreciation Right having an exercise price per Common Unit that is greater than the per Common Unit value of the consideration to be paid in the Change in Control transaction to a holder of a Common Unit shall be cancelled without payment of any consideration therefor; (D) provide for the issuance of substitute Awards that will substantially preserve the otherwise applicable terms of any affected Awards previously granted hereunder as determined by the Administrator in its sole discretion; or (E) provide that for a period of at least 15 days prior to the Change in Control, such Options shall be exercisable as to all shares subject thereto and that upon the occurrence of the Change in Control, such Options shall terminate and be of no further force and effect.

#### **10. No Right to Employment or Awards**

The granting of an Award under the Plan shall impose no obligation on the Partnership or any Affiliate to continue the Employment of a Participant and shall not lessen or affect the Partnership's or Affiliate's right to terminate the Employment of such Participant. No Participant or other Person shall have any claim to be granted any Award (including as a result of recurring prior Award), and there is no obligation for uniformity of treatment of Participants, or holders or beneficiaries of Awards. No Award shall constitute compensation for purposes of determining any benefits under any benefit plan. The terms and conditions of Awards and the Administrator's determinations and interpretations with respect thereto need not be the same with respect to each Participant (whether or not such Participants are similarly situated).

#### **11. Successors and Assigns**

The Plan shall be binding on all successors and assigns of the Partnership and a Participant, including without limitation, the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

**12. Nontransferability of Awards**

Unless otherwise determined or approved by the Administrator, an Award shall not be transferable or assignable by the Participant otherwise than by will or by the laws of descent and distribution. Any transfer or assignment in violation of the prior sentence shall be null and void. An Award exercisable after the death of a Participant may be exercised by the legatees, personal representatives or distributees of the Participant.

**13. Amendments or Termination**

The Board may amend, alter or discontinue the Plan or any outstanding Award, but no amendment, alteration or discontinuation shall be made, without the consent of a Participant, if such action would materially diminish any of the rights of the Participant under any Award theretofore granted to such Participant under the Plan; provided, however, that the Administrator may without the Participant's consent (a) amend the Plan or any outstanding Award in such manner as it deems necessary to permit the granting of Awards meeting the requirements of the Code or other applicable laws (including, without limitation, to avoid adverse tax consequences to the Partnership or to Participants as provided in Section 14 and Section 18 below), and (b) amend any outstanding Awards in a manner that is not adverse (other than in a *de minimis* manner) to a Participant, except as otherwise may be permitted pursuant to Section 9 hereof or as is otherwise contemplated pursuant to the terms of the Award, without the Participant's consent.

**14. International Participants**

With respect to Participants who reside or work outside the United States of America, the Administrator may, in its sole discretion, amend the terms of the Plan or Awards with respect to such Participants in order to conform such terms with the requirements of local law or to obtain more favorable tax or other treatment for a Participant, the Partnership or an Affiliate.

**15. Choice of Law**

The Plan shall be governed by and construed in accordance with the law of the State of New York without giving effect to any otherwise governing principles of conflicts of law that would apply the laws of another jurisdiction.

**16. Other Laws; Restrictions on Transfer of Common Units**

The Administrator may refuse to issue or transfer any Common Units or other consideration under an Award if, acting in its sole discretion, it determines that the issuance or transfer of such Common Units or such other consideration might violate any applicable law or regulation or entitle the Partnership to recover the same under Section 16(b) of the Act, as amended, and any payment tendered to the Partnership by a Participant, other holder or beneficiary in connection with the exercise of such Award shall be promptly refunded to the relevant Participant, holder or beneficiary. Without limiting the generality of the foregoing, no

Award granted hereunder shall be construed as an offer to sell securities of the Partnership, and no such offer shall be outstanding, unless and until the Administrator in its sole discretion has determined that any such offer, if made, would be in compliance with all applicable requirements of the United States federal and any other applicable securities laws.

**17. Effectiveness of the Plan**

The Plan shall be effective as of the Effective Date.

**18. Section 409A**

To the extent applicable, this Plan and Awards issued hereunder shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretative guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding other provisions of the Plan or any Award agreements issued thereunder, no Award shall be granted, deferred, accelerated, extended, paid out or modified under this Plan in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon a Participant. In the event that it is reasonably determined by the Administrator that, as a result of Section 409A of the Code, payments in respect of any Award under the Plan may not be made at the time contemplated by the terms of the Plan or the relevant Award agreement, as the case may be, without causing the Participant holding such Award to be subject to taxation under Section 409A of the Code, consistent with the provisions of Section 13(a) above, the Partnership may take whatever actions the Administrator determines necessary or appropriate to comply with, or exempt the Plan and Award agreement from the requirements of Section 409A of the Code and related Department of Treasury guidance and other interpretive materials as may be issued after the Effective Date including, without limitation, (a) adopting such amendments to the Plan and Awards and appropriate policies and procedures, including amendments and policies with retroactive effect, that the Administrator determines necessary or appropriate to preserve the intended tax treatment of the benefits provided by the Plan and Awards hereunder and/or (b) taking such other actions as the Administrator determines necessary or appropriate to avoid the imposition of an additional tax under Section 409A of the Code, which action may include, but is not limited to, delaying payment to a Participant who is a "specified employee" within the meaning of Section 409A of the Code until the first day following the six-month period beginning on the date of the Participant's termination of Employment . The Partnership shall use commercially reasonable efforts to implement the provisions of this Section 18 in good faith; provided that neither the Partnership, the Administrator nor any employee, director or representative of the Partnership or of any of its Affiliates shall have any liability to Participants with respect to this Section 18 .

**PARTICIPANT CONSENT**

Pursuant to provisions of this grant agreement between me and KKR & Co. L.P. (the “Company”) and/or other parties thereto, and as a condition of receiving such grant agreement, I hereby authorize Fidelity Stock Plan Services, LLC and its affiliates (including, but not limited to Fidelity Brokerage Services LLC, National Financial Services LLC, and Fidelity Personal Trust Company, FSB) (“Fidelity”) (i) to act upon the directions of Company or its designee direction to restrict my ability to sell, transfer or to take other actions with respect to certain Company equity that I may hold, and (ii) to act the directions of the Company or its designee, pursuant to provisions of the Company’s plans and this grant agreement requiring my forfeiture of Company equity if I violate certain restrictive covenants, to transfer in kind Company equity held by Fidelity on my behalf to the Company or its designee.

Participant Name: **Participant Name**

Participant Signature: **Electronic Signature**

Date: **Acceptance Date**

**GRANT CERTIFICATE**

**Current Issue of Units – Participant Name**

This Grant Certificate amends and restates in its entirety the terms of the grant originally issued on **Grant Date** (the “Grant Date”) and amended on November 2, 2016. This Grant Certificate confirms that (subject to the following paragraph) the Units are Fully Unvested Units and shall vest pursuant to the vesting schedule specified hereunder. The Units are subject to the terms of the First Amended and Restated Limited Partnership Agreement of KKR Holdings L.P., dated October 1, 2009, as amended (the “Holdings LPA”), and (save for the matters specifically addressed in this Grant Certificate) to the applicable terms of any other written documents relating to your interests in KKR Holdings L.P. (which may include a Consent, Admission and Award Agreement), each of which have been previously executed by you. Capitalized terms not otherwise defined herein have the meanings set forth in Appendix A hereto and if not defined therein have the meanings set forth in the Holdings LPA. In the event of a conflict between any term or provision contained in the Holdings LPA and this Grant Certificate (including, without limitation, with respect to transfer restrictions and vesting upon retirement, death or disability and change in control), the applicable terms and provisions of this Grant Certificate will govern and prevail.

Notwithstanding anything to the contrary in this Grant Certificate, the Holdings LPA or any other document, this grant of Units is conditioned upon and subject to your agreement to be bound by the Confidentiality and Restrictive Covenant Obligations attached hereto as Appendix B, which constitute the Limited Partner’s Confidentiality and Restrictive Covenant Agreement as of the date hereof (and may be amended or replaced after the date hereof in any Confidentiality and Restrictive Covenant Agreement executed by the Limited Partner with the Partnership or the Company (as defined in Appendix B)).

**Issue:**

Number of Units issued on the Grant Date: **Number of Awards Granted**

**Units:**

*Service-Based Vesting*

The following table presents the percentage of Units issued and/or disclosed to the Limited Partner on the Grant Date that will contingently vest and become Contingently Vested Units as of each applicable Service Vesting Date, subject to the Limited Partner’s continued Employment through the Service Vesting Dates set forth below.

<b>Service Vesting Date</b>	<b>Percentage of Units Vesting</b>
May 1, 2017	20%
May 1, 2018	20%
May 1, 2019	20%
May 1, 2020	20%
May 1, 2021	20%
Cumulative Vesting Through May 1, 2021	100%

*Minimum Retained Ownership*

The Units are subject to Section 9.2(a) of the Holdings LPA, which requires the Limited Partner to retain the Minimum Retained Ownership Amount.

*Additional Vesting Provisions*

*Transfer Restrictions*

Each Unit issued to the Limited Partner is subject to the transfer restrictions set forth in Appendix C of the Holdings LPA and shall be subject to the following additional vesting provision until the earlier of (i) the Transfer Restrictions End Date for such Unit and (ii) the date on which the non-solicitation covenants contained in the Limited Partner's Confidentiality and Restrictive Covenant Agreement expire:

The Limited Partner shall not (i) become a Terminated Limited Partner due to Cause or (ii) with respect only to those Units with respect to which the Transfer Restrictions End Date has not occurred, breach the Limited Partner's Confidentiality and Restrictive Covenant Agreement.

*Retirement, Death or Disability, Change in Control and Other Termination*

If, prior to the date the Units are vested as provided in "Service-Based Vesting" above or otherwise terminate or are forfeited pursuant to this Grant Certificate: (A) the Limited Partner's Employment terminates due to the Limited Partner's Retirement, if applicable, then all Retirement Units shall, in the discretion of the General Partner, be fully vested and thereafter be a Contingently Vested Unit as a result thereof; (B) the Limited Partner dies or experiences a Disability, then all Units shall be vested and thereafter be a Contingently Vested Unit as a result thereof, provided that if the Limited Partner is not an employee of the KKR Group, then any vesting of Units described in this clause (B) shall be in the discretion of the General Partner; or (C) there occurs a Change in Control prior to any termination of the Limited Partner's Employment, then all or any portion of any Units may, in the discretion of the General Partner, be vested and thereafter be a Contingently Vested Unit as a result thereof. Notwithstanding the foregoing, if the General Partner or KKR & Co. L.P. receives an opinion of counsel that there has been a legal judgment and/or legal development in the Limited Partner's jurisdiction that would likely result in the favorable treatment applicable to the Retirement Units pursuant to this Grant Certificate being deemed unlawful and/or discriminatory, then the General Partner will not apply the favorable treatment at the time the Limited Partner's Employment terminates due to the Limited Partner's Retirement under clause (A) above, and the Units will be treated as set forth in "Service-Based Vesting", or the other provisions of this Grant Certificate, as applicable.

If the Limited Partner's Employment terminates for any reason other than due to the Limited Partner's death, Disability or Retirement, each as provided for in this Grant Certificate, then all Units (including any Units that are not Retirement Units) shall immediately terminate and be forfeited without consideration.

The Limited Partner's right to vest in the Units, if any, will terminate effective as of the date that the Limited Partner is no longer actively providing services (even if still considered employed or engaged under local Law) and will not be extended by any notice period mandated under local Law (e.g., active Employment would not include a period of "garden leave" or similar period pursuant to local Law) except as may be otherwise agreed in writing by the General Partner with the Limited Partner; the General Partner shall have the exclusive discretion to determine when the Limited Partner is no longer actively employed or engaged for purposes of the Units.



Each of the foregoing additional vesting provisions shall be considered an "Additional Vesting Provision" for the purposes of the Holdings LPA. Appendix B and D of the Holdings LPA shall not apply to the Units.

In Witness Whereof , the parties hereto have executed this Grant Certificate as of \_\_\_\_\_.

**KKR HOLDINGS L.P.**

By: KKR HOLDINGS GP LIMITED,  
its general partner

By: \_\_\_\_\_

**“LIMITED PARTNER”**

Name: **Participant Name**

### Definitions

“ **Cause** ” means, with respect to the Limited Partner, the occurrence or existence of any of the following as determined fairly on an informed basis and in good faith by the General Partner: (i) any act of fraud, misappropriation, dishonesty, embezzlement or similar conduct by the Limited Partner against any member of the KKR Group (including KKR & Co. L.P.), KKR Holdings L.P., KKR Associates Holdings L.P., a Fund, or a Portfolio Company, (ii) a Regulatory Violation that has a material adverse effect on (x) the business of any member of the KKR Group or (y) the ability of the Limited Partner to function as an employee, associate or in any similar capacity (including consultant) with respect to the KKR Group, taking into account the services required of the Limited Partner and the nature of the business of the KKR Group, or (iii) a material breach by the Limited Partner of a material provision of any Written Policies or the deliberate failure by the Limited Partner to perform the Limited Partner’s duties to the KKR Group, *provided that* in the case of this clause (iii), the Limited Partner has been given written notice of such breach or failure within 45 days of the KKR Group becoming aware of such breach or failure and, where such breach or failure is curable, the Limited Partner has failed to cure such breach or failure within (A) 15 days of receiving notice thereof or (B) such longer period of time, not to exceed 30 days, as may be reasonably necessary to cure such breach or failure provided that the Limited Partner is then working diligently to cure such breach or failure. If such breach or failure is not capable of being cured, the notice given to the Limited Partner may contain a date of termination that is earlier than 15 days after the date of such notice.

**Designated Service Recipient** means the member of the KKR Group, that employs or engages the Grantee or to which the Grantee otherwise is rendering services.

“ **Disability** ” means, as to any Person, such Person’s inability to perform in all material respects such Person’s duties and responsibilities to the KKR Group, by reason of a physical or mental disability or infirmity which inability is reasonably expected to be permanent and has continued (i) for a period of six consecutive months or (ii) such shorter period as the General Partner may reasonably determine in good faith.

“ **Employment** ” means the Limited Partner’s employment or engagement (including any similar association determined by the General Partner to constitute employment or engagement for purposes of this Grant Certificate) with (x) the Designated Service Recipient or any other member of the KKR Group or (y) any consultant or service provider that provides services to any member of the KKR Group; provided that in the case of clause (y), service provided as a consultant or service provider must be approved by the General Partner in order to qualify as “Employment” hereunder.

“ **Grantee** ” means the Limited Partner identified on the signature page of the Grant Certificate to which this Appendix A is attached.

“ **Group Partnerships** ” means KKR Management Holdings L.P., a Delaware limited partnership, KKR Fund Holdings L.P., a Cayman Island exempted limited partnership, and KKR International Holdings L.P., a Cayman Island exempted limited partnership, along with any partnership designated in the future as a “Group Partnership” by KKR & Co. L.P.

“ **KKR Capstone** ” means (i) KKR Capstone Americas LLC, KKR Capstone EMEA LLP, KKR Capstone EMEA (International) LLP, KKR Capstone Asia Limited and any other “Capstone” branded entity that

provides similar consulting services to the KKR Group and Portfolio Companies, and (ii) the direct and indirect parents and subsidiaries of the foregoing.

“ **KKR Group** ” means the Group Partnerships, the direct and indirect parents of the Group Partnerships (the “ **Parents** ”), any direct or indirect subsidiaries of the Parents or the Group Partnerships, the general partner or similar controlling entities of any investment fund or vehicle that is managed, advised or sponsored by the KKR Group (the “ **Funds** ”) and any other entity through which any of the foregoing directly or indirectly conducts its business, but shall exclude Portfolio Companies.

“ **Law** ” means any statute, law, ordinance, regulation, rule, code, executive order, injunction, judgment, decree or other order issued or promulgated by any national, supranational, state, federal, provincial, local or municipal government or any administrative or regulatory body with authority therefrom with jurisdiction over the Partnership or any Partner, as the case may be.

“ **Portfolio Company** ” means a company over which a Fund exercises a significant degree of control as an investor.

“ **Regulatory Violation** ” means, with respect to the Limited Partner (i) a conviction of the Limited Partner based on a trial or by an accepted plea of guilt or *nolo contendere* of any felony or misdemeanor crime involving moral turpitude, false statements, misleading omissions, forgery, wrongful taking, embezzlement, extortion or bribery, (ii) a final determination by any court of competent jurisdiction or governmental regulatory body (or an admission by the Limited Partner in any settlement agreement) that the Limited Partner has violated any U.S. federal or state or comparable non-U.S. securities laws, rules or regulations or (iii) a final determination by self-regulatory organization having authority with respect to U.S. federal or state or comparable non-U.S. securities laws, rules or regulations (or an admission by the Limited Partner in any settlement agreement) that the Limited Partner has violated the written rules of such self-regulatory organization that are applicable to any member of the KKR Group.

“ **Retirement** ” means the resignation by the Limited Partner of the Limited Partner’s Employment with the KKR Group (other than for Cause), on or after the date that the Limited Partner’s age, plus the Limited Partner’s years of Employment with the KKR Group, equals at least 80; *provided that* such date shall be no earlier than December 31, 2012.

“ **Retirement Units** ” means, with respect to any Limited Partner whose Employment terminates due to Retirement, any Units with a Service Vesting Date that would, if the Limited Partner’s Employment were not so terminated, occur within two years after the date of such termination due to Retirement.

“ **Service Vesting Date** ” means, with respect to any Unit, the date set forth in the Grant Certificate as the “Service Vesting Date.”

“ **Written Policies** ” means with respect to any Limited Partner having Employment with a member of the KKR Group, the written policies of the KKR Group included in its employee manual, code of ethics and confidential information and information barrier policies and procedures and other documents relating to the Limited Partner’s Employment, association or other similar affiliation with the KKR Group.

**Confidentiality and Restrictive Covenant Obligations**

A. Capitalized terms contained in this Appendix B and not defined herein shall have the same meaning as such terms are defined in the Grant Certificate, including Appendix A thereto (the “**Agreement**”) into which this Appendix B is incorporated by reference therein and to which this Appendix B is attached, or the Holdings LPA, as applicable.

B. In connection with the Grantee’s employment, engagement, association or other similar affiliation with KKR & Co. L.P. or other entity of the KKR Group (“**KKR**” or the “**Company**” and such Grantee, a “**KKR Employee**”), the Grantee is being issued one or more Units pursuant to the Agreement to which this Appendix B is attached;

C. The Grantee acknowledges and agrees that the Grantee will receive financial benefits from KKR’s business through their participation in the value of the Units. The Grantee further acknowledges and agrees that (i) during the course of the Grantee’s employment, engagement, association or other similar affiliation with KKR, the Grantee will receive and have access to confidential information of KKR and the Portfolio Companies (collectively, the “**KKR Related Entities**”) and will have influence over and the opportunity to develop relationships with Clients, Prospective Clients, Portfolio Companies and partners, members, employees and associates of the Company; and (ii) such confidential information and relationships are extremely valuable assets in which KKR has invested, and will continue to invest, substantial time, effort and expense in developing and protecting; and

D. The Grantee acknowledges and agrees that (i) the Units will materially benefit the Grantee; (ii) it is essential to protect the business interests and goodwill of the Company and that the Company be protected by the restrictive covenants and confidentiality undertaking set forth herein; (iii) it is a condition precedent to the Grantee receiving Units that the Grantee agree to be bound by the restrictive covenants and confidentiality undertaking contained herein; and (iv) KKR would suffer significant and irreparable harm from a violation by the Grantee of the confidentiality undertaking set forth herein as well as the restrictive covenants set forth herein for a period of time after the termination of the Grantee’s employment, engagement, association or other similar affiliation KKR.

E. This Appendix B is made in part for the benefit of the KKR Group and the Designated Service Recipient and the parties intend, acknowledge, and agree that the KKR Group and the Designated Service Recipient are third party beneficiaries of this Appendix B and any one of them is authorized to waive compliance with any provision hereof by delivering a written statement clearly expressing the intent to waive such compliance to the Grantee and a duly authorized representative of the KKR Group or Designated Service Recipient.

NOW, THEREFORE, to provide the Company with reasonable protection of its and goodwill and in consideration for (i) the Units and any other consideration that the Grantee will receive in connection with and as a result of the Grantee’s employment, engagement, association or other similar affiliation with KKR; (ii) the material financial and other benefits that the Grantee will derive from such Units and other consideration (if any); and (iii) other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Grantee hereby agrees to the following restrictions:

1. **Outside Business Activities.**

The Grantee acknowledges that, during the course of the Grantee’s employment, engagement, association or other similar affiliation with KKR, the Grantee will be subject to the Written Policies. The Written Policies include restrictions that limit the ability of the Grantee to engage in outside business and other activities without the prior approval of the Company. If the Grantee has an employment, engagement or other similar contract with KKR, the Grantee may be subject to similar restrictions under that agreement. The

Grantee hereby agrees that, during the Grantee's employment, engagement, association or other similar affiliation with KKR, the Grantee will comply with all such restrictions that are from time to time in effect which are applicable to the Grantee.

2. Confidentiality Undertaking.

The Grantee acknowledges that, during the course of the Grantee's employment, engagement, association or other similar affiliation with KKR, the Grantee will receive and have access to Confidential Information (as defined below) of the Company and the Portfolio Companies. Recognizing that any disclosure of such information could have serious consequences to one or more of the Company and the Portfolio Companies, the Grantee hereby agrees that, except as provided herein, the Grantee will not under any circumstances (either while employed, engaged, associated or otherwise affiliated with KKR, or at any time after the Termination Date) for any purpose other than in the ordinary course of the performance of the Grantee's duties as an employee, consultant, associate or other affiliated person of KKR, use or divulge, communicate, publish, make available, or otherwise disclose any Confidential Information to any person or entity, including but not limited to any business, firm, governmental body, partnership, corporation, press service or otherwise, other than to (i) any executive or employee of the Company in the ordinary course of the performance of Grantee's duties as an employee, consultant, associate or other affiliated person of KKR; (ii) any person or entity to the extent explicitly authorized by an executive of the Company in the ordinary course of the performance of Grantee's duties as an employee, consultant, associate or other affiliated person of KKR; (iii) any attorney, accountant, consultant or similar service provider retained by the Company who is required to know such information and is obligated to keep such information confidential; or (iv) any person or entity to the extent the law or legal process requires disclosure by the Grantee, provided that, in the case of clause (iv), the Grantee must first give the Partnership or the Designated Service Recipient prompt written notice of any such requirement, disclose no more information than is so required in the opinion of competent legal counsel, and cooperate fully with all efforts by the Company to obtain a protective order or similar confidentiality treatment for such information; provided, however, the Partnership shall not enforce and shall cause its subsidiaries not to enforce any confidentiality agreement that prohibits the Grantee from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the U.S. Securities and Exchange Commission, or making other disclosures to the extent protected under the whistleblower provisions of federal law or regulation (or comparable laws or regulations that similarly prohibit the impediment of such protected disclosures). Notwithstanding the foregoing, neither the Partnership nor the Designated Service Recipient authorizes the waiver of (or the disclosure of information covered by) the attorney-client privilege or work product protection or any other privilege or protection belonging to the Partnership, the Designated Service Recipient or their subsidiaries, to the fullest extent permitted by law.

As used in this Section 2, an "**executive**" of KKR means an officer, member, managing director, director, principal or employee of the Company, acting in a supervisory capacity. "**Confidential Information**" means (a) all confidential, proprietary or non-public information of, or concerning the business, operations, activities, personnel, finances, plans, personal lives, habits, history, clients, investors, or otherwise of any person who at any time is or was a member, partner, officer, director, other executive, employee or stockholder of any of the foregoing, (b) all confidential, proprietary or non-public information of or concerning any member of a family of any of the individuals referred to in clause (a), whether by birth, adoption or marriage (including but not limited to any of their current or former spouses or any living or deceased relatives), and (c) all confidential, proprietary or non-public information of or concerning any of the clients or investors of the KKR Related Entities or any other person or entity with which or whom any of the KKR Related Entities or their respective clients or investors does business or has a relationship. Confidential Information includes information about the KKR Related Entities relating to or concerning any of their (i) finances, investments, profits, pricing, costs, and accounting, (ii) intellectual property (including but not limited to patents, inventions, discoveries, plans, research and development, processes, formulae, reports, protocols, computer software, databases, documentation, trade secrets, know-how and business methods), (iii) personnel, compensation, recruiting and training, and (iv) any pending or completed settlements, arbitrations, litigation, governmental investigations and similar proceedings. Notwithstanding

the foregoing, Confidential Information does not include any portions of the foregoing that the Grantee can demonstrate by sufficient evidence satisfactory to the Company that has been (i) lawfully published in a form generally available to the public prior to any disclosure by the Grantee in breach of this Appendix B or (ii) made legitimately available to the Grantee by a third party without breach of any obligation of confidence owed to the Company or any Portfolio Company.

Without limiting the generality of the foregoing, the Grantee agrees that it will be a breach of this Appendix B to write about, provide, disclose or use in any fashion at any time any Confidential Information that is or becomes part of the basis for, or is used in any way in connection with any part of any book, magazine or newspaper article, any interview or is otherwise published in any media of any kind utilizing any technology now known or created in the future.

Upon termination of the Grantee's employment, engagement, association or other similar affiliation with KKR, for any reason, the Grantee hereby agrees to (i) cease and not thereafter commence any and all use of any Confidential Information; (ii) upon the request of the Company promptly deliver to the Company or, at the option of the Company destroy, delete or expunge all originals and copies of any Confidential Information in any form or medium in the Grantee's possession or control (including any of the foregoing stored or located in the Grantee's home, laptop or other computer that is not the property of the Company, its affiliates or Portfolio Companies); (iii) notify and fully cooperate with the Company regarding the delivery or destruction of any other Confidential Information of which the Grantee is aware; and (iv) upon the request of the Company sign and deliver a statement that the foregoing has been accomplished.

The Grantee acknowledges that he or she is aware that applicable securities laws place certain restrictions on any person who has received from an issuer material, non-public information concerning the issuer with respect to purchasing or selling securities of such issuer or from communicating such information to any other person and further agrees to comply with such securities laws. Without limiting anything in this Appendix B, the Grantee hereby expressly confirms his or her explicit understanding that the Grantee's obligations hereunder are in addition to, and in no way limit, the Grantee's obligations under compliance procedures of the Company including those contained in the Written Policies.

Notwithstanding anything in this Appendix B to the contrary, the Grantee may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of any member of the Company in which the Grantee holds an interest and all materials of any kind (including opinions or other tax analyses) that are provided to the Grantee relating to such tax treatment and tax structure.

### 3. Notice Period.

The Grantee acknowledges and agrees that the Designated Service Recipient may terminate his or her employment, engagement, association or other similar affiliation with the Designated Service Recipient at any time for any reason or for no reason at all with or without reasons constituting Cause, which as used in this Appendix B shall have the meaning set forth in Appendix A of the Agreement. The Designated Service Recipient or the Grantee, as applicable, shall provide advance written notice (which may be by email) of the termination of the Grantee's employment, engagement, association or other similar affiliation with the Designated Service Recipient at least 90 days prior to actual termination (such 90-day period, the "**Notice Period**"); provided, however, that no advance notice shall be required by the Designated Service Recipient and the provisions of this Section 3 shall not be applicable if the Grantee's employment, engagement, association or other similar affiliation is terminated by the Designated Service Recipient for reasons constituting Cause or due to any conduct by Grantee that, in the judgment of the Designated Service Recipient in its sole discretion, amounts to gross negligence or reckless or willful misconduct. Notice pursuant to this paragraph shall be provided by the Grantee to any of the Chief Executive Officers, General Counsel or Chief Human Resources Officer of the KKR Group.

During the Notice Period, the Grantee shall perform his or her regular duties and any transitional responsibilities (including but not limited to helping to transition work, projects, and Client relationships internally to others) as determined and directed by the Designated Service Recipient in its sole discretion,

and Grantee shall not be employed, engaged, associated or otherwise similarly affiliated with any business other than the business of KKR; provided, however, the Designated Service Recipient reserves the right to require the Grantee not to be in the offices of the KKR Group, not to undertake all or any of the Grantee's duties or not to contact Clients or Prospective Clients (as defined in Section 5 below), other persons employed, engaged, associated or otherwise similarly affiliated with the KKR Group, or others (or any combination thereof) unless otherwise instructed during all or any part of the Notice Period. During the Notice Period, and except as provided in the next sentence, the Grantee shall continue to receive his or her salary, and the Grantee shall not be entitled to receive or be considered for payment of any other amount for his or her services during the Notice Period (including without limitation any bonus or equity award). In addition, the Designated Service Recipient in its sole discretion may elect to reduce the Notice Period and pay the Grantee his or her salary, but no other amount, for the period from the conclusion of the reduced Notice Period to the end of the original Notice Period, and the Grantee's employment, engagement, association or other similar affiliation with KKR, shall be terminated as of the day immediately following the conclusion of the reduced Notice Period.

4. Non-Compete.

The Grantee hereby agrees that, while employed, engaged, associated or otherwise similarly affiliated with KKR, and in addition during the Non-Compete Period (as defined below), the Grantee will not set up, be employed or engaged by, hold an office in or provide consulting, advisory or other similar services to or for the benefit of, a Competing Business (i) where the activities or services of the Grantee in relation to the Competing Business are similar or substantially related to any activity that the Grantee engaged in or any service that the Grantee provided, in connection with the Grantee's employment, engagement, association or other similar affiliation with KKR or (ii) for which the Grantee had direct or indirect managerial or supervisory responsibility with KKR, including through the Grantee's position on the Management Committee or similar committee or group, including without limitation the Public Markets & Distribution Management Committee, for one or more businesses of the KKR Group, in each case, at any time during the 12 months preceding the Termination Date.

For the purposes of this Appendix B, a "**Competing Business**" means a business that competes (i) in a Covered Country with any business conducted by the Company on the date on which the Grantee's employment, engagement, association or other similar affiliation with KKR Group, is terminated (the "**Termination Date**") or (ii) in any country with any business that the Company was, on the Termination Date, formally considering conducting. A "**Covered Country**" means the United States, United Kingdom, the Republic of Ireland, France, Hong Kong, China, Japan, the Republic of Korea, Australia, India, United Arab Emirates, Saudi Arabia, Brazil, Canada, Singapore, Spain, Luxembourg or any other country where the Company conducted business on the Termination Date; provided that if the Grantee is located in Japan, the definition of Covered Country shall exclude the phrase "any other country where the Company conducted business on the Termination Date" to the extent unenforceable under applicable law. The "**Non-Compete Period**" for the Grantee shall commence on the Termination Date and shall expire upon the twelve month anniversary of the Termination Date. Notwithstanding the foregoing, if the Grantee's employment, engagement, association or other similar affiliation with the KKR Group, is terminated involuntarily and for reasons not constituting Cause, the Non-Compete Period will expire on the six month anniversary of the Termination Date.

Notwithstanding the foregoing, nothing in this Appendix B shall be deemed to prohibit the Grantee from (i) associating with any business whose activities consist principally of making passive investments for the account and benefit of the Grantee or members of the Grantee's immediate family where such business does not, within the knowledge of the Grantee, compete with a business of the KKR Group for specific privately negotiated investment opportunities; (ii) making and holding passive investments in publicly traded securities of a Competing Business where such passive investment does not exceed 5% of the amount of such securities that are outstanding at the time of investment; or (iii) making and holding passive investments in limited partner or similar interests in any investment fund or vehicle with respect to which the Grantee does not exercise control, discretion or influence over investment decisions.



5. Non-Solicitation of Clients and Prospective Clients: Non-Interference.

The Grantee hereby agrees that, while employed, engaged, associated or otherwise similarly affiliated with KKR, and in addition during the Post-Termination Restricted Period (as defined below), the Grantee will not, directly or indirectly, (i) solicit, or assist any other person in soliciting, the business of any Client or Prospective Client for, or on behalf of, a Competing Business; (ii) provide, or assist any other person in providing, for any Client or Prospective Client any services that are substantially similar to those that the Company provided or proposed to be provided to such Client or Prospective Client; or (iii) impede or otherwise interfere with or damage, or attempt to impede or otherwise interfere with or damage, any business relationship or agreement between the Company and any Client or Prospective Client. As used in this Section 5, “**solicit**” means to have any direct or indirect communication inviting, advising, encouraging or requesting any person to take or refrain from taking any action with respect to the giving by such person of business to a Competing Business, regardless of who initiated such communication.

For purposes of this Appendix B, “**Client**” means any person (a) for whom the Company provided services, including any investor in an investment fund, account or vehicle that is managed, advised or sponsored by KKR (a “**KKR Fund**”) or any client of the KKR Group’s broker-dealer business or that was a Portfolio Company of a KKR Fund and (b) with whom the Grantee, individuals reporting to the Grantee or any other individuals over whom the Grantee had direct or indirect managerial or supervisory responsibility had any contact or dealings on behalf of, and involving Confidential Information of, the Company during the 12 months prior to the Termination Date; and “**Prospective Client**” means any person with whom (I) the Company has had negotiations or discussions concerning becoming a Client and (II) the Grantee, individuals reporting to the Grantee or any other individuals over whom the Grantee had direct or indirect managerial or supervisory responsibility had any contact or dealings on behalf of, and involving Confidential Information of, the Company during the 12 months prior to the Termination Date.

6. Non-Solicitation of Personnel: No Hire.

The Grantee hereby agrees that, while employed, engaged, associated or otherwise similarly affiliated with KKR, and in addition during the Post-Termination Restricted Period, the Grantee will not, directly or indirectly, solicit, employ, engage or retain, or assist any other person in soliciting, employing, engaging or retaining, any Covered Person. As used in this Section 6, “**solicit**” means to have any direct or indirect communication inviting, advising, encouraging or requesting any Covered Person to terminate his or her employment, engagement, association or other affiliation with the KKR Group or KKR Capstone or recommending or suggesting that a third party take any of the foregoing actions, including by way of identifying such Covered Person to the third party, in each case regardless of who initiated such communication.

For purposes of this Appendix B, a “**Covered Person**” means a person who on the Termination Date was either (i) employed or engaged by the KKR Group as an employee or officer or otherwise associated or similarly affiliated with the KKR Group in any position, including as a member or partner, having functions and duties substantially similar to those of an employee or officer; (ii) a Senior Advisor, Industry Advisor or KKR Advisor to the KKR Group; (iii) employed or engaged by KKR Capstone as an employee or officer or otherwise associated or similarly affiliated with KKR Capstone in any position, including as a member or partner, having functions and duties substantially similar to those of an employee or officer; or (iv) a person who provides services exclusively to the Company or any Portfolio Company and has functions and duties that are substantially similar to those of a person listed in sub-clauses (i), (ii) or (iii) above.

7. Post-Termination Restricted Period.

The “**Post-Termination Restricted Period**” for the Grantee shall commence on the Termination Date and shall expire upon the eighteen month anniversary of the Termination Date. Notwithstanding the foregoing, if the Grantee’s employment, engagement, association or other similar affiliation with KKR is terminated

involuntarily and for reasons not constituting Cause, the Post-Termination Restricted Period will expire on the nine month anniversary of the Termination Date. To the extent that the Grantee continues to be employed or engaged by, or otherwise associated or similarly affiliated with KKR, during any "garden leave" or "notice" period in which the Grantee is required to not perform any services for or enter the premises of the Company, and to otherwise comply with all terms and conditions imposed on the Grantee during such "garden leave" or "notice" period, the applicable Post-Termination Restricted Period shall be reduced by the amount of any such "garden leave" or "notice" period in which the Grantee complies with such terms.

8. Intellectual Property; Works Made for Hire.

Except as otherwise agreed in writing between the Grantee and the Partnership, the Designated Service Recipient or other member of the KKR Group, as applicable, the Grantee agrees that all work and deliverables that the Grantee prepares, creates, develops, authors, contributes to or improves, either alone or with third parties, during the course of the Grantee's employment, engagement, association or other similar affiliation with KKR, within the scope of the services provided to or with the use of any of the resources of KKR, including but not limited to notes, drafts, scripts, documents, designs, inventions, data, presentations, research results, developments, reports, processes, programs, spreadsheets and other materials and all rights and intellectual property rights thereunder including but not limited to rights of authorship (collectively, "**Work Product**"), are works-made-for-hire owned exclusively by KKR. The Grantee hereby irrevocably assigns, transfers and conveys, to the maximum extent permitted by law, all right, title and interest that the Grantee may have in such Work Product (and any written records thereof) to KKR (or any of its designees), to the extent ownership of any such rights does not vest originally with the KKR. The Grantee acknowledges and agrees that the Units issued pursuant to the Agreement are sufficient compensation for such assignment, transference and conveyance. To the extent the foregoing assignment is deemed to be invalid or unenforceable, Grantee grants KKR, at no additional charge an exclusive, worldwide, irrevocable, royalty-free, perpetual, assignable license under all intellectual property in and to the Work Product.

9. Non-Disparagement.

The Grantee hereby agrees that the Grantee will not at any time during his or her employment with the Designated Service Recipient or for five years thereafter make any disparaging, defamatory, or derogatory written or oral statements or other communications about or in reference to the Designated Service Recipient, KKR & Co. L.P., KKR Holdings L.P., KKR Associates Holdings L.P., or any other member of the KKR Group or KKR Capstone (including their respective businesses or reputations) or any of their Clients, Prospective Clients, Portfolio Companies, or Covered Persons; provided that this provision shall not prevent the Grantee from (i) making truthful reports to or testifying truthfully before any court, agency, or regulatory body or pursuant to any legal or regulatory process or proceeding or (ii) engaging in activity protected by applicable law, rule or regulations, including the U.S. National Labor Relations Act.

10. Representations; Warranties; Other Agreements.

The Grantee acknowledges and agrees that the Grantee will derive material financial and other benefits from the Grantee's employment, engagement, association or other similar affiliation with KKR, and that the restrictions contained herein are reasonable in all circumstances and necessary to protect the legitimate business interests of the Company, to have and enjoy the full benefit of its business interests and goodwill. The Grantee further agrees and acknowledges that such restrictions will not unnecessarily or unreasonably restrict or otherwise limit the professional opportunities of the Grantee should his or her employment, engagement, association or other similar affiliation with KKR, terminate, that the Grantee is fully aware of the Grantee's obligations under this Appendix B and that the livelihood of the Grantee is not impaired by the Grantee's entry into the covenants contained herein. The Partnership and the Designated Service Recipient shall have the right, exercisable in its sole discretion, to directly or indirectly make a payment to the Grantee or grant other consideration if, and to the extent, necessary to enforce the restrictions contained herein in accordance with any applicable law.

11. Certain Relationships.

The Grantee acknowledges and agrees that the Grantee's compliance with this Appendix B is a material part of the Grantee's arrangements with the Company, if applicable. Notwithstanding anything to the contrary herein, this Appendix B does not constitute an employment, engagement or other similar agreement between the Grantee and the Partnership, Company, or any other of the KKR Related Entities (including but not limited to KKR & Co. L.P.), and shall not interfere with or otherwise affect any rights any such person or entity may have to terminate the Grantee's employment, engagement, association or other similar affiliation at any time upon such notice as may be required by law or the terms of any agreement or arrangement with the Grantee.

12. Injunctive Relief: Third Party Beneficiaries.

The Grantee acknowledges and agrees that the remedies of the Partnership and the Designated Service Recipient at law for any breach of this Appendix B would be inadequate and that for any breach of this Appendix B, the Designated Service Recipient may terminate your employment, engagement, association or other similar affiliation with the Company and shall, in addition to any other remedies that may be available to it at law or in equity, or as provided for in this Appendix B, be entitled to an injunction, restraining order or other equitable relief, without the necessity of posting a bond, restraining the Grantee from committing or continuing to commit any violation of this Appendix B. The Grantee further acknowledges and agrees that the Partnership and the Designated Service Recipient shall not be required to prove, or offer proof, that monetary damages for a breach of this Appendix B would be difficult to calculate and that any remedies at law would be inadequate for any breach of this Appendix B. The parties intend, acknowledge, and agree that each member of the KKR Group is a third party beneficiary of this Agreement and is authorized to enforce any provision hereof by delivering a written statement expressing the intent to enforce the provisions hereof to the Grantee or the Designated Service Recipient. The Grantee has executed this Agreement for the benefit of each member of the KKR Group.

13. Amendment; Waiver.

This Appendix B may not be amended, restated, supplemented or otherwise modified other than by an agreement in writing signed by the parties hereto; provided, however, that the Partnership, the KKR Group or the Designated Service Recipient may reduce the scope of, or waive compliance with any part of, any obligation of the Grantee arising under this Appendix B, at any time without any action, consent or agreement of any other party. No failure to exercise and no delay in exercising, on the part of any party, of any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The waiver of any particular right, remedy, power or privilege shall not affect or impair the rights, remedies, powers or privileges of any person with respect to any subsequent default of the same or of a different kind by any party hereunder. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law. No waiver of any provision hereto shall be effective unless it is in writing and signed by the person asserted to have granted such waiver.

14. Assignment.

This Appendix B may not be assigned by any party hereto without the prior written consent of the other party hereto, except that the consent of the Grantee shall be deemed to have been given to the Partnership and the Designated Service Recipient (and the Grantee acknowledges that the Partnership and the Designated Service Recipient shall therefore have the right without further consent) to assign its rights hereunder, in whole or in part, to (i) any member of KKR that becomes a Designated Service Recipient or (ii) any person who is a successor of the Partnership or the Designated Service Recipient by merger,

consolidation or purchase of all or substantially all of its assets, in which case such assignee shall be substituted for the Partnership and the Designated Service Recipient hereunder with respect to the provisions so assigned and be bound under this Appendix B and by the terms of the assignment in the same manner as the Partnership and the Designated Service Recipient was bound hereunder. Any purported assignment of this Appendix B in violation of this section shall be null and void.

15. Governing Law.

This Appendix B shall be governed by and construed in accordance with the laws of the State of New York.

16. Resolution of Disputes.

- (a) Subject to paragraphs (b) and (c) below, any and all disputes which cannot be settled amicably, including any ancillary claims of any party, arising out of, relating to or in connection with the validity, negotiation, execution, interpretation, performance, non performance or termination of this Appendix B (including the validity, scope and enforceability of this arbitration provision) (each a “***Dispute***”) shall be finally settled by arbitration conducted by a single arbitrator in New York, New York in accordance with the then existing Rules of Arbitration of the International Chamber of Commerce (the “***ICC***”). If the parties to the Dispute fail to agree on the selection of an arbitrator within 30 days of the receipt of the request for arbitration, the ICC shall make the appointment. The arbitrator shall be a lawyer and shall conduct the proceedings in the English language. Performance under this Appendix B shall continue if reasonably possible during any arbitration proceedings.
- (b) Prior to filing a Request for Arbitration or an Answer under the Rules of Arbitration of the ICC, as the case may be, the Partnership or the Designated Service Recipient may, in its sole discretion, require all Disputes or any specific Dispute to be heard by a court of law in accordance with paragraph (e) below and, for the purposes of this paragraph (b), each party expressly consents to the application of paragraphs (e) and (f) below to any such suit, action or proceeding. If an arbitration proceeding has already been commenced in connection with a Dispute at the time that the Partnership or the Designated Service Recipient commences such proceedings in accordance with this paragraph (b), such Dispute shall be withdrawn from arbitration.
- (c) Subject to paragraph (b) above, either party may bring an action or special proceeding in any court of law (or, if applicable, equity) for the purpose of compelling a party to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder or enforcing an arbitration award and, for the purposes of this paragraph (c), each party expressly consents to the application of paragraphs (e) and (f) below to any such suit, action or proceeding.
- (d) Except as required by law or as may be reasonably required in connection with judicial proceedings to compel arbitration, to obtain temporary or preliminary judicial relief in aid of arbitration or to confirm or challenge an arbitration award, the arbitration proceedings, including any hearings, shall be confidential, and the parties shall not disclose any awards, any materials in the proceedings created for the purpose of the arbitration or any documents produced by another party in the proceedings not otherwise in the public domain. Judgment on any award rendered by an arbitration tribunal may be entered in any court having jurisdiction thereover.
- (e) EACH PARTY HEREBY IRREVOCABLY SUBMITS AND AGREES TO THE EXCLUSIVE JURISDICTION OF THE COURTS, AND VENUE, LOCATED IN NEW YORK, NEW YORK FOR THE PURPOSE OF ANY SUIT, ACTION OR PROCEEDING BROUGHT IN ACCORDANCE WITH THE PROVISIONS OF PARAGRAPHS (B) OR (C) ABOVE. The parties acknowledge that the forum designated by this paragraph (e) has a reasonable

relation to this Appendix B, and to the parties' relationship with one another. The parties hereby waive, to the fullest extent permitted by applicable law, any objection which they now or hereafter may have to personal jurisdiction or to the laying of venue of any suit, action or proceeding brought in any court referred to in the preceding sentence or pursuant to paragraphs (b) or (c) above and such parties agree not to plead or claim the same.

- (f) The parties agree that if a suit, action or proceeding is brought under paragraphs (b) or (c) proof shall not be required that monetary damages for breach of the provisions of this Appendix B would be difficult to calculate and that remedies at law would be inadequate, and they irrevocably appoint the Secretary or General Counsel of the Partnership or the Designated Service Recipient or an officer of the Partnership or the Designated Service Recipient (at the then-current principal business address of the Partnership or the Designated Service Recipient) as such party's agent for service of process in connection with any such action or proceeding and agrees that service of process upon such agent, who shall promptly advise such party of any such service of process, shall be deemed in every respect effective service of process upon the party in any such action or proceeding.

17. Entire Agreement.

This Appendix B contains the entire agreement and understanding among the parties hereto with respect to the subject matter of this Appendix B and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with the Partnership or the Company with respect to the subject matter of this Appendix B (including but not limited to any prior grant agreement for an equity award under the KKR & Co. L.P. 2010 Equity Incentive Plan (or successor equity plan) that contains one or more appendices with respect to the subject matter of this Appendix B) or any Confidentiality and Restrictive Covenant Agreement previously executed with the Partnership, the KKR Group or KKR Capstone. The express terms of this Appendix B control and supersede any course of performance and any usage of the trade inconsistent with any of the terms of this Appendix B.

18. Severability.

Notwithstanding Section 13 or any other provision of this Appendix B to the contrary, any provision of this Appendix B that is prohibited or unenforceable in any jurisdiction (including but not limited to the application, if applicable, of Rule 5.6 of the New York Rules of Professional Conduct (or successor rule)) shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. In such event, the invalid provision shall be partially enforced, reformed or substituted with a valid provision which most closely approximates the intent and the economic effect of the invalid provision to give effect to the provision to the maximum extent permitted in such jurisdiction or in such case. Grantee specifically acknowledges that Grantee has been provided with valuable consideration in exchange for the covenants set forth herein and, accordingly, such partial enforcement or reformation is necessary to avoid frustrating the Company's purpose in awarding the Grantee such consideration.

19. Interpretation.

The provisions of Sections 10 through 19 (inclusive) of this Appendix B shall govern with respect to, and shall be applicable only to the interpretation, administration and enforcement of, the provisions of this Appendix B, and shall not govern or otherwise apply to, or have any administrative or interpretive effect on, any other provisions of the remainder of the Agreement or any other of its Appendices.

The following is a list of the consolidated subsidiaries of KKR & Co. L.P. as of December 31, 2016.

**Subsidiaries of the Registrant**

Name	Jurisdiction
Allstar Co-Invest GP LLC	Delaware
ASF Walter Co-Invest GP Limited	Cayman Islands
Aurora C-I Aggregator L.P.	Delaware
Aurora Holding GP L.P.	Delaware
Aurora Holding GP LLC	Delaware
Avoca Capital CLO X Designated Activity Company	Ireland
Avoca Capital Jersey Unlimited	Jersey
Avoca Capital Property Unlimited Company	Ireland
Avoca Capital Unlimited Company	Ireland
Avoca CLO XI Designated Activity Company	Ireland
Avoca CLO XII Designated Activity Company	Ireland
Avoca CLO XIII Designated Activity Company	Ireland
Avoca CLO XIV Designated Activity Company	Ireland
Avoca CLO XV Designated Activity Company	Ireland
Avoca CLO XVI Designated Activity Company	Ireland
Avoca CLO XVII Designated Activity Company	Ireland
Avoca Convertible Bond Partners LLP	England & Wales
Avoca Securities Investments Unlimited Company	Ireland
CH Co-Investors GP Limited	Cayman Islands
Citrus Restaurant Investor LLC	Delaware
Colt Real Asset Holdings GP LLC	Delaware
Colt Real Asset Holdings L.P.	Delaware
CPS Associates L.P.	Cayman Islands
CPS GP Limited	Cayman Islands
Dorms Asia Real Estate (GP) Pte. Ltd.	Singapore
Dorms Asia Real Estate LP	Singapore
Dorms Pte. Ltd.	Singapore
Fan Co-Invest GP Limited	Cayman Islands
Fan Co-Invest L.P.	Cayman Islands
Fan Investors GP Limited	Cayman Islands
Fan Investors L.P.	Cayman Islands
Fan Investors Limited	Cayman Islands
Fortune Creek Co-Invest GP Limited	Cayman Islands
GDG Co-Invest GP LLC	Delaware
Helios Co-Invest GP Limited	Cayman Islands
Hupah Co-Invest Limited	Cayman Islands
KAG Europe GP S.à r.l.	Luxembourg
KAG Italy S.C.S.	Luxembourg
KAM Advisors LLC	Delaware
KAM Credit Advisors LLC	Delaware

Name	Jurisdiction
KAM Fund Advisors LLC	Delaware
KAM Funds GP Limited	Cayman Islands
Kappa Holdings Ltd.	Cayman Islands
KFH III Holdings Ltd.	Cayman Islands
KFH Real Asset Holdings L.P.	Delaware
KFH Royalties GP LLC	Delaware
KFH Royalties II GP LLC	Delaware
KFH Royalties II LLC	Delaware
KFH Royalties L.P.	Delaware
KFH Royalties LLC	Delaware
KFN Birch Feeder LLC	Delaware
KFN Broadway Feeder LLC	Delaware
KFN BTS Feeder LLC	Delaware
KFN CC Portfolio Feeder LLC	Delaware
KFN Colonie Feeder LLC	Delaware
KFN HG Hotel Feeder LLC	Delaware
KFN HHV Feeder LLC	Delaware
KFN Midland Feeder LLC	Delaware
KFN PEI IX, LLC	Delaware
KFN PEI XI, LLC	Delaware
KFN Pelican 1 Feeder LLC	Delaware
KFN Rad Philly Feeder LLC	Delaware
KFN Sentinel REIT LLC	Delaware
KFN WTC Oahu Feeder LLC	Delaware
KFN YTC Feeder LLC	Delaware
KKR (Cayman) Limited	Cayman Islands
KKR 2006 AIV GP LLC	Delaware
KKR 2006 AIV Limited	Cayman Islands
KKR 2006 GP (Energy II) LLC	Delaware
KKR 2006 GP LLC	Delaware
KKR 2006 Limited	Cayman Islands
KKR 8 NA Limited	Cayman Islands
KKR Account Adviser (Mauritius), Ltd.	Mauritius
KKR AHI GP LLC	Delaware
KKR AHI Investors L.P.	Delaware
KKR Alternative Credit L.P.	Delaware
KKR Alternative Credit Limited	Cayman Islands
KKR Alternative Credit LLC	Delaware
KKR Alternative Investment Management Unlimited Company	Ireland
KKR Americas XII EEA Limited	Cayman Islands
KKR Americas XII EEA LLC	Delaware
KKR Americas XII Limited	Cayman Islands
KKR AMG Co-Invest GP LLC	Delaware
KKR Apex Equity Master Fund LP	Cayman Islands
KKR Apex Tactical Fund Ltd.	Cayman Islands

Name	Jurisdiction
KKR Apex Tactical Master Fund L.P.	Cayman Islands
KKR ARC India Private Limited	India
KKR ASF Walter PE Limited	Cayman Islands
KKR Asia II Japan AIV Limited	Cayman Islands
KKR Asia II Limited	Cayman Islands
KKR Asia III S.à r.l.	Luxembourg
KKR Asia Limited	Hong Kong
KKR Asia Limited	Cayman Islands
KKR Asia LLC	Delaware
KKR Asian Fund (Ireland) GP Limited	Ireland
KKR Asset Management (International) Partners LLP	Delaware
KKR Asset Management Ltd	England & Wales
KKR Asset Management Partners LLP	England & Wales
KKR Associates 2006 (Overseas) AIV L.P.	Cayman Islands
KKR Associates 2006 (Overseas), Limited Partnership	Cayman Islands
KKR Associates 2006 AIV L.P.	Delaware
KKR Associates 2006 L.P.	Delaware
KKR Associates 8 NA L.P.	Cayman Islands
KKR Associates Americas XII L.P.	Cayman Islands
KKR Associates ASF Walter PE L.P.	Cayman Islands
KKR Associates Asia (Japan) L.P.	Cayman Islands
KKR Associates Asia II Japan AIV L.P.	Cayman Islands
KKR Associates Asia II L.P.	Cayman Islands
KKR Associates Asia III SCSp	Luxembourg
KKR Associates Asia L.P.	Cayman Islands
KKR Associates CDP PE L.P.	Cayman Islands
KKR Associates China Growth L.P.	Cayman Islands
KKR Associates CIS Global L.P.	Cayman Islands
KKR Associates Credit Select L.P.	Cayman Islands
KKR Associates CS I L.P.	Cayman Islands
KKR Associates CS II L.P.	Cayman Islands
KKR Associates CS III L.P.	Cayman Islands
KKR Associates CS IX L.P.	Cayman Islands
KKR Associates CS V L.P.	Delaware
KKR Associates CS VIII L.P.	Cayman Islands
KKR Associates CS X L.P.	Cayman Islands
KKR Associates Custom Equity Opportunities L.P.	Cayman Islands
KKR Associates E2 L.P.	Cayman Islands
KKR Associates EIGF AIV L.P.	Delaware
KKR Associates EIGF L.P.	Delaware
KKR Associates EIGF TE AIV L.P.	Delaware
KKR Associates EIGF TE L.P.	Delaware
KKR Associates Europe II, Limited Partnership	Alberta
KKR Associates Europe III, Limited Partnership	Cayman Islands
KKR Associates Europe IV L.P.	Cayman Islands



Name	Jurisdiction
KKR Associates Europe, Limited Partnership	Alberta
KKR Associates GFIP L.P.	Cayman Islands
KKR Associates Global Credit Opportunities GP L.P.	Cayman Islands
KKR Associates HCSG AIV L.P.	Delaware
KKR Associates HCSG L.P.	Delaware
KKR Associates Infrastructure (AIV) L.P.	Delaware
KKR Associates Infrastructure II L.P.	Cayman Islands
KKR Associates Infrastructure L.P.	Cayman Islands
KKR Associates IUH L.P.	Delaware
KKR Associates Lending Europe L.P.	Cayman Islands
KKR Associates Lending II L.P.	Delaware
KKR Associates Lending III L.P.	Delaware
KKR Associates Lending L.P.	Delaware
KKR Associates LR Energy L.P.	Cayman Islands
KKR Associates Mezzanine I L.P.	Delaware
KKR Associates Millennium (Overseas), Limited Partnership	Alberta
KKR Associates Millennium L.P.	Delaware
KKR Associates NGT L.P.	Cayman Islands
KKR Associates North America XI AIV L.P.	Delaware
KKR Associates North America XI L.P.	Cayman Islands
KKR Associates NR I L.P.	Delaware
KKR Associates NR II L.P.	Delaware
KKR Associates NZSF L.P.	Cayman Islands
KKR Associates PCOP II (Offshore) L.P.	Cayman Islands
KKR Associates PCOP II L.P.	Delaware
KKR Associates PIP L.P.	Delaware
KKR Associates Principal Opportunities (Domestic) L.P.	Cayman Islands
KKR Associates Principal Opportunities (Offshore) L.P.	Cayman Islands
KKR Associates Principal Opportunities AIV (Domestic) L.P.	Cayman Islands
KKR Associates Principal Opportunities AIV (Offshore) L.P.	Cayman Islands
KKR Associates RECOI L.P.	Cayman Islands
KKR Associates RECOP Ltd.	Cayman Islands
KKR Associates REPA AIV-3 L.P.	Delaware
KKR Associates REPA AIV-4 L.P.	Delaware
KKR Associates REPA AIV-5 L.P.	Cayman Islands
KKR Associates REPA II L.P.	Delaware
KKR Associates REPA L.P.	Delaware
KKR Associates REPE L.P.	Cayman Islands
KKR Associates Revolving Credit Partners L.P.	Cayman Islands
KKR Associates SA Co-Invest L.P.	Cayman Islands
KKR Associates SA Master L.P.	Cayman Islands
KKR Associates Shanda L.P.	Cayman Islands
KKR Associates SMRS L.P.	Delaware
KKR Associates Special Situations (Domestic) II L.P.	Cayman Islands
KKR Associates Special Situations (Domestic) L.P.	Cayman Islands

Name	Jurisdiction
KKR Associates Special Situations (EEA) II Limited	Cayman Islands
KKR Associates Special Situations (EEA) II LLP	Guernsey
KKR Associates Special Situations (Offshore) II L.P.	Cayman Islands
KKR Associates Special Situations (Offshore) L.P.	Cayman Islands
KKR Associates SPN L.P.	Cayman Islands
KKR Associates TFO L.P.	Cayman Islands
KKR Associates TV SPN L.P.	Cayman Islands
KKR Athena Holdings GP LLC	Delaware
KKR Athena Holdings L.P.	Delaware
KKR Atlanta Co-Invest GP Limited	Cayman Islands
KKR Australia Investment Management Pty Limited	Australia
KKR Australia Pty Limited	Australia
KKR Biosimilar GP LLC	Delaware
KKR Biosimilar L.P.	Delaware
KKR Blue Co-Invest GP Limited	Cayman Islands
KKR Brazil Aggregator GP LLC	Delaware
KKR Brazil LLC	Delaware
KKR Brickman Co-Invest GP LLC	Delaware
KKR Canada LLC	Delaware
KKR Canada ULC	Nova Scotia
KKR Capital Markets Asia Limited	Hong Kong
KKR Capital Markets Holdings GP LLC	Delaware
KKR Capital Markets Holdings L.P.	Delaware
KKR Capital Markets India Private Limited	India
KKR Capital Markets Japan Holdings LLC	Delaware
KKR Capital Markets Japan Limited	Japan
KKR Capital Markets Limited	England & Wales
KKR Capital Markets LLC	Delaware
KKR CC Co-Invest GP LLC	Delaware
KKR CDP PE Limited	Cayman Islands
KKR China Growth Limited	Cayman Islands
KKR Chrome Investors GP, LLC	Delaware
KKR CIS Global Limited	Cayman Islands
KKR CLO 10 Ltd.	Cayman Islands
KKR CLO 11 Ltd.	Cayman Islands
KKR CLO 12 LLC	Delaware
KKR CLO 12 Ltd.	Cayman Islands
KKR CLO 13 Ltd.	Cayman Islands
KKR CLO 14 Ltd.	Cayman Islands
KKR CLO 14 LLC	Delaware
KKR CLO 9 Ltd.	Cayman Islands
KKR Co G.P S.à r.l.	Luxembourg
KKR Co L.P S.à r.l.	Luxembourg
KKR Corporate Capital Services LLC	Delaware
KKR Corporate Credit Partners L.P.	Cayman Islands

Name	Jurisdiction
KKR Corporate Lending (Cayman) Limited	Cayman Islands
KKR Corporate Lending (UK) LLC	Delaware
KKR Corporate Lending LLC	Delaware
KKR CP Partners GP Limited	Cayman Islands
KKR CP Partners L.P.	Cayman Islands
KKR Credit Advisors (Hong Kong) Limited	Hong Kong
KKR Credit Advisors (Ireland) Unlimited Company	Ireland
KKR Credit Advisors (UK) LLP	England & Wales
KKR Credit Advisors (US) LLC	Delaware
KKR Credit Alpha GP Limited	Cayman Islands
KKR Credit Fund Advisors LLC	Delaware
KKR Credit Relative Value GP L.P.	Cayman Islands
KKR Credit Select Limited	Cayman Islands
KKR CRV GP Limited	Cayman Islands
KKR CS Advisors I LLC	Delaware
KKR CS I Limited	Cayman Islands
KKR CS II Limited	Cayman Islands
KKR CS III Limited	Cayman Islands
KKR CS IX Limited	Cayman Islands
KKR CS V LLC	Delaware
KKR CS VIII Investor LLC	Delaware
KKR CS VIII Limited	Cayman Islands
KKR CS X Limited	Cayman Islands
KKR Custom Equity Opportunities Limited	Cayman Islands
KKR Cyprus Holdings LLC	Delaware
KKR DBFH LLC	Delaware
KKR DBMH LLC	Delaware
KKR de Mexico, S.C.	Mexico
KKR Diversified Private Markets GP Holdings Limited	Cayman Islands
KKR do Brasil Gestão de Investimentos e Participações Ltda.	Brazil
KKR E2 Limited	Cayman Islands
KKR Eagle Co-Invest GP Limited	Cayman Islands
KKR EIGF AIV LLC	Delaware
KKR EIGF Feeder GP Limited	Cayman Islands
KKR EIGF LLC	Delaware
KKR Element Co-Invest GP LLC	Delaware
KKR Energy HF Stake II Limited	Cayman Islands
KKR Energy HF Stake Limited	Cayman Islands
KKR Energy Income and Growth Fund I AIV L.P.	Delaware
KKR Energy Income and Growth Fund I L.P.	Delaware
KKR Engage Investors GP LLC	Delaware
KKR Engage Investors L.P.	Delaware
KKR Europe II Limited	Cayman Islands
KKR Europe III Limited	Cayman Islands
KKR Europe IV EEA Limited	Cayman Islands

Name	Jurisdiction
KKR Europe IV EEA LLC	Delaware
KKR Europe IV Investments GP Limited	Cayman Islands
KKR Europe IV Limited	Cayman Islands
KKR Europe Limited	Cayman Islands
KKR European Fund IV Investments L.P.	Cayman Islands
KKR European Infrastructure Limited	Cayman Islands
KKR European Infrastructure LLC	Delaware
KKR Evergreen Co-Invest GP Limited	Cayman Islands
KKR FH Investment Limited	Cayman Islands
KKR FI Advisors Cayman Ltd.	Cayman Islands
KKR FI Advisors LLC	Delaware
KKR Finance LLC	Delaware
KKR Financial Advisors II, LLC	Delaware
KKR Financial Advisors IV LLC	Delaware
KKR Financial Advisors LLC	Delaware
KKR Financial Capital Trust I	Delaware
KKR Financial Capital Trust II	Delaware
KKR Financial Capital Trust III	Delaware
KKR Financial Capital Trust IV	Delaware
KKR Financial Capital Trust V	Delaware
KKR Financial Capital Trust VI	Delaware
KKR Financial CLO 2005-1, Ltd.	Cayman Islands
KKR Financial CLO 2005-2, Ltd.	Cayman Islands
KKR Financial CLO 2006-1, Ltd.	Cayman Islands
KKR Financial CLO 2007-1, Ltd.	Cayman Islands
KKR Financial CLO 2007-A, Ltd.	Cayman Islands
KKR Financial CLO 2009-1, Ltd.	Cayman Islands
KKR Financial CLO 2011-1, Ltd.	Cayman Islands
KKR Financial CLO 2012-1, Ltd.	Cayman Islands
KKR Financial CLO 2013-1 Holdings, Ltd.	Cayman Islands
KKR Financial CLO 2013-1, Ltd.	Cayman Islands
KKR Financial CLO 2013-2 Holdings, Ltd.	Cayman Islands
KKR Financial CLO 2013-2, Ltd.	Cayman Islands
KKR Financial CLO Holdings II LLC	Delaware
KKR Financial CLO Holdings, LLC	Delaware
KKR Financial Holdings II, LLC	Delaware
KKR Financial Holdings II, Ltd.	Cayman Islands
KKR Financial Holdings III, LLC	Delaware
KKR Financial Holdings III, Ltd.	Cayman Islands
KKR Financial Holdings LLC	Delaware
KKR Financial Holdings, Inc.	Delaware
KKR Financial Holdings, Ltd.	Cayman Islands
KKR Financial Management LLC	Delaware
KKR Fund Holdings GP Limited	Cayman Islands
KKR Fund Holdings L.P.	Cayman Islands

Name	Jurisdiction
KKR Genetic Disorder GP LLC	Delaware
KKR Genetic Disorder L.P.	Delaware
KKR GFIP Limited	Cayman Islands
KKR Global Credit Opportunities Fund L.P.	Delaware
KKR Global Credit Opportunities Master Fund L.P.	Cayman Islands
KKR GMO GP Limited	Cayman Islands
KKR GMO Holdings L.P.	Cayman Islands
KKR GMO Holdings Limited	Cayman Islands
KKR GMO II Holdings L.P.	Cayman Islands
KKR GMO II Holdings Limited	Cayman Islands
KKR GMO II US Holdings LLC	Delaware
KKR Greek Aggregator GP Limited	Cayman Islands
KKR Group Finance Co. II LLC	Delaware
KKR Group Finance Co. III LLC	Delaware
KKR Group Finance Co. IV LLC	Delaware
KKR Group Finance Co. LLC	Delaware
KKR Group Holdings L.P.	Cayman Islands
KKR Group Limited	Cayman Islands
KKR Gym Aggregator L.P.	Cayman Islands
KKR Gym GP Limited	Cayman Islands
KKR Harbourview Holdings Pty Ltd	Australia
KKR Harbourview Pty Ltd	Australia
KKR HCSG GP AIV LLC	Delaware
KKR HCSG GP LLC	Delaware
KKR Health Care I LLC	Delaware
KKR Health Care Strategic Growth Fund (Sail) L.P.	Delaware
KKR Health Care Strategic Growth Fund L.P.	Delaware
KKR Holdings Mauritius, Ltd.	Mauritius
KKR HY LLC	Delaware
KKR IFI GP L.P.	Cayman Islands
KKR IFI Limited	Cayman Islands
KKR ILP LLC	Delaware
KKR India Advisors Private Limited	India
KKR India Debt Opportunities Fund II	India
KKR India Finance Holdings LLC	Delaware
KKR India Financial Services Private Limited	India
KKR India LLC	Delaware
KKR India Reconstruction Pte. Ltd.	Singapore
KKR Indigo Co-Invest GP LLC	Delaware
KKR Infrastructure (AIV) GP LLC	Delaware
KKR Infrastructure II EEA Limited	Cayman Islands
KKR Infrastructure II EEA LLC	Delaware
KKR Infrastructure II Limited	Cayman Islands
KKR Infrastructure Limited	Cayman Islands
KKR International Holdings L.P.	Cayman Islands

Name	Jurisdiction
KKR Investment Advisory (Shanghai) LLC	China
KKR Investment Advisory (Zhuhai Hengqin) Company Limited	China
KKR Investment Consultancy (Beijing) Company Limited	China
KKR Investment Holdings I (Mauritius), Ltd.	Mauritius
KKR Investment Management LLC	Delaware
KKR Investments LLC	Delaware
KKR Irish Holdings SPC Limited	Cayman Islands
KKR Irish Parent S.à.r.l.	Luxembourg
KKR IUH LLC	Delaware
KKR Japan Limited	Japan
KKR Korea Limited Liability Corporation	Korea, Republic of
KKR KPE LLC	Delaware
KKR Landmark Partners AIV L.P.	Delaware
KKR Landmark Partners GP AIV LLC	Delaware
KKR Landmark Partners GP Limited	Cayman Islands
KKR Landmark Partners L.P.	Cayman Islands
KKR Latin America LLC	Delaware
KKR Lending Europe GP Limited	Cayman Islands
KKR Lending Europe GP LLP	Guernsey
KKR Lending Europe Limited	Cayman Islands
KKR Lending GP LLC	Delaware
KKR Lending II GP LLC	Delaware
KKR Lending III GP LLC	Delaware
KKR Lending Partners Europe (USD) L.P.	England & Wales
KKR Lending Partners L.P.	Delaware
KKR LR Energy Limited	Cayman Islands
KKR Luxembourg S.à r.l.	Luxembourg
KKR Mackellar Partners GP Limited	Cayman Islands
KKR Management Co Holdings LLC	Delaware
KKR Management Holdings Corp.	Delaware
KKR Management Holdings L.P.	Delaware
KKR Matterhorn Co-Invest GP Limited	Cayman Islands
KKR Mauritius PE Investments I, Ltd.	Mauritius
KKR MENA Holdings LLC	Delaware
KKR MENA Limited	Dubai International Financial Centre
KKR Mexico LLC	Delaware
KKR Mezzanine GP LLC	Delaware
KKR Mezzanine I Advisors LLC	Delaware
KKR Millennium GP LLC	Delaware
KKR Millennium Limited	Cayman Islands
KKR Natural Resources Fund I-A L.P.	Delaware
KKR Nautilus Aggregator Limited	Cayman Islands
KKR Next Gen Tech Growth Limited	Cayman Islands
KKR Next Generation Technology Growth Fund L.P.	Cayman Islands
KKR NGT EEA Limited	Cayman Islands

Name	Jurisdiction
KKR NGT EEA LLC	Delaware
KKR NGT Growth Fund SBS L.P.	Cayman Islands
KKR North America Fund XI Brazil GP LLC	Delaware
KKR North America XI (Platinum) Blocker Parent L.P.	Delaware
KKR North America XI AIV GP LLC	Delaware
KKR North America XI Limited	Cayman Islands
KKR NR I LLC	Delaware
KKR NR II LLC	Delaware
KKR NR Investors I-A GP LLC	Delaware
KKR NR Investors I-A L.P.	Delaware
KKR NZSF Limited	Cayman Islands
KKR Olive Co-Invest GP LLC	Delaware
KKR Oracle Co-Invest GP LLC	Delaware
KKR Pacer Holdings GP Limited	Cayman Islands
KKR Pacer Holdings L.P.	Cayman Islands
KKR Par Holdings Ltd.	Cayman Islands
KKR PCOP II (EEA) Limited	Cayman Islands
KKR PCOP II (EEA) LLC	Delaware
KKR PCOP II (Offshore) Limited	Cayman Islands
KKR PCOP II GP LLC	Delaware
KKR PEI Associates, L.P.	Guernsey
KKR PEI GP Limited	Cayman Islands
KKR PEI Investments, L.P.	Guernsey
KKR PEI Opportunities GP, Ltd.	Cayman Islands
KKR PEI Opportunities, L.P.	Cayman Islands
KKR PEI Securities Holdings, Ltd.	Cayman Islands
KKR Phorm Investors GP LLC	Delaware
KKR Phorm Investors L.P.	Delaware
KKR PIP GP LLC	Delaware
KKR Platinum Co-Invest Blocker Parent GP LLC	Delaware
KKR Platinum Co-Invest GP LLC	Delaware
KKR Principal Opportunities (Domestic) Limited	Cayman Islands
KKR Principal Opportunities (Offshore) Limited	Cayman Islands
KKR Principal Opportunities AIV (Domestic) Limited	Cayman Islands
KKR Principal Opportunities AIV (Offshore) L.P.	Cayman Islands
KKR Principal Opportunities AIV (Offshore) Limited	Cayman Islands
KKR Principal Opportunities Partnership (Offshore) L.P.	Cayman Islands
KKR Prisma Associates GP L.P.	Cayman Islands
KKR Prisma GP Limited	Cayman Islands
KKR Prisma LP Limited	Cayman Islands
KKR Prisma PABF GP LLC	Delaware
KKR Prisma-Noah GP Associates Limited	Cayman Islands
KKR Real Estate Credit Opportunities India Feeder LP	Singapore
KKR Real Estate Finance Holdings L.P.	Delaware
KKR Real Estate Finance Manager LLC	Delaware

Name	Jurisdiction
KKR Real Estate Finance Trust Inc.	Maryland
KKR Real Estate Fund AIV 1 L.P.	Delaware
KKR Real Estate Fund AIV 1 LLC	Delaware
KKR Real Estate Fund GP LLC	Delaware
KKR Real Estate Fund Holdings L.P.	Delaware
KKR Real Estate Management GP LLC	Delaware
KKR Real Estate Management Holdings L.P.	Delaware
KKR Real Estate Partners Americas L.P.	Delaware
KKR Real Estate Partners Europe (A) L.P.	Cayman Islands
KKR Real Estate Partners Europe (EEA) AIV L.P.	Delaware
KKR Real Estate Partners Europe (EEA) L.P.	England & Wales
KKR RECOI (Cayman) Limited	Cayman Islands
KKR RECOI (Singapore) Pte. Ltd.	Singapore
KKR RECOP Aggregator GP LLC	Delaware
KKR REFT Holdings GP LLC	Delaware
KKR REFT Holdings L.P.	Delaware
KKR Renaissance Co-Invest GP LLC	Delaware
KKR REPA AIV-1 L.P.	Delaware
KKR REPA AIV-2 L.P.	Delaware
KKR REPA AIV-3 GP LLC	Delaware
KKR REPA AIV-3 L.P.	Delaware
KKR REPA AIV-4 GP Ltd.	Cayman Islands
KKR REPA AIV-4 L.P.	Delaware
KKR REPA AIV-5 GP Ltd.	Cayman Islands
KKR REPA AIV-5 L.P.	Cayman Islands
KKR REPA GP LLC	Delaware
KKR REPA II GP LLC	Delaware
KKR REPE EEA Limited	Cayman Islands
KKR REPE EEA LLC	Delaware
KKR REPE GP Limited	Cayman Islands
KKR Revolving Credit Partners Limited	Cayman Islands
KKR Rise Co-Invest GP Limited	Cayman Islands
KKR Royalty Aggregator LLC	Delaware
KKR Royalty Splitter LLC	Delaware
KKR SA Co-Invest GP Limited	Cayman Islands
KKR SA Master GP Limited	Cayman Islands
KKR Saudi Limited	Saudi Arabia
KKR Selena Co-Invest GP Limited	Cayman Islands
KKR Sentinel Co-Invest GP LLC	Delaware
KKR Shanda Limited	Cayman Islands
KKR Singapore Pte. Ltd.	Singapore
KKR SMRS LLC	Delaware
KKR Spark Power Holdings I (Mauritius), Ltd.	Mauritius
KKR Special Situations (Domestic) Fund II L.P.	Cayman Islands
KKR Special Situations (Domestic) Fund L.P.	Cayman Islands



Name	Jurisdiction
KKR Special Situations (Domestic) II Limited	Cayman Islands
KKR Special Situations (Domestic) Limited	Cayman Islands
KKR Special Situations (EEA) Fund II L.P.	England & Wales
KKR Special Situations (Offshore) Fund L.P.	Cayman Islands
KKR Special Situations (Offshore) II Limited	Cayman Islands
KKR Special Situations (Offshore) Limited	Cayman Islands
KKR Special Situations Fund II Limited	Cayman Islands
KKR SPN GP Limited	Cayman Islands
KKR Square GP Limited	Cayman Islands
KKR Strategic Capital Holdings GP, Ltd.	Cayman Islands
KKR Strategic Capital Institutional Fund, Ltd.	Cayman Islands
KKR Strategic Capital Management, L.L.C.	Delaware
KKR Strategic Capital Partners, L.L.C.	Delaware
KKR Streaming Aggregator GP Limited	Cayman Islands
KKR Subsidiary Corp.	Delaware
KKR Subsidiary Partnership L.P.	Delaware
KKR TC Investors GP Limited	Cayman Islands
KKR TE Seeder LLC	Delaware
KKR TFO GP Limited	Cayman Islands
KKR Topaz LLC	Delaware
KKR TRS Holdings, Ltd.	Cayman Islands
KKR Turbine Investors LLC	Delaware
KKR TV SPN GP Limited	Cayman Islands
KKR Upstream Associates LLC	Delaware
KKR Upstream LLC	Delaware
KKR Victoria GP Limited	Cayman Islands
KKR Vision Investors GP LLC	Delaware
KKR Vision Investors L.P.	Delaware
KKR Wolverine I Corp.	Delaware
KKR Wolverine I LLC	Delaware
KKR Wolverine I Ltd.	Cayman Islands
KKR Wolverine I Sponsor LLC	Delaware
KKR YC AIV-1 Associates L.P.	Delaware
KKR YC Associates GP L.P.	Cayman Islands
KKR YC Associates GP Limited	Cayman Islands
KKR YC Associates L.P.	Cayman Islands
KKR-Keats Associates Pipeline (AIV) L.P.	Delaware
KKR-Keats Associates Pipeline L.P.	Delaware
KKR-Keats Pipeline (AIV) LLC	Delaware
KKR-Keats Pipeline LLC	Delaware
Kohlberg Kravis Roberts & Co. (International) Partners LLP	Delaware
Kohlberg Kravis Roberts & Co. L.P.	Delaware
Kohlberg Kravis Roberts & Co. Ltd	England & Wales
Kohlberg Kravis Roberts & Co. Partners LLP	England & Wales
Kohlberg Kravis Roberts & Co. SAS	France

Name	Jurisdiction
Kohlberg Kravis Roberts (España) Asesores SL	Spain
KREF Capital LLC	Delaware
KREF Holdings I LLC	Delaware
KREF Holdings II LLC	Delaware
KREF Holdings III LLC	Delaware
KREF Holdings IV LLC	Delaware
KREF Holdings V LLC	Delaware
KREF Lending I LLC	Delaware
KREF Lending II LLC	Delaware
KREF Lending III LLC	Delaware
KREF Lending III TRS LLC	Delaware
KREF Lending IV LLC	Delaware
KREF Lending V LLC	Delaware
KREF Management Unit Holdings LLC	Delaware
KREF Securities Holdings II, LLC	Delaware
KREF Securities Holdings, LLC	Delaware
KREFT 625NMA, LLC	Delaware
KREFT REOC LLC	Delaware
Lion Restaurant Holdings Trust	California
Lombard Street CLO I Public Limited Company	Ireland
LRG Investor LLC	Delaware
Machine Investors GP Limited	Cayman Islands
Magic Investors GP LLC	Delaware
Magic Investors L.P.	Delaware
MBF Co-Invest GP Limited	Cayman Islands
MCS Capital Markets LLC	Delaware
MCS Corporate Lending LLC	Delaware
Merchant Capital Solutions LLC	Delaware
New Omaha Co-Invest GP, LLC	Delaware
NIM Aggregator LLC	Delaware
Orange Assets LLC	Delaware
Pacova Limited	Jersey
Prisma Capital Advisors LLC	Delaware
Prisma Capital Management International LLP	England & Wales
Prisma Capital Management International Ltd	England & Wales
Prisma Capital Management LLC	Delaware
Prisma Capital Partners EH LLC	Delaware
Prisma Capital Partners I, L.P.	Delaware
Prisma Capital Partners I, LLC	Delaware
Prisma Capital Partners LLC	Delaware
Prisma Capital Partners LP	Delaware
Prisma GP LLC	Delaware
REFH 909 Half Street Investors LLC	Delaware
REFH 909 Half Street Investors TRS LLC	Delaware
REFH Holdings LLC	Delaware

<b>Name</b>	<b>Jurisdiction</b>
REFH SR Mezz LLC	Delaware
Renee C-I Holding L.P.	Delaware
Renee Holding GP LLC	Delaware
Royalty (GP) Pte. Ltd.	Singapore
Samson Co-Invest GP LLC	Delaware
Silverview Investments Pte. Ltd.	Singapore
Spiral Holding GP S.à r.l.	Luxembourg
Sprint Co-Invest 2 GP Limited	Cayman Islands
Sugary Asset Holdings LLC	Delaware
Valhalla Co-Invest GP Limited	Cayman Islands

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement No. 333-210061 on Form S-3ASR, Registration Statement No. 333-171601 on Form S-8, Registration Statement No. 333-208019 on Form S-3, as amended by Amendment No. 1, Registration Statement No. 333-196059 on Form S-3, Registration Statement No. 333-196052 on Form S-3, Registration Statement No. 333-194249 on Form S-3 and Registration Statement No. 333-169433 on Form S-1, as amended by Post-Effective Amendment No. 2 on Form S-3 of our report dated February 24, 2017, relating to the consolidated financial statements and financial statement schedule of KKR & Co. L.P. and subsidiaries (the “Company”) (which report expresses an unqualified opinion and includes an explanatory paragraph regarding the change in accounting policy for the consolidation of legal entities on January 1, 2016 due to the adoption of ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis) and the effectiveness of the Company's internal control over financial reporting appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2016.

/s/ Deloitte & Touche LLP

New York, New York

February 24, 2017

## CO-CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Henry R. Kravis, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2016 of KKR & Co. L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2017

/s/ Henry R. Kravis

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Henry R. Kravis

*Co-Chief Executive Officer*

**CO-CHIEF EXECUTIVE OFFICER CERTIFICATION**

I, George R. Roberts, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2016 of KKR & Co. L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2017

/s/ George R. Roberts

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George R. Roberts

*Co-Chief Executive Officer*

## CHIEF FINANCIAL OFFICER CERTIFICATION

I, William J. Janetschek, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period ended December 31, 2016 of KKR & Co. L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2017

/s/ William J. Janetschek

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William J. Janetschek

*Chief Financial Officer*

**CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER**

Pursuant to 18 U.S.C. §1350,

As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of KKR & Co. L.P. (the "Partnership") on Form 10-K for the period ended December 31, 2016 as filed with the Securities and Exchange Commission (the "Report"), I, Henry R. Kravis, Co-Chief Executive Officer of the general partner of the Partnership, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: February 24, 2017

/s/ Henry R. Kravis

---

Henry R. Kravis

*Co-Chief Executive Officer*

\* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.



**CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER**

Pursuant to 18 U.S.C. §1350,

As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of KKR & Co. L.P. (the "Partnership") on Form 10-K for the period ended December 31, 2016 as filed with the Securities and Exchange Commission (the "Report"), I, George R. Roberts, Co-Chief Executive Officer of the general partner of the Partnership, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: February 24, 2017

/s/ George R. Roberts

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George R. Roberts

*Co-Chief Executive Officer*

\* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

Pursuant to 18 U.S.C. §1350,

As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of KKR & Co. L.P. (the "Partnership") on Form 10-K for the period ended December 31, 2016 as filed with the Securities and Exchange Commission (the "Report"), I, William J. Janetschek, Chief Financial Officer of the general partner of the Partnership, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: February 24, 2017

/s/ William J. Janetschek

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William J. Janetschek

*Chief Financial Officer*

\* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

**SECTION 13(r) DISCLOSURE**

The information below was provided by the relevant company in connection with its activities. We have not independently verified this information.

A European company, in which our credit funds and other vehicles own a minority interest, had brokered an insurance policy for NPC International Limited. The European company has informed us that the gross revenue and net profits attributable to this policy was less than £400 per annum from 2013 to 2015, and less than £120 for the period January 1, 2016 through December 31, 2016. We have been advised that the European company canceled the policy on November 16, 2016.

# **EXHIBIT C-5**

# KKR & CO. INC.

## FORM 10-K (Annual Report)

Filed 02/26/16 for the Period Ending 12/31/15

Address	9 WEST 57TH STREET, SUITE 4200 NEW YORK, NY, 10019
Telephone	212-750-8300
CIK	0001404912
Symbol	KKR
SIC Code	6282 - Investment Advice
Industry	Investment Management & Fund Operators
Sector	Financials
Fiscal Year	12/31

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

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**Form 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**  
For the fiscal year ended December 31, 2015

Or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**  
For the Transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 001-34820

**KKR & CO. L.P.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other Jurisdiction of  
Incorporation or Organization)

**26-0426107**  
(I.R.S. Employer  
Identification Number)

**9 West 57<sup>th</sup> Street, Suite 4200  
New York, New York 10019  
Telephone: (212) 750-8300**

(Address, zip code, and telephone number, including  
area code, of registrant's principal executive office.)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common units representing limited partner interests	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 and 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the common units of the registrant held by non-affiliates as of June 30, 2015, was approximately \$10.1 billion. As of February 22, 2016, there were 449,251,468 Common Units of the registrant outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

None

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**KKR & CO. L.P.**

**FORM 10-K**

**For the Year Ended December 31, 2015**

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, or the Exchange Act, which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward looking statements by the use of words such as "outlook," "believe," "expect," "potential," "continue," "may," "should," "seek," "approximately," "predict," "intend," "will," "plan," "estimate," "anticipate," the negative version of these words, other comparable words or other statements that do not relate strictly to historical or factual matters. Without limiting the foregoing, statements regarding the strategic partnership with Marshall Wace LLP, the declaration and payment of distributions on common units of KKR, the timing, manner and volume of repurchases of common units pursuant to a repurchase program and the expected synergies from the acquisitions or strategic partnerships, may constitute forward-looking statements that are subject to the risk that the benefits and anticipated synergies from such transactions are not realized. Forward looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. We believe these factors include those described under the section entitled "Risk Factors" in this report. These factors should be read in conjunction with the other cautionary statements that are included in this report and in our other periodic filings. We do not undertake any obligation to publicly update or review any forward looking statement, whether as a result of new information, future developments or otherwise.

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In this report, references to "KKR," "we," "us," "our" and "our partnership" refer to KKR & Co. L.P. and its consolidated subsidiaries. Prior to KKR & Co. L.P. becoming listed on the New York Stock Exchange ("NYSE") on July 15, 2010, KKR Group Holdings L.P. ("Group Holdings") consolidated the financial results of KKR Management Holdings L.P. and KKR Fund Holdings L.P. (together, the "KKR Group Partnerships") and their consolidated subsidiaries. On August 5, 2014, KKR International Holdings L.P. became a KKR Group Partnership. Each KKR Group Partnership has an identical number of partner interests and, when held together, one Class A partner interest in each of the KKR Group Partnerships together represents one KKR Group Partnership Unit.

References to "our Managing Partner" are to KKR Management LLC, which acts as our general partner and unless otherwise indicated, references to equity interests in KKR's business, or to percentage interests in KKR's business, reflect the aggregate equity of the KKR Group Partnerships and are net of amounts that have been allocated to our principals and other employees and non-employee operating consultants in respect of the carried interest from KKR's business as part of our "carry pool" and certain minority interests. References to "principals" are to our senior employees and non-employee operating consultants who hold interests in KKR's business through KKR Holdings L.P., which we refer to as "KKR Holdings," and references to our "senior principals" are to our senior employees who hold interests in our Managing Partner entitling them to vote for the election of its directors.

References to non-employee operating consultants include employees of KKR Capstone and are not employees of KKR. KKR Capstone refers to a group of entities that are owned and controlled by their senior management. KKR Capstone is not a subsidiary or affiliate of KKR. KKR Capstone operates under several consulting agreements with KKR and uses the "KKR" name under license from KKR.

Prior to October 1, 2009, KKR's business was conducted through multiple entities for which there was no single holding entity, but were under common control of senior KKR principals, and in which senior principals and KKR's other principals and individuals held ownership interests (collectively, the "Predecessor Owners"). On October 1, 2009, we completed the acquisition of all of the assets and liabilities of KKR & Co. (Guernsey) L.P. (f/k/a KKR Private Equity Investors, L.P. or "KPE") and, in connection with such acquisition, completed a series of transactions pursuant to which the business of KKR was reorganized into a holding company structure. The reorganization involved a contribution of certain equity interests in KKR's business that were held by KKR's Predecessor Owners to the KKR Group Partnerships in exchange for equity interests in the KKR Group Partnerships held through KKR Holdings. We refer to the acquisition of the assets and liabilities of KPE and to our subsequent reorganization into a holding company structure as the "KPE Transaction."

In this report, the term "GAAP" refers to accounting principles generally accepted in the United States of America.

We disclose certain financial measures in this report that are calculated and presented using methodologies other than in accordance with GAAP. We believe that providing these performance measures on a supplemental basis to our GAAP results is

helpful to unitholders in assessing the overall performance of KKR's businesses. These financial measures should not be considered as a substitute for similar financial measures calculated in accordance with GAAP, if available. We caution readers that these non-GAAP financial measures may differ from the calculations of other investment managers, and as a result, may not be comparable to similar measures presented by other investment managers. Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP, where applicable, are included within "Financial Statements and Supplementary Data — Note 13. Segment Reporting" and later in this report under "Management's Discussion and Analysis of Financial Condition and Results of Operations — Segment Balance Sheet."

This report uses the terms assets under management or AUM, fee paying assets under management or FPAUM, fee related earnings or FRE, economic net income or ENI, equity invested, gross dollars invested, syndicated capital, equity invested, book value and adjusted units. You should note that our calculations of these financial measures and other financial measures may differ from the calculations of other investment managers and, as a result, our financial measures may not be comparable to similar measures presented by other investment managers. These and other financial measures are defined in the section "Management's Discussion and Analysis of Financial Condition & Results of Operations—Key Financial Measures under GAAP—Segment Operating and Performance Measures" and "— Segment Balance Sheet —Liquidity—Liquidity Needs."

References to "our funds" or "our vehicles" refer to investment funds, vehicles and/or accounts advised, sponsored or managed by one or more subsidiaries of KKR including CLO and CMBS vehicles, unless context requires otherwise. They do not include investment funds, vehicles or accounts of any hedge fund manager with which we have formed a strategic partnership where we have acquired a non-controlling interest.

Unless otherwise indicated, references in this report to our fully exchanged and diluted common units outstanding, or to our common units outstanding on a fully exchanged and diluted basis, reflect (i) actual common units outstanding, (ii) common units into which KKR Group Partnership Units not held by us are exchangeable pursuant to the terms of the exchange agreement described in this report, (iii) common units issuable in respect of exchangeable equity securities issued in connection with the acquisition of Avoca Capital ("Avoca"), and (iv) common units issuable pursuant to any equity awards actually issued or vested but not yet delivered under the KKR & Co. L.P. 2010 Equity Incentive Plan, which we refer to as our "Equity Incentive Plan," but do not reflect common units available for issuance pursuant to our Equity Incentive Plan for which grants have not yet been made.

## PART I

### ITEM 1. BUSINESS

#### Overview

We are a leading global investment firm that manages investments across multiple asset classes including private equity, energy, infrastructure, real estate, credit and hedge funds. We aim to generate attractive investment returns by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation in the assets we manage. We invest our own capital alongside the capital we manage for fund investors and bring debt and equity investment opportunities to others through our capital markets business.

Our business offers a broad range of investment management services to our fund investors and provides capital markets services to our firm, our portfolio companies and third parties. Throughout our history, we have consistently been a leader in the private equity industry, having completed more than 260 private equity investments in portfolio companies with a total transaction value in excess of \$515 billion. We have grown our firm by expanding our geographical presence and building businesses in areas, such as credit, special situations, hedge funds, collateralized loan obligations (“CLOs”), capital markets, infrastructure, energy and real estate. Our balance sheet has provided a significant source of capital in the growth and expansion of our business, and has allowed us to further align our interests with those of our fund investors. These efforts build on our core principles and industry expertise, allowing us to leverage the intellectual capital and synergies in our businesses, and to capitalize on a broader range of the opportunities we source. Additionally, we have increased our focus on meeting the needs of our existing fund investors and in developing relationships with new investors in our funds.

We conduct our business with offices throughout the world, providing us with a pre-eminent global platform for sourcing transactions, raising capital and carrying out capital markets activities. Our growth has been driven by value that we have created through our operationally focused investment approach, the expansion of our existing businesses, our entry into new lines of business, innovation in the products that we offer investors in our funds, an increased focus on providing tailored solutions to our clients and the integration of capital markets distribution activities.

As a global investment firm, we earn management, monitoring, transaction, incentive fees and carried interest for providing investment management, monitoring and other services to our funds, vehicles, CLOs, managed accounts and portfolio companies, and we generate transaction-specific income from capital markets transactions. We earn additional investment income from investing our own capital alongside that of our fund investors, from other assets on our balance sheet and from the carried interest we receive from our funds and certain of our other investment vehicles. A carried interest entitles the sponsor of a fund to a specified percentage of investment gains that are generated on third-party capital that is invested.

Our investment teams have deep industry knowledge and are supported by a substantial and diversified capital base, an integrated global investment platform, the expertise of operating consultants and senior advisors and a worldwide network of business relationships that provide a significant source of investment opportunities, specialized knowledge during due diligence and substantial resources for creating and realizing value for stakeholders. These teams invest capital, a substantial portion of which is of a long duration and not subject to redemption. With over 75% of our fee paying assets under management not subject to redemption for at least 8 years from inception, we have significant flexibility to grow investments and select exit opportunities. We believe that these aspects of our business will help us continue to expand and grow our business and deliver strong investment performance in a variety of economic and financial conditions.

#### Our Firm

With offices around the world, we have established ourselves as a leading global investment firm. We have multilingual and multicultural investment teams with local market knowledge and significant business, investment, and operational experience in the countries in which we invest. We believe that our global capabilities have helped us to raise capital, capture a greater number of investment opportunities, and assist our portfolio companies in their increasing reliance on global markets and sourcing, while enabling us to diversify our operations.

Though our operations span multiple continents and asset classes, our investment professionals are supported by an integrated infrastructure and operate under a common set of principles and business practices that are monitored by a variety of committees. The firm operates with a single culture that rewards investment discipline, creativity, determination, and patience and the sharing of information, resources, expertise, and best practices across offices and asset classes. When appropriate, we staff transactions across multiple offices and businesses in order to take advantage of the industry-specific expertise of our investment professionals, and we hold regular meetings in which investment professionals throughout our offices share their

knowledge and experiences. We believe that the ability to draw on the local cultural fluency of our investment professionals while maintaining a centralized and integrated global infrastructure distinguishes us from other investment firms and has been a substantial contributing factor to our ability to raise funds, invest internationally and expand our businesses.

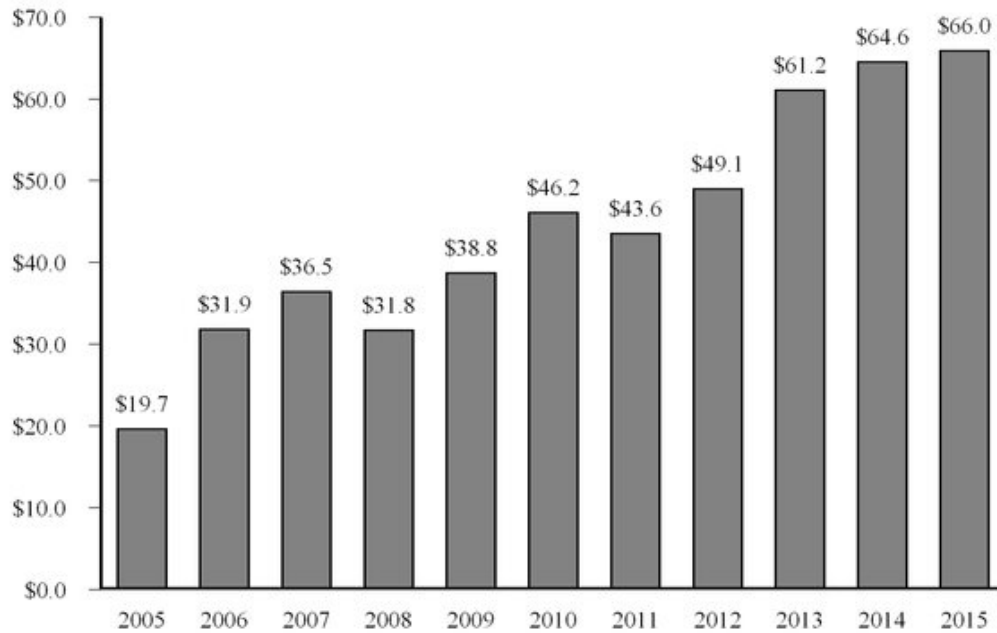
Since our inception, one of our fundamental philosophies has been to align the interests of the firm and our principals with the interests of our fund investors, portfolio companies and other stakeholders. We achieve this by putting our own capital behind our ideas. As of December 31, 2015, we and our employees and other personnel have approximately \$12.3 billion invested in or committed to our own funds and portfolio companies, including \$8.9 billion funded through our balance sheet, \$1.4 billion of additional commitments from our balance sheet to investment funds, \$1.0 billion in personal investments and \$1.0 billion of additional commitments from personal investments.

## Our Segments

### Private Markets

Through our Private Markets segment, we manage and sponsor a group of private equity funds and co-investment vehicles that invest capital for long-term appreciation, either through controlling ownership of a company or strategic minority positions. We also manage and sponsor a group of funds and co-investment vehicles that invest capital in real assets, such as infrastructure, energy and real estate. These funds, vehicles and accounts are managed by Kohlberg Kravis Roberts & Co. L.P., an SEC registered investment adviser. As of December 31, 2015, the segment had \$66.0 billion of AUM and FPAUM of \$45.3 billion, consisting of \$34.9 billion in private equity and \$10.4 billion in real assets (including infrastructure, energy and real estate) and other strategies. Prior to 2010, FPAUM in the Private Markets segment consisted entirely of private equity funds.

**Private Markets  
Assets Under Management (1)  
(\$ in billions)**



(1) For the years 2006 through 2008, assets under management are presented pro forma for the KPE Transaction, and therefore, exclude the net asset value of KPE and its former commitments to our investment funds. AUM as of and after December 31, 2014 has been adjusted to include capital commitments for which we are eligible to receive fees or carried interest upon deployment of capital. This item increased our AUM by approximately \$3.1 billion as of December 31, 2014 but is excluded from AUM for all prior years presented.

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The table below presents information as of December 31, 2015 relating to our current private equity funds and other investment vehicles for which we have the ability to earn carried interest. This data does not reflect acquisitions or disposals of investments, changes in investment values or distributions occurring after December 31, 2015 .

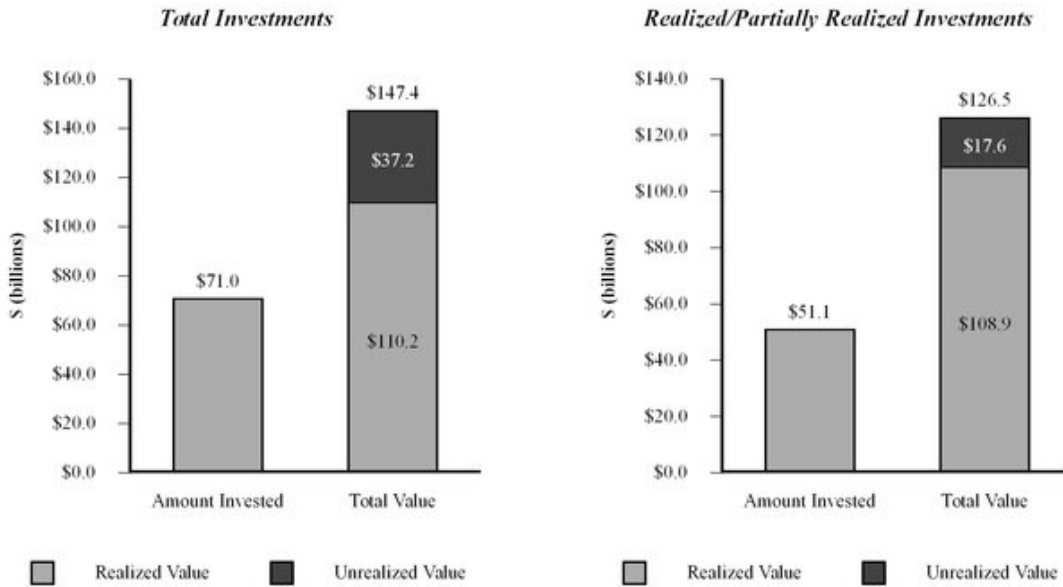
	Investment Period (1)		Amount (\$ in millions)							
	Commencement Date	End Date	Commitment (2)	Uncalled Commitments	Percentage Committed by General Partner	Invested	Realized	Remaining Cost (3)	Remaining Fair Value	
<b>Private Markets</b>										
<b>Private Equity Funds</b>										
European Fund IV	12/2014	12/2020	\$ 3,468.0	\$ 3,307.1	5.7%	\$ 160.9	\$ —	\$ 160.9	\$ 185.7	
Asian Fund II	4/2013	4/2019	5,825.0	3,979.3	1.3%	2,599.7	753.9	1,845.8	3,163.6	
North America Fund XI	9/2012	9/2018	8,718.4	3,704.0	2.9%	5,932.1	1,733.8	4,635.4	6,983.8	
China Growth Fund	11/2010	11/2016	1,010.0	307.6	1.0%	702.4	283.4	544.4	713.4	
E2 Investors (Annex Fund)	8/2009	11/2013	195.8	—	4.9%	195.8	195.7	18.1	10.3	
European Fund III	3/2008	3/2014	6,121.8	812.1	4.6%	5,309.7	4,447.2	3,224.2	4,240.2	
Asian Fund	7/2007	4/2013	3,983.3	129.5	2.5%	3,853.8	5,397.4	1,918.7	2,534.0	
2006 Fund	9/2006	9/2012	17,642.2	525.6	2.1%	17,116.6	18,411.5	7,703.3	13,028.5	
European Fund II	11/2005	10/2008	5,750.8	—	2.1%	5,750.8	6,611.1	825.0	2,003.2	
Millennium Fund	12/2002	12/2008	6,000.0	—	2.5%	6,000.0	12,517.4	714.0	1,521.1	
European Fund	12/1999	12/2005	3,085.4	—	3.2%	3,085.4	8,748.0	—	17.1	
<b>Total Private Equity Funds</b>			<b>61,800.7</b>	<b>12,765.2</b>		<b>50,707.2</b>	<b>59,099.4</b>	<b>21,589.8</b>	<b>34,400.9</b>	
Co-Investment Vehicles	Various	Various	5,774.0	2,709.6	Various	3,137.4	2,511.0	2,118.0	2,865.8	
<b>Total Private Equity</b>			<b>67,574.7</b>	<b>15,474.8</b>		<b>53,844.6</b>	<b>61,610.4</b>	<b>23,707.8</b>	<b>37,266.7</b>	
<b>Real Assets</b>										
Energy Income and Growth Fund	9/2013	9/2018	1,974.2	1,142.6	12.8%	831.6	143.9	757.1	544.3	
Natural Resources Fund	Various	Various	887.4	2.9	Various	884.5	96.6	809.9	200.1	
Global Energy Opportunities	Various	Various	1,026.4	808.7	Various	252.7	55.0	144.8	124.7	
Global Infrastructure Investors	9/2011	10/2014	1,039.9	100.9	4.8%	967.0	216.4	847.8	972.7	
Global Infrastructure Investors II	10/2014	10/2020	3,028.3	2,685.7	4.1%	346.5	8.9	338.9	354.0	
Infrastructure Co-Investments	Various	Various	1,125.0	—	Various	1,125.0	377.9	1,124.4	1,520.1	
Real Estate Partners Americas	5/2013	12/2016	1,229.1	598.2	16.3%	777.5	314.5	630.5	740.7	
Real Estate Partners Europe	9/2015	(4)	591.3	591.3	10.9%	—	—	—	—	
<b>Real Assets</b>			<b>10,901.6</b>	<b>5,930.3</b>		<b>5,184.8</b>	<b>1,213.2</b>	<b>4,653.4</b>	<b>4,456.6</b>	
Unallocated Commitments			1,361.2	1,361.2	Various	—	—	—	—	
<b>Private Markets Total</b>			<b>\$ 79,837.5</b>	<b>\$ 22,766.3</b>		<b>\$ 59,029.4</b>	<b>\$ 62,823.6</b>	<b>\$ 28,361.2</b>	<b>\$ 41,723.3</b>	

- (1) The commencement date represents the date on which the general partner of the applicable fund commenced investment of the fund's capital or the date of the first closing. The end date represents the earlier of (i) the date on which the general partner of the applicable fund was or will be required by the fund's governing agreement to cease making investments on behalf of the fund, unless extended by a vote of the fund investors or (ii) the date on which the last investment was made.
- (2) The commitment represents the aggregate capital commitments to the fund, including capital commitments by third-party fund investors and the general partner. Foreign currency commitments have been converted into U.S. dollars based on (i) the foreign exchange rate at the date of purchase for each investment and (ii) the exchange rate that prevailed on December 31, 2015 , in the case of uncalled commitments.
- (3) The remaining cost represents the initial investment of the general partner and limited partners, with the limited partners' investment reduced for any return of capital and realized gains from which the general partner did not receive a carried interest.
- (4) Four years from final close.

*Performance*

We take a long-term approach to Private Markets investing and measure the success of our investments over a period of years rather than months. Given the duration of these investments, the firm focuses on realized multiples of invested capital and IRRs when deploying capital in these transactions. We have more than doubled the value of capital that we have invested in our Private Markets investment funds, turning \$71.0 billion of capital into \$147.4 billion of value from our inception in 1976 to December 31, 2015. Over this same period, the value of capital that we have invested in our Private Markets investment funds and that has been realized and partially realized has grown from \$51.1 billion to \$126.5 billion.

**Amount Invested and Total Value for  
Private Markets Investment Funds  
As of December 31, 2015**



From our inception in 1976 through December 31, 2015, our investment funds with at least 36 months of investment activity generated a cumulative gross IRR of 25.6%, compared to the 11.7% and 8.7% gross IRR achieved by the S&P 500 Index and MSCI World Index, respectively, over the same period, despite the cyclical and sometimes challenging environments in which we have operated. The S&P 500 Index and MSCI World Index are unmanaged indices and such returns assume reinvestment of distributions and do not reflect any fees or expenses. Our past performance, however, may not be representative of performance in any given period. For example, as of March 31, 2009, the date of the lowest aggregate valuation of our private equity funds during the most recent downturn, the investments in certain of our private equity funds at the time were marked down to 67% of original cost. For additional information regarding impact of market conditions on the value and performance of our investments, see “Risk Factors-Risks Related to Our Business-Difficult market conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial condition.” and “-Risks Related to the Assets We Manage-The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds or of our future results or of any returns on our common units.”

The tables below present information as of December 31, 2015 relating to the historical performance of certain of our Private Markets investment vehicles since inception, which we believe illustrates the benefits of our investment approach. The information presented under Total Investments includes all of the investments made by the specified investment vehicle, while the information presented under Realized/Partially Realized Investments includes only those investments that have been disposed of or have otherwise generated disposition proceeds or current income including dividends that has been distributed

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by the relevant fund. This data does not reflect additional capital raised since December 31, 2015 or acquisitions or disposals of investments, changes in investment values or distributions occurring after that date. Past performance is no guarantee of future results.

Private Markets Investment Funds	Amount		Fair Value of Investments		Total Value	Gross IRR (5)	Net IRR (5)	Multiple of Invested Capital (5)
	Commitment	Invested (5)	Realized (5)	Unrealized				
(\$ in millions)								
<b>Total Investments</b>								
<i>Legacy Funds (1)</i>								
1976 Fund	\$ 31.4	\$ 31.4	\$ 537.2	\$ —	\$ 537.2	39.5 %	35.5 %	17.1
1980 Fund	356.8	356.8	1,827.8	—	1,827.8	29.0 %	25.8 %	5.1
1982 Fund	327.6	327.6	1,290.7	—	1,290.7	48.1 %	39.2 %	3.9
1984 Fund	1,000.0	1,000.0	5,963.5	—	5,963.5	34.5 %	28.9 %	6.0
1986 Fund	671.8	671.8	9,080.7	—	9,080.7	34.4 %	28.9 %	13.5
1987 Fund	6,129.6	6,129.6	14,949.2	—	14,949.2	12.1 %	8.9 %	2.4
1993 Fund	1,945.7	1,945.7	4,143.3	—	4,143.3	23.6 %	16.8 %	2.1
1996 Fund	6,011.6	6,011.6	12,476.9	—	12,476.9	18.0 %	13.3 %	2.1
Subtotal - Legacy Funds	16,474.5	16,474.5	50,269.3	—	50,269.3	26.1 %	19.9 %	3.1
<i>Included Funds</i>								
European Fund (1999) (2)	3,085.4	3,085.4	8,748.0	17.1	8,765.1	26.9 %	20.2 %	2.8
Millennium Fund (2002)	6,000.0	6,000.0	12,517.4	1,521.1	14,038.5	22.2 %	16.3 %	2.3
European Fund II (2005) (2)	5,750.8	5,750.8	6,611.1	2,003.2	8,614.3	6.4 %	4.7 %	1.5
2006 Fund (2006)	17,642.2	17,116.6	18,411.5	13,028.5	31,440.0	11.6 %	8.9 %	1.8
Asian Fund (2007)	3,983.3	3,853.8	5,397.4	2,534.0	7,931.4	18.7 %	13.5 %	2.1
European Fund III (2008) (2)	6,121.8	5,309.7	4,447.2	4,240.2	8,687.4	15.2 %	9.6 %	1.6
E2 Investors (Annex Fund) (2009) (2)	195.8	195.8	195.7	10.3	206.0	1.5 %	1.1 %	1.1
China Growth Fund (2010)	1,010.0	702.4	283.4	713.4	996.8	15.1 %	8.0 %	1.4
Natural Resources Fund (2010)	887.4	884.5	96.6	200.1	296.7	(45.8)%	(48.5)%	0.3
Global Infrastructure Investors (2011) (2)	1,039.9	967.0	216.4	972.7	1,189.1	9.1 %	7.6 %	1.2
North America Fund XI (2012)	8,718.4	5,932.1	1,733.8	6,983.8	8,717.6	26.4 %	19.5 %	1.5
Asian Fund II (2013) (3)	5,825.0	2,599.7	753.9	3,163.6	3,917.5	N/A	N/A	N/A
Real Estate Partners Americas (2013) (3)	1,229.1	777.5	314.5	740.7	1,055.2	N/A	N/A	N/A
Energy Income and Growth Fund (2013) (3)	1,974.2	831.6	143.9	544.3	688.2	N/A	N/A	N/A
Global Infrastructure Investors II (2014) (2) (3)	3,028.3	346.5	8.9	354.0	362.9	N/A	N/A	N/A
European Fund IV (2015) (2) (3)	3,468.0	160.9	—	185.7	185.7	N/A	N/A	N/A
Real Estate Partners Europe (2015) (2) (3)	591.3	—	—	—	—	N/A	N/A	N/A
Subtotal - Included Funds	70,550.9	54,514.3	59,879.7	37,212.7	97,092.4	15.4 %	11.1 %	1.8
<b>All Funds</b>	<b>\$ 87,025.4</b>	<b>\$ 70,988.8</b>	<b>\$ 110,149.0</b>	<b>\$ 37,212.7</b>	<b>\$ 147,361.7</b>	<b>25.6 %</b>	<b>18.9 %</b>	<b>2.1</b>

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Private Markets Investment Funds	Amount		Fair Value of Investments			Gross IRR (5)	Net IRR (5)	Multiple of Invested Capital (5)
	Commitment	Invested (5)	Realized (5)	Unrealized	Total Value			
(\$ in millions)								
<b>Realized/Partially Realized Investments (4)</b>								
<i>Legacy Funds (1)</i>								
1976 Fund	\$ 31.4	\$ 31.4	\$ 537.2	\$ —	\$ 537.2	39.5 %	35.5 %	17.1
1980 Fund	356.8	356.8	1,827.8	—	1,827.8	29.0 %	25.8 %	5.1
1982 Fund	327.6	327.6	1,290.7	—	1,290.7	48.1 %	39.2 %	3.9
1984 Fund	1,000.0	1,000.0	5,963.5	—	5,963.5	34.5 %	28.9 %	6.0
1986 Fund	671.8	671.8	9,080.7	—	9,080.7	34.4 %	28.9 %	13.5
1987 Fund	6,129.6	6,129.6	14,949.2	—	14,949.2	12.1 %	8.9 %	2.4
1993 Fund	1,945.7	1,945.7	4,143.3	—	4,143.3	23.6 %	16.8 %	2.1
1996 Fund	6,011.6	6,011.6	12,476.9	—	12,476.9	18.0 %	13.3 %	2.1
Subtotal - Legacy Funds	16,474.5	16,474.5	50,269.3	—	50,269.3	26.1 %	19.9 %	3.1
<i>Included Funds</i>								
European Fund (1999) (2)	3,085.4	3,085.4	8,748.0	17.1	8,765.1	26.9 %	20.2 %	2.8
Millennium Fund (2002)	6,000.0	5,599.4	12,517.4	1,402.2	13,919.6	25.0 %	19.4 %	2.5
European Fund II (2005) (2)	5,750.8	5,245.4	6,611.1	2,001.6	8,612.7	7.8 %	6.7 %	1.6
2006 Fund (2006)	17,642.2	10,867.0	18,411.5	7,208.4	25,619.9	17.1 %	14.8 %	2.4
Asian Fund (2007)	3,983.3	2,953.6	5,397.4	1,791.2	7,188.6	22.3 %	19.1 %	2.4
European Fund III (2008) (2)	6,121.8	2,694.3	4,447.2	1,324.9	5,772.1	22.0 %	18.6 %	2.1
E2 Investors (Annex Fund) (2009) (2)	195.8	94.8	195.7	—	195.7	19.8 %	19.8 %	2.1
China Growth Fund (2010)	1,010.0	371.3	283.4	377.0	660.4	20.3 %	18.1 %	1.8
Natural Resources Fund (2010)	887.4	884.6	96.6	200.1	296.7	(45.8)%	(48.5)%	0.3
Global Infrastructure Investors (2011) (2)	1,039.9	765.1	216.3	711.5	927.8	7.8 %	7.8 %	1.2
North America Fund XI (2012)	8,718.4	2,074.9	1,733.9	2,551.7	4,285.6	49.6 %	48.7 %	2.1
Asian Fund II (2013) (4)	5,825.0	—	—	—	—	—	—	—
Real Estate Partners Americas (2013) (4)	1,229.1	—	—	—	—	—	—	—
Energy Income and Growth Fund (2013) (4)	1,974.2	—	—	—	—	—	—	—
Global Infrastructure Investors II (2014) (2) (4)	3,028.3	—	—	—	—	—	—	—
European Fund IV (2015) (2) (4)	3,468.0	—	—	—	—	—	—	—
Real Estate Partners Europe (2015) (2) (4)	591.3	—	—	—	—	—	—	—
Subtotal - Included Funds	70,550.9	34,635.8	58,658.5	17,585.7	76,244.2	19.4 %	16.1 %	2.2
<b>All Realized/Partially Realized Investments</b>	<b>\$ 87,025.4</b>	<b>\$ 51,110.3</b>	<b>\$ 108,927.8</b>	<b>\$ 17,585.7</b>	<b>\$ 126,513.5</b>	<b>25.8 %</b>	<b>20.8 %</b>	<b>2.5</b>

(1) These funds were not contributed to KKR as part of the KPE Transaction.

(2) The capital commitments of the European Fund, European Fund II, European Fund III, E2 Investors (Annex Fund), European Fund IV, Global Infrastructure Investors, Global Infrastructure Investors II and Real Estate Partners Europe include euro-denominated commitments of €196.5 million, €2,597.5 million, €2,882.8 million, €55.5 million, €1,626.1 million, €30.0 million, €243.8 million and €275.6 million, respectively. Such amounts have been converted into U.S. dollars based on (i) the foreign exchange rate at the date of purchase for each investment and (ii) the exchange rate prevailing on December 31, 2015 in the case of unfunded commitments.

(3) The gross IRR, net IRR and multiple of invested capital are calculated for our investment funds that have invested for at least 36 months prior to December 31, 2015. None of the Asian Fund II, Real Estate Partners Americas, Energy Income and Growth Fund, Global Infrastructure Investors II, European Fund IV or Real Estate Partners Europe have invested for at least 36 months as of December 31, 2015. We therefore have not calculated gross IRRs, net IRRs and multiples of invested capital with respect to those funds.

(4) An investment is considered partially realized when it has been disposed of or has otherwise generated disposition proceeds or current income that has been distributed by the relevant fund. In periods prior to the three months ended September 30, 2015, realized proceeds excluded current income such as dividends and interest. None of the Asian Fund II, Real Estate Partners Americas, Energy Income and Growth Fund, Global Infrastructure Investors II, European Fund IV or Real Estate Partners Europe have any investments that are considered partially realized. We therefore have not calculated gross IRRs, net IRRs and multiples of invested capital with respect to the investments of those funds.

(5) IRRs measure the aggregate annual compounded returns generated by a fund's investments over a holding period. Net IRRs presented under Total Investments are calculated after giving effect to the allocation of realized and unrealized carried interest and the payment of any applicable management fees. Net IRRs presented under Realized/Partially Realized Investments are calculated after giving effect to the allocation of realized and unrealized carried interest, but before payment of any applicable management fees as management fees are applied to funds, not investments. Gross IRRs are calculated before giving effect to the allocation of carried interest and the payment of any applicable management fees.

The multiples of invested capital measure the aggregate value generated by a fund's investments in absolute terms. Each multiple of invested capital is calculated by adding together the total realized and unrealized values of a fund's investments and dividing by the total amount of capital invested by the fund. Such amounts do not give effect to the allocation of any realized and unrealized returns on a fund's investments to the fund's general partner pursuant to a carried interest or the payment of any applicable management fees.

KKR Private Markets funds may utilize third party financing facilities to provide liquidity to such funds. In such event IRRs are calculated from the time capital contributions are





facilities generally decreases the amount of invested capital that would otherwise be used to calculate IRRs and multiples of invested capital, which tends to increase IRRs and multiples when fair value grows over time and decrease IRRs and multiples when fair value decreases over time. KKR Private Markets funds also generally provide in certain circumstances, which vary depending on the relevant fund documents, for a portion of capital returned to investors to be restored to unused commitments as recycled capital. For KKR's Private Markets funds that have a preferred return, we take into account recycled capital in the calculation of IRRs and multiples of invested capital because the calculation of the preferred return includes the effect of recycled capital. For KKR's Private Markets funds that do not have a preferred return, we do not take recycled capital into account in the calculation of IRRs and multiples of invested capital. The inclusion of recycled capital generally causes invested and realized amounts to be higher and IRRs and multiples of invested capital to be lower than had recycled capital not been included. The inclusion of recycled capital would reduce the composite net IRR of all Included Funds by 0.1% and the composite net IRR of all Legacy Funds by 0.5%, and would reduce the composite multiple of invested capital of Included Funds by less than 0.1 and the composite multiple of invested capital of Legacy Funds by 0.4.

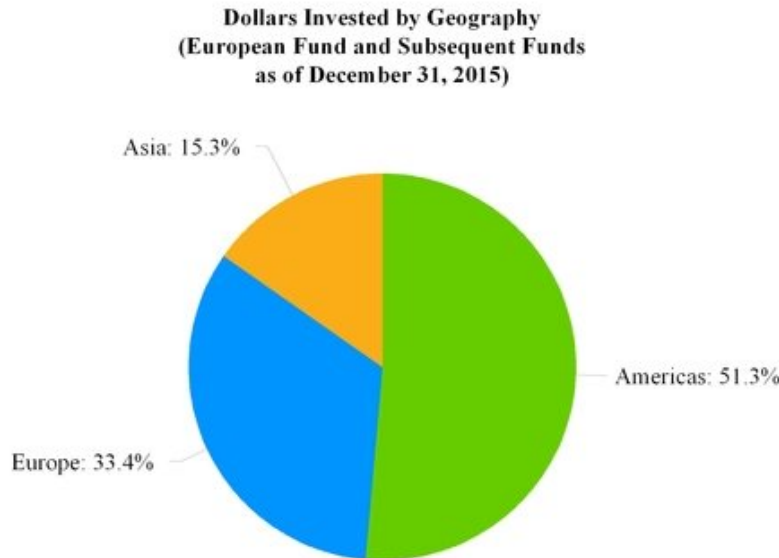
For more information, see "Risk Factors-Risks Related to the Assets We Manage-The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds or of our future results or of any returns on our common units."

### **Private Equity**

We are a world leader in private equity, having raised 19 funds with approximately \$78.3 billion of capital commitments through December 31, 2015. We invest in industry-leading franchises and attract world-class management teams. Our investment approach leverages our capital base, sourcing advantage, global network and industry knowledge. It also leverages a sizeable team of operating consultants, who work exclusively with our investment professionals and portfolio company management teams and otherwise at our direction, as well as senior advisors, many of whom are former chief executive officers and leaders of the business community.

### **Portfolio**

The following chart presents information concerning the amount of capital invested by private equity funds by geography through December 31, 2015. We believe that this data illustrates the benefits of our business approach and our ability to source and invest in deals in multiple geographies.



Our current private equity portfolio consists of over 108 companies with approximately \$200 billion of annual revenues. These companies are headquartered in 21 countries and operate in 19 general industries which take advantage of our broad and deep industry and operating expertise. Many of these companies are leading franchises with global operations, strong management teams and attractive growth prospects, which we believe will provide benefits through a broad range of business conditions.

### *Investment Approach*

Our approach to making private equity investments focuses on achieving multiples of invested capital and attractive risk-adjusted IRRs by selecting high-quality investments that may be made at attractive prices, applying rigorous standards of due diligence when making investment decisions, implementing strategic and operational changes that drive growth and value creation in acquired businesses, carefully monitoring investments, and making informed decisions when developing investment exit strategies.

We believe that we have achieved a leading position in the private equity industry by applying a disciplined investment approach and by building strong partnerships with highly motivated management teams who put their own capital at risk. When making private equity investments, we seek out strong business franchises, attractive growth prospects, leading market positions, and the ability to generate attractive returns. In our private equity funds, we do not effect transactions that are “hostile”, meaning a target company’s board of directors makes an unfavorable recommendation with respect to the transaction or publicly opposes the consummation of the transaction.

### *Sourcing and Selecting Investments*

We have access to significant opportunities for making private equity investments as a result of our sizeable capital base, global platform, and relationships with leading executives from major companies, commercial and investment banks, and other investment and advisory institutions. Members of our global network contact us with new investment opportunities, including a substantial number of exclusive investment opportunities and opportunities that are made available to only a limited number of other firms. We also proactively pursue business development strategies that are designed to generate deals internally based on the depth of our industry knowledge and our reputation as a leading financial sponsor.

To enhance our ability to identify and consummate private equity investments, we have organized our investment professionals in industry-specific teams. Our industry teams work closely with our operating consultants and other advisors to identify businesses that can be grown and improved. These teams conduct their own primary research, develop a list of industry themes and trends, identify companies and assets in need of operational improvement, and seek out businesses and assets that they believe will benefit from our involvement. They possess a detailed understanding of the economic drivers, opportunities for value creation, and strategies that can be designed and implemented to improve companies across the industries in which we invest.

### *Due Diligence and the Investment Decision*

When an investment team determines that an investment proposal is worth consideration, the proposal is formally presented to the applicable regional investment committee and the due diligence process commences if appropriate. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances surrounding an investment and to prepare a framework that may be used from the date of an acquisition to drive operational improvement and value creation. When conducting due diligence, investment teams evaluate a number of important business, financial, tax, accounting, environmental, social, governance, legal and regulatory issues in order to determine whether an investment is suitable. While the due diligence process differs depending on the type of investment we make, generally, in connection with the private equity due diligence process, investment professionals spend significant amounts of time meeting with a company’s management and operating personnel, visiting plants and facilities, and where appropriate, speaking with other stakeholders interested in and impacted by the investment in order to understand the opportunities and risks associated with the proposed investment. Our investment professionals may also use the services of outside accountants, consultants, lawyers, investment banks, and industry experts as appropriate to assist them in this process. Investment committees monitor all due diligence practices, and the applicable investment committee must approve an investment before it may be made.

### *Building Successful and Competitive Businesses*

Portfolio management committees are responsible for working with our investment professionals from the date on which a private equity investment is made until the time it is exited in order to ensure that strategic and operational objectives are accomplished and that the performance of the investment is closely monitored. When investing in a private equity portfolio company, we partner with management teams to execute on our investment thesis, and we rigorously track performance through regular monitoring of detailed operational and financial metrics as well as appropriate environmental, social and governance issues. We have developed a global network of experienced managers and operating executives who assist the private equity portfolio companies in making operational improvements and achieving growth. We augment these resources with operational guidance from operating consultants at KKR Capstone, senior advisors, and investment teams, and with “100-Day Plans” that focus the firm’s efforts and drive our strategies. We seek to emphasize efficient capital management, top-line growth, R&D spending, geographical expansion, cost optimization, and investment for the long-term.

*Realizing Investments*

We have developed substantial expertise for realizing private equity investments. From our inception through December 31, 2015, the firm has generated approximately \$110.2 billion of cash proceeds from the sale of our private equity portfolio companies in initial public offerings and secondary offerings, dividends, and sales to strategic buyers. When exiting private equity investments, our objective is to structure the exit in a manner that optimizes returns for fund investors and, in the case of publicly traded companies, minimizes the impact that the exit has on the trading price of the company's securities. We believe that our ability to successfully realize investments is attributable in part to the strength and discipline of our portfolio management committees and capital markets business, as well as the firm's longstanding relationships with corporate buyers and members of the investment banking and investing communities.

*Private Equity Fund Structures*

The private equity funds that we sponsor and manage have finite lives and investment periods. Each fund is organized as one or more partnerships, and each partnership is controlled by a general partner. Private equity fund investors are limited partners who agree to contribute a specified amount of capital to the fund from time to time for use in qualifying investments during the investment period, which generally lasts up to six years depending on how quickly capital is deployed. The investment period for certain funds may be terminated upon supermajority vote (based on capital commitment) of the fund's limited partners or by the fund's advisory committee. The term of our private equity funds generally last for 10 to 12 years and may last up to 15 years from the date of the fund's first or last investment, subject to a limited number of extensions with the consent of the limited partners or the applicable advisory committee. Given the length of the investment periods and terms of our private equity funds and the limited conditions under which such periods can be terminated and commitments may be withdrawn, the AUM of our private equity funds provide a long-term stable capital base.

Each private equity fund's general partner is generally entitled to a carried interest that allocates to it 20% of the net profits realized by the limited partners from the fund's investments. Our newer private equity funds, the North America Fund XI, Asian Fund II and European Fund IV have a performance hurdle which requires that we return 7%, compounded annually, to limited partners in the fund prior to receiving our 20% share of net profits realized by limited partners. Such performance hurdles are subject to a catch-up allocation to the general partner after the hurdle has been reached. Our earlier private equity funds do not include a performance hurdle. The timing of receipt of carried interest in respect of investments of our carry funds is dictated by the terms of the partnership agreements that govern such funds, and is distributed to the general partner of a private equity fund only after all of the following are met: (i) a realization event has occurred (e.g., sale of a portfolio company, dividend, etc.); (ii) the vehicle has achieved positive overall investment returns since its inception, in excess of performance hurdles where applicable; and (iii) with respect to investments with a fair value below cost, cost has been returned to fund investors in an amount sufficient to reduce remaining cost to the investments' fair value. For a fund that has a fair value above cost, overall, but has one or more investments where fair value is below cost, the shortfall between cost and fair value for such investments is referred to as a "netting hole." See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity-Sources of Liquidity" for a discussion of netting holes. Net realized profit or loss is not netted between or among funds except for the Annex Fund as discussed below under "-Other Private Equity Investment Vehicles-E2 Investors (Annex Fund)". In addition, the agreements governing KKR's private equity funds generally include a "clawback" or, in certain instances, a "net loss sharing" provision that, if triggered, may give rise to a contingent obligation that may require the general partner to return or contribute amounts to the fund for distribution to fund investors at the end of the life of the fund. Our newer private equity funds do not have a net loss sharing provision. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies-Clawback Provision", "Management's Discussion and Analysis of Financial Condition-Critical Accounting Policies-Net Loss Sharing Provision" and "Risk Factors-The "clawback" or "net loss sharing" provisions in our governing agreements may give rise to a contingent obligation that may require us to return or contribute amounts to our funds and fund investors."

We enter into management agreements with our private equity funds pursuant to which we receive management fees in exchange for providing the funds with management and other services. Gross management fees for our private equity funds generally range from 1% to 2% of committed capital during the fund's investment period and is generally 0.75% to 1.25% of invested capital after the expiration of the fund's investment period with subsequent reductions over time, which causes the fees to be reduced as investments are liquidated. These management fees are paid by private equity fund investors, who generally contribute capital to the fund in order to allow the fund to pay the fees to us. Our private equity funds generally require that management fees be returned to fund investors before a carried interest may be paid.

We also enter into monitoring agreements with our portfolio companies pursuant to which we receive periodic monitoring fees in exchange for providing them with management, consulting, and other services, and we typically receive transaction fees for providing portfolio companies with financial, advisory and other services in connection with specific transactions. Monitoring fees may provide for a termination payment following an initial public offering or change of control. In some cases,

we may be entitled to other fees that are paid by an investment target upon closing a transaction or when a potential investment is not consummated. Our private equity fund agreements typically require us to share 80% to 100% of any monitoring, transaction and other fees that are allocable to a fund (after reduction for expenses incurred allocable to a fund from unconsummated transactions) with fund investors.

In addition, the agreements governing our private equity funds enable investors in those funds to reduce their capital commitments available for further investments, on an investor-by-investor basis, in the event certain “key persons” (for example, both of Messrs. Kravis and Roberts, and, in the case of certain geographically or product focused funds, one or more of the investment professionals focused on such funds) cease to be actively involved in the management of the fund. While these provisions do not allow investors in our funds to withdraw capital that has been invested or cause a fund to terminate, the occurrence of a “key man” event could cause disruption in our business, reduce the amount of capital that we have available for future investments, and make it more challenging to raise additional capital in the future.

Because private equity fund investors typically are unwilling to invest their capital in a fund unless the fund’s manager also invests its own capital in the fund’s investments, our private equity fund documents generally require the general partners of the funds to make minimum capital commitments to the funds. The amounts of these commitments, which are negotiated by fund investors, generally range from 2% to 5% of a fund’s total capital commitments at final closing, but may be greater for certain funds pursuing newer strategies. When investments are made, the general partner contributes capital to the fund based on its fund commitment percentage and acquires a capital interest in the investment that is not subject to a carried interest or management fees.

#### *Other Private Equity Investment Vehicles*

**E2 Investors (Annex Fund).** We established the Annex Fund in 2009 to enable fund investors in the European Fund II and the Millennium Fund to make additional investments in portfolio companies of the European Fund II, which had already been fully invested. This fund has several features that distinguish it from our other private equity funds, including: (i) it does not pay a management fee to us; (ii) its general partner is only entitled to a carried interest after netting any losses, costs, and expenses relating to European Fund II and certain Millennium Fund investments from the profits of the Annex Fund investments; and (iii) no transaction or incremental monitoring fees are charged in connection with investments in which the Annex Fund participates. The Annex Fund reached the end of its investment period in November 2013.

**Other Private Equity Products.** We have offered significant co-investment opportunities to both fund investors and other third parties. We have built out our capital markets and distribution capabilities and created new investment structures and products that allow us to syndicate a portion of the equity needed to finance acquisitions. These structures include co-investment vehicles and a principal-protected private equity product, which generally entitles the firm to receive management fees and/or a carried interest. In addition, we manage certain separately managed accounts in the form of separate investment vehicles based on terms that are separately negotiated with investors in those vehicles. We also offer multi-strategy products, which invest in our funds, co-investment vehicles and external funds and have launched a strategy focused on growth equity opportunities in the technology, media and telecommunications sector.

#### *Real Assets*

##### *Energy*

In 2010 we launched our first dedicated energy fund, which acquired and operated oil and natural gas properties in mature basins located primarily in the United States. In acquiring these properties, which are typically considered to be non-core by their sellers, we sought to generate value through optimizing production, reducing operating costs, and optimizing commercial and marketing arrangements.

Since the launch of our first dedicated energy fund, we have invested in our capabilities, both with respect to our team of investment professionals and our relationships with technical partners. With these capabilities, we have expanded our energy platform to target real asset investment opportunities across the upstream and midstream segments of the oil and gas industry. As part of this effort, we have completed investments in oil and gas drilling development transactions with operating companies and have also acquired mineral and royalty interests. We invest in these energy strategies through the KKR Energy Income and Growth Fund. As of December 31, 2015, we have received \$2.9 billion of capital commitments to our energy funds and \$1.0 billion of capital commitments to this strategy through separately managed accounts.

Our energy business aims to deliver current returns to fund investors through distributions generated by producing and selling oil and natural gas reserves and capital appreciation. The goal is to provide investors with exposure to commodity prices

and optionality associated with future drilling and production. We work closely with external teams of technical and operational experts to assist in the selection, evaluation and operation of investments.

### *Infrastructure*

We manage infrastructure investments and began investing through our first dedicated infrastructure fund, KKR Global Infrastructure Investors L.P., in 2011. We believe that the global infrastructure market provides an opportunity for the firm's private investment, operational improvement capabilities and stakeholder engagement. This strategy seeks to achieve returns including current income through the acquisition and operational improvement of assets important to the functioning of the economy. Through this strategy we have made investments in parking, alternative energy, district heating and contracted electricity generation, water and wastewater, locomotive transportation, midstream and telecommunications infrastructure. As of December 31, 2015, we had received \$4.1 billion of capital commitments to our infrastructure funds and \$1.1 billion of capital commitments to this strategy through separately managed accounts and co-investment vehicles.

### *Real Estate*

The firm developed a dedicated real estate strategy beginning in 2011 using our own seed capital. Since launching our first dedicated real estate fund, KKR Real Estate Partners Americas, in 2013, we have expanded our real estate strategy to pursue real estate investments in Western Europe and real estate credit. In addition, we have the flexibility to invest in real estate transactions across the capital structure through various vehicles, including our private equity and alternative credit funds. We have also established investment platforms with strategic partners to invest in commercial real estate in Germany and the United States. Our real estate platform targets real estate opportunities, including direct investments in real property, debt, special situations transactions and businesses with significant real estate holdings that can benefit from KKR's operational expertise. We seek to partner with real estate owners, lenders, operators, and developers to provide flexible capital to respond to transaction specific needs, including the outright purchase or financing of existing assets or companies and the funding of future development or acquisition opportunities. Through this strategy, we have made real estate investments in residential and commercial assets. As of December 31, 2015, we have received \$1.8 billion of capital commitments through our real estate funds.

### ***Real Asset Investment Process***

Our energy, infrastructure and real estate funds have a similar investment process as that described under "-Private Equity." Investment teams for a particular real asset strategy formally present investments to the applicable strategy oriented investment committee, which monitors all due diligence practices and must approve an investment before it may be made. Most of our real asset strategies also have a portfolio management committee that works with our investment professionals from the date on which an investment is made until the time it is exited in order to ensure that strategic and operational objectives are accomplished and that the performance of the investment is closely monitored. In addition to leveraging the resources of the firm, our energy and real estate investment teams partner with technical experts and operators to manage our real asset investments.

### ***Real Asset Fund Structures***

Our energy, infrastructure and real estate funds generally have investment periods of up to 6 years and generally have a fund term of up to 13 years. Management fees for such funds range from 0.75% to 1.5% on commitments, invested capital or net asset value during the investment period and on invested capital or net asset value for investments thereafter, subject to certain adjustments. These funds generally have performance hurdles of 8% to 10% subject to a catch-up allocation to the general partner after the hurdle has been reached. Thereafter the general partners of such funds generally share in 10% to 20% of net profits realized by limited partners.

### **Public Markets**

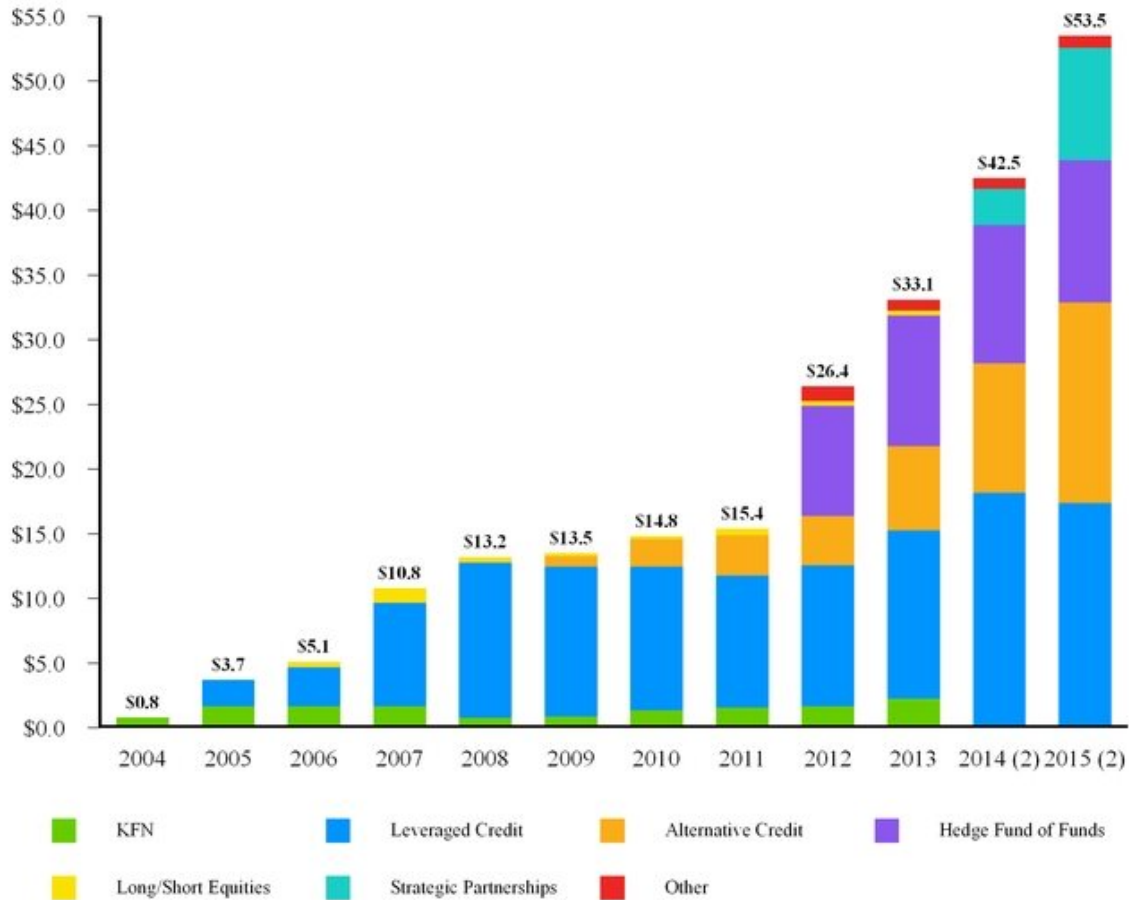
We operate and report our combined credit and hedge funds businesses through the Public Markets segment. Our credit business advises funds, CLOs, separately managed accounts, and investment companies registered under the Investment Company Act, including a business development company or BDC, undertakings for collective investment in transferable securities or UCITS, and alternative investments funds or AIFs, which invest capital in (i) leveraged credit strategies, such as leveraged loans, high yield bonds and opportunistic credit, and (ii) alternative credit strategies such as mezzanine investments, direct lending investments, special situations investments and long/short credit investment strategies. The funds, accounts, registered investment companies and CLOs in our leveraged credit and alternative credit strategies are managed by KKR Credit Advisors (US) LLC, which is an SEC-registered investment adviser, KKR Credit Advisors (Ireland), regulated by the Central

Bank of Ireland, and KKR Credit Advisors (UK), regulated by the United Kingdom Financial Conduct Authority, or FCA. KKR Credit Advisors (Ireland) and KKR Credit Advisors (UK) (formerly known collectively as Avoca Capital) were acquired by KKR on February 19, 2014. Our Public Markets segment also includes our hedge funds business that offers a variety of investment strategies including customized hedge fund portfolios and hedge fund-of-fund solutions. The funds and accounts in our hedge fund business are managed by Prisma Capital Partners LP (KKR Prisma or Prisma), an SEC-registered investment adviser. Through our Public Markets segment, we also have developed strategic partnerships by acquiring minority stakes in other hedge fund managers.

We intend to continue to grow the Public Markets business by leveraging our global investment platform, experienced investment professionals and the ability to adapt our investment strategies to different market conditions to capitalize on investment opportunities that may arise at various levels of the capital structure and across market cycles.

As of December 31, 2015, this segment had \$53.5 billion of AUM, comprised of \$17.4 billion of assets managed in our leveraged credit strategies, \$15.5 billion of assets managed in our alternative credit strategies, \$11.0 billion of assets managed in our hedge fund solutions strategies, \$8.7 billion of assets managed in our strategic partnerships and \$0.9 billion of assets managed in other strategies. Our alternative credit investments include \$2.0 billion of assets managed in our mezzanine strategy, \$6.5 billion of assets managed in our direct lending strategy, \$6.6 billion of assets managed in our special situations strategies and \$0.4 billion of assets managed in our long/short credit strategy. The following chart presents the growth in the AUM of our Public Markets segment from the commencement of its operations in August 2004 through December 31, 2015.

**Public Markets  
Assets Under Management (1)  
(\$ in billions)**



- (1) For years 2006 through 2008, assets under management are presented pro forma for the KPE Transaction and, therefore, exclude the net asset value of KPE and its former commitments to our investment funds. Assets under management of KKR Prisma and Avoca are included in the years on and after the completion of the respective acquisitions.
- (2) AUM as of and after December 31, 2014 has been adjusted to include (i) KKR's pro-rata portion of AUM managed by other asset managers in which KKR holds a minority stake and (ii) capital commitments for which we are eligible to receive fees or carried interest upon deployment of capital. These two items increased our AUM by approximately \$5.4 billion as of December 31, 2014 but are excluded from AUM for all prior years presented.

**Credit**

*Performance*

We generally review our performance in our credit business by investment strategy. Our leveraged credit strategies principally invest in leveraged loans and high yield bonds, or a combination of both. In certain cases these strategies have meaningful track records and may be compared to widely-known indices. The following table presents information regarding larger leveraged credit strategies managed by KKR from inception to December 31, 2015. Past performance is no guarantee of future results.



*Leveraged Credit Strategies: Inception-to-Date Annualized Gross Performance vs. Benchmark by Strategy*

(\$ in millions)	Inception Date	Gross Returns	Net Returns	Benchmark (1)	Benchmark Gross Returns
Bank Loans Plus High Yield (2)	Jul 2008	8.07%	7.41%	65% S&P/ LSTA, 35% BoAML HY Master II Index (3)	5.72%
Opportunistic Credit (4)	May 2008	12.18%	10.21%	BoAML HY Master II Index (4)	6.96%
Bank Loans (2)	Apr 2011	4.38%	3.76%	S&P/ LSTA Loan Index (5)	3.07%
High Yield (2)	Apr 2011	5.50%	4.92%	BoAML HY Master II Index (6)	4.00%
Bank Loans Conservative	Apr 2011	4.24%	3.62%	S&P/ LSTA BB-B Loan Index (7)	3.30%
European Leveraged Loans (8)	Sep 2009	5.88%	5.36%	CS Inst West European Leveraged Loan Index (9)	4.92%

- (1) The Benchmarks referred to herein include the S&P/LSTA Leveraged Loan Index (the “S&P/LSTA Loan Index”), the Bank of America Merrill Lynch High Yield Master II Index (the “BoAML HY Master II Index”), the S&P European Leveraged Loan Index (the “ELLI”) and Credit Suisse Institutional Western European Leveraged Loan Index (the “CS Inst European Leveraged Loan Index”). The S&P/LSTA Loan Index is an index that comprises all loans that meet the inclusion criteria and that have marks from the LSTA/LPC mark-to-market service. The inclusion criteria consist of the following: (i) syndicated term loan instruments consisting of term loans (both amortizing and institutional), acquisition loans (after they are drawn down) and bridge loans; (ii) secured; (iii) U.S. dollar denominated; (iv) minimum term of one year at inception; and (v) minimum initial spread of LIBOR plus 1.25%. The BoAML HY Master II Index is a market value weighted index of below investment grade U.S. dollar denominated corporate bonds publicly issued in the U.S. domestic market. “Yankee” bonds (debt of foreign issuers issued in the U.S. domestic market) are included in the BoAML HY Master II Index provided that the issuer is domiciled in a country having investment grade foreign currency long-term debt rating. Qualifying bonds must have maturities of one year or more, a fixed coupon schedule and minimum outstanding of US\$100 million. In addition, issuers having a credit rating lower than BBB3, but not in default, are also included. The ELLI is based upon Euro denominated facilities. The index reflects the market-weighted performance of institutional leveraged loan portfolios investing in European credits. All the index components are loans syndicated to European loan investors. The ELLI series uses real-time market weightings, spreads and interest payments. The Index was calculated monthly from January 1, 2002 to January 1, 2004; then weekly until May 2, 2013, and is currently calculated daily. The CS Inst European Leveraged Loan Index contains only institutional loan facilities priced above 90 , excluding TL and TLa facilities and loans rated CC, C or are in default. It is designed to more closely reflect the investment criteria of institutional investors. While the returns of these strategies reflect the reinvestment of income and dividends, none of the indices presented in the chart above reflect such reinvestment, which has the effect of increasing the reported relative performance of these strategies as compared to the indices. Furthermore, these indices are not subject to management fees, incentive allocations or expenses. It is not possible to invest directly in unmanaged indices.
- (2) The AUM of the Bank Loans Plus High Yield strategy is also included in the AUM of the High Yield strategy and the AUM of the Bank Loans strategy.
- (3) Performance is based on a blended composite of Bank Loans Plus High Yield strategy accounts. The Benchmark used for purposes of comparison for the Bank Loans Plus High Yield strategy is based on 65% S&P/LSTA Loan Index and 35% BoAML HY Master II Index.
- (4) The Opportunistic Credit strategy invests in high yield securities and corporate loans with no preset allocation. The Benchmark used for purposes of comparison for the Opportunistic Credit strategy presented herein is based on the BoAML HY Master II Index. Funds within this strategy may utilize third party financing facilities to provide liquidity to such funds. In cases where financing facilities are used, the amounts drawn on the facility are deducted from the assets of the fund in the calculation of net asset value, which tends to increase returns when net asset value grows over time and decrease returns when net asset value decreases over time.
- (5) Performance is based on a composite of portfolios that primarily invest in leveraged loans. The Benchmark used for purposes of comparison for the Bank Loans strategy is based on the S&P/LSTA Loan Index.
- (6) Performance is based on a composite of portfolios that primarily invest in high yield securities. The Benchmark used for purposes of comparison for the High Yield strategy is based on the BoAML HY Master II Index.
- (7) Performance is based on a composite of portfolios that primarily invest in leveraged loans rated B-/Baa3 or higher. The Benchmark used for purposes of comparison for the Bank Loans strategy is based on the S&P/LSTA BB/B Loan Index.
- (8) The AUM amounts reflected have been converted to U.S. dollars based on the exchange rate prevailing on December 31, 2015 . The returns presented are calculated based on local currency.
- (9) Performance is based on a composite of portfolios that primarily invest in higher quality leveraged loans. The Benchmark used for purposes of comparison for the European Senior Loans strategy is based on the CS Inst West European Leveraged Loan Index.

Our alternative credit strategies primarily invest in more illiquid instruments through private investment funds. The following table presents information regarding our Public Markets alternative credit funds where investors are subject to capital commitments from inception to December 31, 2015 . Some of our alternative credit funds have begun investing more recently and therefore have not yet developed meaningful track records, and thus their performance is not included below. Past performance is no guarantee of future results.

*Alternative Credit Strategies: Fund Performance*

Public Markets Investment Funds	Inception Date	Amount		Fair Value of Investments			Total Value	Gross IRR**	Net IRR**	Multiple of Invested Capital***
		Commitment	Invested*	Realized*	Unrealized					
(\$ in Millions)										
Special Situations Fund	Dec-12	\$ 2,257.6	\$ 2,129.6	\$ 257.6	\$ 2,205.6	\$ 2,463.2	9.6%	7.0%	1.2	
Special Situations Fund II	Dec-14	2,675.5	592.1	—	452.4	452.4	N/A	N/A	N/A	
Mezzanine Partners	Mar-10	1,022.8	872.2	541.0	634.3	1,175.3	13.8%	8.4%	1.3	
Lending Partners	Dec-11	460.2	369.7	181.5	303.3	484.8	11.4%	9.4%	1.3	
Lending Partners II	Jun-14	1,335.9	446.3	26.4	475.7	502.1	10.9%	8.2%	1.1	
Lending Partners Europe	Mar-15	780.1	16.5	—	24.0	24.0	N/A	N/A	N/A	
Revolving Credit Partners	May-15	510.0	—	—	(2.8)	(2.8)	N/A	N/A	N/A	
Private Credit Opportunities Partners II	Dec-15	350.0	—	—	—	—	N/A	N/A	N/A	
<b>All Funds</b>		<b>\$ 9,392.1</b>	<b>\$ 4,426.4</b>	<b>\$ 1,006.5</b>	<b>\$ 4,092.5</b>	<b>\$ 5,099.0</b>			<b>1.2</b>	

\* Recycled capital is excluded from the amounts invested and realized.

\*\* KKR alternative credit funds may utilize third party financing facilities to provide liquidity to such funds, and in such event IRRs are calculated from the time capital contributions are due from fund investors to the time fund investors receive a related distribution from the fund. In cases where financing facilities are used, their use generally decreases the amount of invested capital that would otherwise be used to calculate IRRs, which tends to increase IRRs when fair value grows over time and decrease IRRs when fair value decreases over time. IRRs measure the aggregate annual compounded returns generated by a fund's investments over a holding period and are calculated taking into account recycled capital. Net IRRs presented are calculated after giving effect to the allocation of realized and unrealized carried interest and the payment of any applicable management fees. Gross IRRs are calculated before giving effect to the allocation of carried interest and the payment of any applicable management fees.

\*\*\* The multiples of invested capital measure the aggregate value generated by a fund's investments in absolute terms. Each multiple of invested capital is calculated by adding together the total realized and unrealized values of a fund's investments and dividing by the total amount of capital invested by the fund. In cases where financing facilities are used, their use generally decreases the amount of invested capital that would otherwise be used to calculate multiples of invested capital, which tends to increase multiples when fair value grows over time and decrease multiples when fair value decreases over time. Such amounts do not give effect to the allocation of any realized and unrealized returns on a fund's investments to the fund's general partner pursuant to a carried interest or the payment of any applicable management fees and are calculated without taking into account recycled capital.

Such past performance may not be representative of performance in any given period. For additional information regarding impact of market conditions on the value and performance of our investments, see "Risk Factors-Risks Related to Our Business-Difficult market conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial condition." and "-Risks Related to the Assets We Manage-The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds or of our future results or of any returns on our common units."

### *Investment Approach*

Our approach to making investments focuses on creating investment portfolios that seek to generate attractive risk-adjusted returns by selecting investments that may be made at attractive prices, subjecting investments to regular monitoring and oversight, and, for more liquid investments, making buy and sell decisions based on price targets and relative value parameters. The firm employs both "top-down" and "bottom-up" analyses when making investments. Our top-down analysis involves, as appropriate, a macro analysis of relative asset valuations, long-term industry trends, business cycles, regulatory trends, interest rate expectations, credit fundamentals and technical factors to target specific industry sectors and asset classes in which to invest. From a bottom-up perspective, our investment decision is predicated on an investment thesis that is developed using our proprietary resources and knowledge and due diligence.

### *Sourcing and Selecting Investments*

We source investment opportunities through a variety of channels, including internal deal generation strategies and the firm's global network of contacts at major companies, corporate executives, commercial and investment banks, financial intermediaries, other private equity sponsors and other investment and advisory institutions. We are also provided with opportunities to invest in certain strategies, where appropriate, in the securities of KKR's private equity portfolio companies, though there are limitations across the platform on the maximum size of such KKR-affiliated investments.

### *Due Diligence and the Investment Decision*

Once a potential investment has been identified, our investment professionals screen the opportunity and make a preliminary determination concerning whether we should proceed with further diligence. When evaluating the suitability of an investment for our funds, we typically employ a relative value framework and subject the investment to due diligence. This review considers many factors including, as appropriate, expected returns, capital structure, credit ratings, historical and projected financial data, the issuer's competitive position, the quality and track record of the issuer's management team, margin stability, and industry and company trends. Investment professionals use the services of outside advisors and industry experts as appropriate to assist them in the due diligence process and, when relevant and permitted, leverage the knowledge and experience of our Private Markets investment professionals. Strategy-specific investment committees monitor all due diligence practices.

### *Monitoring Investments*

We monitor our portfolios of investments using, as applicable, daily, quarterly and annual analyses. Daily analyses include morning market meetings, industry and company pricing runs, industry and company reports and discussions with the firm's Private Markets investment professionals on an as-needed basis. Quarterly analyses include the preparation of quarterly operating results, reconciliations of actual results to projections and updates to financial models (baseline and stress cases). Annual analyses involve conducting internal audits, and testing compliance with monitoring and documentation requirements.

### *Credit Strategies*

Our credit strategies business pursues investments in debt securities ranging from liquid securities such as leveraged loans and high-yield bonds to alternative credit including longer-duration strategies such as mezzanine, special situations and direct lending and revolving credit. These investments may be made across a range of vehicles including funds, single- or cross-strategy separately managed accounts, and registered investment companies. These managed accounts enable us to tailor an investment program to meet the specific risk, return and investment objective of investors in our funds.

*Leveraged Credit.* Our leveraged credit strategies are principally directed at investing in leveraged loans, high-yield bonds or a combination of both. Our opportunistic credit strategy seeks to deploy capital across investment themes that take advantage of credit market dislocations, spanning asset types and liquidity profiles. These leveraged credit strategies are pursued primarily through separately managed accounts and registered investment companies, with a smaller amount of capital residing in funds. We are entitled to receive a fee or a combination of a fee and an incentive allocation for managing these vehicles.

*Structured Credit Vehicles.* We manage structured credit vehicles in the form of collateralized loan obligation transactions, or CLOs. CLOs are typically structured as bankruptcy-remote, special purpose investment vehicles which acquire, monitor and, to varying degrees, manage a pool of credit assets. The CLOs serve as long term financing for credit investments and as a way to minimize refinancing risk, minimize maturity risk and secure a fixed cost of funds over an underlying market interest rate. We may receive a fee for managing certain CLOs.

*Alternative Credit.* Our alternative credit strategies leverage the knowledge and relationships developed in the leveraged credit business. These strategies include private credit strategies such as mezzanine and distressed investing and special situations strategies. As with our leveraged credit strategy, these are pursued through a combination of separately managed accounts, a BDC and funds. For managing these accounts and funds, we are entitled to receive either fees or a combination of fees and carried interest.

*Direct Lending.* We seek to make investments in proprietarily sourced primarily senior debt financings for middle-market companies through our direct lending strategy. We closed our first dedicated direct lending fund, KKR Lending Partners L.P. in December 2012 and had AUM of \$6.5 billion in this strategy as of December 31, 2015 .

*Mezzanine.* We seek to make mezzanine investments in directly sourced third-party mezzanine and mezzanine-like transactions through this strategy. These investments often consist of mezzanine debt, which generates a current yield, coupled with marginal equity exposure with additional upside potential. We closed our first dedicated mezzanine fund, KKR Mezzanine Partners I L.P. in August 2011 and had AUM of \$2.0 billion in this strategy as of December 31, 2015 .

*Special Situations.* We seek to make opportunistic investments largely in distressed companies through our special situations investment strategy. These investments include secondary market distressed investments (including post- restructuring equity), control-oriented opportunities, rescue financing (debt or equity investments made to

address covenant, maturity or liquidity issues), debtor-in-possession or exit financing, structured principal investments, and other event-driven investments in debt or equity. We closed our first dedicated special situations fund, KKR Special Situations Fund L.P., in December 2013 and had AUM of \$6.6 billion in this strategy as of December 31, 2015 .

*Long/short credit.* Our long/short credit strategy invests across capital structures with a focus primarily on corporate credit opportunities and had AUM of \$0.4 billion in this strategy as of December 31, 2015 .

### *Products for Individual Investors*

KKR Credit Advisors (US) LLC serves as the registered investment adviser to an investment company registered under the Investment Company Act (or, in the case of the BDC we manage, as its sub-adviser), which are subject to the Investment Company Act and the rules thereunder. The management fees we receive from these registered investment companies are generally paid on a regular basis (typically monthly) and proportionately increase or decrease based on the net asset value or gross assets of the investment company. The management fees we are paid for managing these investment companies will generally be subject to contractual rights that require their board of directors to provide prior notice (or, in the case of the BDC we manage, the investment adviser) in order to terminate our investment management services.

### **Hedge Funds**

#### *Overview*

Our hedge fund business is comprised of customized hedge fund solutions and minority interests in other public markets managers and funds. We established our hedge fund business in October 2012 with the acquisition of Prisma Capital Partners LP through which we provide customized hedge fund portfolio and hedge fund-of-fund solutions. We expect to grow this business with the acquisition of majority and minority interests or stakes in third party hedge fund management companies or by seeding strategies with strategic hedge fund partners.

#### *KKR Prisma*

KKR Prisma constructs and manages customized hedge fund portfolios and hedge fund-of-funds. It seeks to deliver superior performance by utilizing portfolio construction techniques and an integrated, quantitative approach to risk management. KKR Prisma takes a specialist approach by seeking leading niche hedge fund managers in various alternative investment strategies. Various strategies are offered to investors, including moderate and low-volatility, equity, credit and opportunistic, in both commingled and separate account portfolios. For the period beginning in June 2004 through December 31, 2015 , our hedge fund-of-funds low volatility strategy, which consists of the majority of our hedge fund-of-funds AUM and FPAUM, generated a gross annualized return of 7.0%. As of December 31, 2015 , our hedge fund-of-funds accounted for \$11.0 billion of AUM.

#### *Strategic Partnerships*

Through our Public Markets segment, we also have developed strategic partnerships by acquiring minority stakes in other hedge fund managers. In this business we have a 24.9% interest in Marshall Wace LLP, a leading global liquid alternatives manager, a 24.9% interest in Nephila Capital Ltd., or Nephila, an investment manager focused on investing in natural catastrophe and weather risk, a 24.9% interest in BlackGold Capital Management L.P., or BlackGold, a credit-oriented investment manager focused on investing in energy and hard asset investments. We have also seeded Acion Partners Limited, a Hong Kong based investment manager that manages Asian event driven investments.

### Public Markets Vehicle Structures

The table below presents information as of December 31, 2015 relating to our Public Markets vehicles:

(\$ in millions)	AUM	FPAUM	Typical Management Fee Rate	Incentive Fee / Carried Interest	Preferred Return	Duration of Capital
<b>Leveraged Credit:</b>						
Leveraged Credit SMAs/Funds	\$ 7,129	\$ 6,647	0.50%-1.50%	Various (1)	Various (1)	Subject to redemptions
CLO's	9,021	9,021	0.50%	Various (1)	Various (1)	10-14 Years (2)
Total Leveraged Credit	16,150	15,668				
<b>Alternative Credit Vehicles:</b>						
Alternative Credit Vehicles (3)	13,463	7,340	0.75%-1.50% (4)	10.00-20.00%	8.00-12.00%	8-15 Years (2)
Hedge Fund Solutions	11,028	10,530	0.50%-1.50%	Various (1)	Various (1)	Subject to redemptions
Strategic Partnerships (6)	8,737	8,737	0.75%-2.00%	Various	Various	Subject to redemptions
Corporate Capital Trust (5)	4,138	4,138	1.00%	10.00%	7.00%	7 years (5)
<b>Total</b>	<b>\$ 53,516</b>	<b>\$ 46,413</b>				

- (1) Certain funds and CLOs are subject to a performance fee in which the manager or general partner of the funds share in up to 20% (in our hedge fund solutions business, up to 10%) of the net profits earned by investors in excess of performance hurdles (generally tied to a benchmark or index) and subject to a provision requiring the funds and vehicles to regain prior losses before any performance fee is earned.
- (2) Term for duration of capital is since inception. Inception dates for CLOs were between 2004 and 2015 and for separately managed accounts and funds investing in alternative credit strategies from 2009 through 2015.
- (3) AUM and FPAUM include all assets invested by vehicles that principally invest in alternative credit strategies, respectively, and consequently may include a certain amount of assets, currently less than \$1.0 billion, invested in other strategies.
- (4) Lower fees on uninvested capital in certain vehicles.
- (5) Corporate Capital Trust is a BDC sub-advised by KKR. By December 31, 2018, the capital in the Corporate Capital Trust vehicle may have an indefinite duration. This vehicle invests in both leveraged credit and alternative credit strategies.
- (6) Includes KKR's pro rata portion of AUM and FPAUM managed by other asset managers in which KKR holds a minority interest.

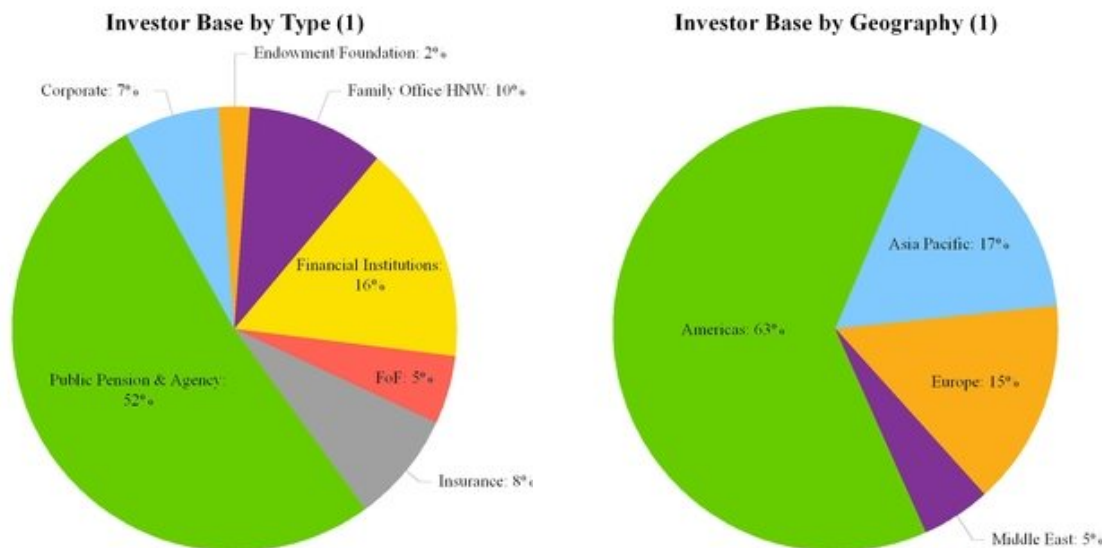
### Capital Markets

Our Capital Markets segment is comprised primarily of our global capital markets business. Our capital markets business supports our firm, our portfolio companies and third-party clients by developing and implementing both traditional and non-traditional capital solutions for investments or companies seeking financing. These services include arranging debt and equity financing for transactions, placing and underwriting securities offerings and providing other types of capital markets services. When we underwrite an offering of securities or a loan on a firm commitment basis, we commit to buy and sell an issue of securities or indebtedness and generate revenue by purchasing the securities or indebtedness at a discount or for a fee. When we act in an agency capacity, we generate revenue for arranging financing or placing securities or debt with capital markets investors. We may also provide issuers with capital markets advice on security selection, access to markets, marketing considerations, securities pricing, and other aspects of capital markets transactions in exchange for a fee. KKR Capital Markets LLC is an SEC-registered broker-dealer and a FINRA member, and we are also registered or authorized to carry out certain broker-dealer activities in various countries in North America, Europe, Asia-Pacific and the Middle East. Our third party capital markets activities are generally carried out through Merchant Capital Solutions LLC, a joint venture with one other unaffiliated partner, and non-bank financial companies, or NBFCs, in India.

### Client & Partner Group

We have a Client & Partner Group that is responsible for raising capital for us globally across all products, expanding our client relationships across asset classes and across types of fund investors, developing products to meet our clients' needs, and servicing existing fund investors and products. We also provide fundraising services to fund managers in whom we have invested through our stakes business. As of December 31, 2015, we had 80 executives and professionals dedicated to our Client & Partner Group.

As of December 31, 2015, we had 895 investors in funds across all our strategies, which reflects the addition of over 100 investors during the year. On average, a fund investor is invested in approximately 1.7 of our products as of December 31, 2015. The following charts detail our investor base by type and geography as of December 31, 2015.



(1) Based on the AUM of our Private Markets investment funds, Private Markets co-investment vehicles, and Public Markets separately managed accounts and investment funds. These charts exclude (a) commitments in connection with Private and Public Markets vehicles for which we are entitled to management fees or carried interest upon the satisfaction of certain conditions, which had not been met as of December 31, 2015 and (b) assets managed by other asset managers with which KKR has formed strategic partnerships where KKR does not hold more than a 50% ownership interest. Allocations are assigned to a type or geographic region according to subscriptions received from a limited partner.

### Principal Activities

Through our Principal Activities segment, we manage the firm's own assets and deploy capital to support and grow our businesses. We use our Principal Activities assets to support our investment management and capital markets businesses. Typically, the funds in our Private Markets and Public Markets businesses contractually require us, as general partner of the funds, to make sizable capital commitments from time to time. We believe our general partner commitments are indicative of the conviction we have in a given fund's strategy, which assists us in raising new funds from limited partners. We also deploy Principal Activities assets in order to help establish a track record for fundraising purposes in new strategies. We may also use our own capital to seed investments for new funds, to bridge capital selectively for our funds' investments or finance strategic acquisitions and partnerships, although the financial results of an acquired business or strategic partnership have been reported in our other segments.

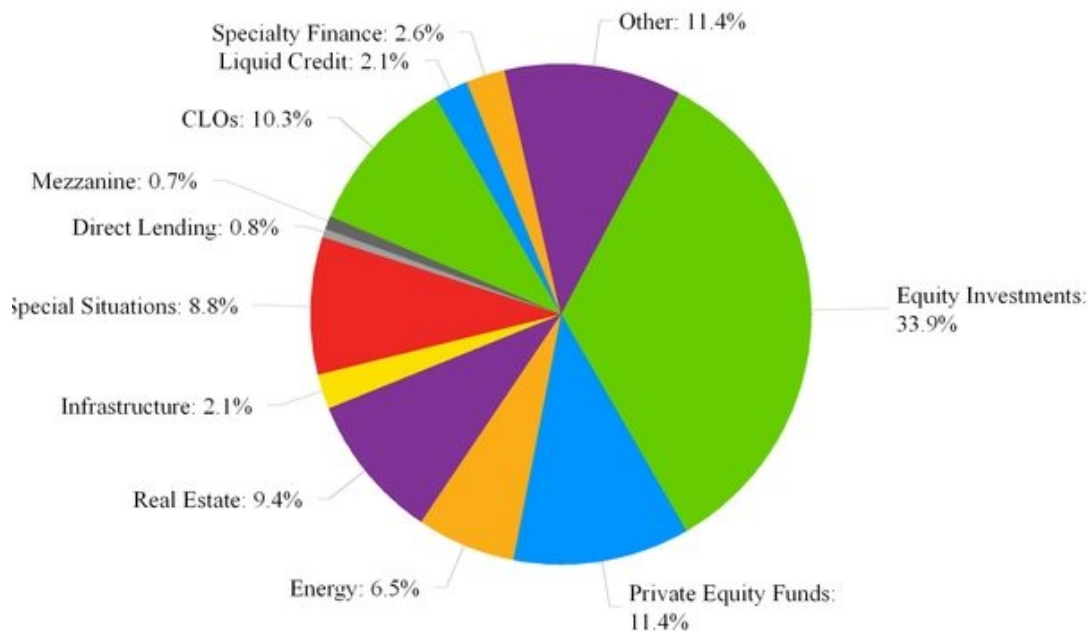
Our Principal Activities assets also provide the required capital to fund the various commitments of our Capital Markets business when underwriting or syndicating securities, or when providing term loan commitments for transactions involving our portfolio companies and for third parties. Our Principal Activities assets also may be utilized to satisfy regulatory requirements for our Capital Markets business and risk retention requirements for our CLO business.

We also make opportunistic investments through our Principal Activities segment, which include co-investments alongside our Private Markets and Public Markets funds, as well as make Principal Activities investments that do not involve our Private Markets or Public Markets funds.

We endeavor to use our balance sheet strategically and opportunistically to generate an attractive risk-adjusted return on equity in a manner that is consistent with our fiduciary duties and in compliance with applicable laws.

The chart below presents the holdings of our Principal Activities segment by asset class as of December 31, 2015.

### Holdings by Asset Class <sup>(1)</sup>



(1) General partner commitments in our funds are included in the various asset classes shown above. Assets and revenues of other asset managers with which KKR has formed strategic partnerships where KKR does not hold more than 50% ownership interest are not included in our Principal Activities business but are reported in the financial results of our other segments. Private equity funds represent holdings in KKR sponsored private equity funds. Equity investments consist of opportunistic investments including co-investments alongside such KKR sponsored private equity funds. However, equity investments in other asset classes, such as real estate, special situations and energy appear in these other asset classes.

### Competition

We compete with other investment managers for both fund investors and investment opportunities. The firm's competitors consist primarily of sponsors of public and private investment funds, real estate development companies, business development companies, investment banks, commercial finance companies and operating companies acting as strategic buyers. We believe that competition for fund investors is based primarily on investment performance, investor liquidity and willingness to invest, investor perception of investment managers' drive, focus and alignment of interest, business reputation, duration of relationships, quality of services, pricing, fund terms including fees, and the relative attractiveness of the types of investments that have been or are to be made. We believe that competition for investment opportunities is based primarily on the pricing, terms and structure of a proposed investment and certainty of execution. In addition to these traditional competitors within the global investment management industry, we also face competition from local and regional firms, financial institutions and sovereign wealth funds, in the various countries in which we invest. In certain emerging markets, local firms may have more established relationships with the companies in which we are attempting to invest. These competitors often fall into one of the aforementioned categories but in some cases may represent new types of fund investors, including high net worth individuals, family offices and state-sponsored entities.

There are numerous funds focused on private equity, real assets, credit and hedge fund strategies that compete for investor capital. Fund managers have also increasingly adopted investment strategies outside of their traditional focus. For example,

funds focused on credit and equity strategies have become active in taking control positions in companies, while private equity funds have acquired minority equity or debt positions in publicly listed companies. This convergence could heighten competition for investments. Furthermore, as institutional fund investors increasingly consolidate their relationships for multiple investment products with a few investment firms, competition for capital from such institutional fund investors may become more acute.

Some of the entities that we compete with as an investment firm may have greater financial, technical, marketing and other resources and more personnel than us and, in the case of some asset classes, longer operating histories, more established relationships or greater experience. Several of our competitors also have raised, or may raise, significant amounts of capital and have investment objectives that are similar to the investment objectives of our funds, which may create additional competition for investment opportunities. Some of these competitors may also have lower costs of capital and access to funding sources that are not available to us, which may create competitive advantages for them. For example, master limited partnerships, or MLPs, which typically invest in oil and gas assets, may have a lower cost of capital than, and may compete with our energy funds for investment opportunities. In addition, some of these competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider range of investments and to bid more aggressively than us for investments. Strategic buyers may also be able to achieve synergistic cost savings or revenue enhancements with respect to a targeted portfolio company, which may provide them with a competitive advantage in bidding for such investments.

We expect to compete as a capital markets business primarily with investment banks and independent broker-dealers in the North America, Europe, Asia-Pacific and the Middle East. We principally focus our capital markets activities on the firm, our portfolio companies and fund investors, but we also seek to service other third parties, principally through Merchant Capital Solutions LLC. While we generally target customers with whom we have existing relationships, those customers may have similar relationships with the firm's competitors, many of whom will have access to competing securities transactions, greater financial, technical or marketing resources or more established reputations than us. The limited operating history of our capital markets business could make it difficult for us to compete with established investment banks or broker-dealers, participate in capital markets transactions of issuers or successfully grow the firm's capital markets business over time.

Competition is also intense for the attraction and retention of qualified employees and consultants. Our ability to continue to compete effectively in our businesses will depend upon our ability to attract new employees and consultants and retain and motivate our existing employees and consultants.

### **Employees, Consultants and Advisors**

As of December 31, 2015, we employed approximately 1,200 people worldwide:

Investment Professionals	370
Other Professionals	569
Support Staff	257
<b>Total Employees(1)</b>	<u><u>1,196</u></u>

(1) Does not include consolidated consultants and other consultants who provide services to us or our funds.

#### *Investment Professionals*

Our 370 investment professionals come from diverse backgrounds in private equity, real assets, credit, hedge funds and other asset classes and include executives with operations, strategic consulting, risk management, liability management and finance experience. As a group, these professionals provide us with a strong global team for identifying attractive investment opportunities, creating value, and generating superior returns.

#### *Other Professionals*

Our 569 other professionals come from diverse backgrounds in capital markets, capital raising, client services, public affairs, finance, tax, legal, compliance, human resources, and information technology. As a group, these professionals provide us with a strong team for overseeing investments and performing capital markets activities, servicing our existing fund investors and creating relationships with new fund investors globally. Additionally, a majority of these other professionals are responsible for supporting the global infrastructure of KKR.



*KKR Capstone*

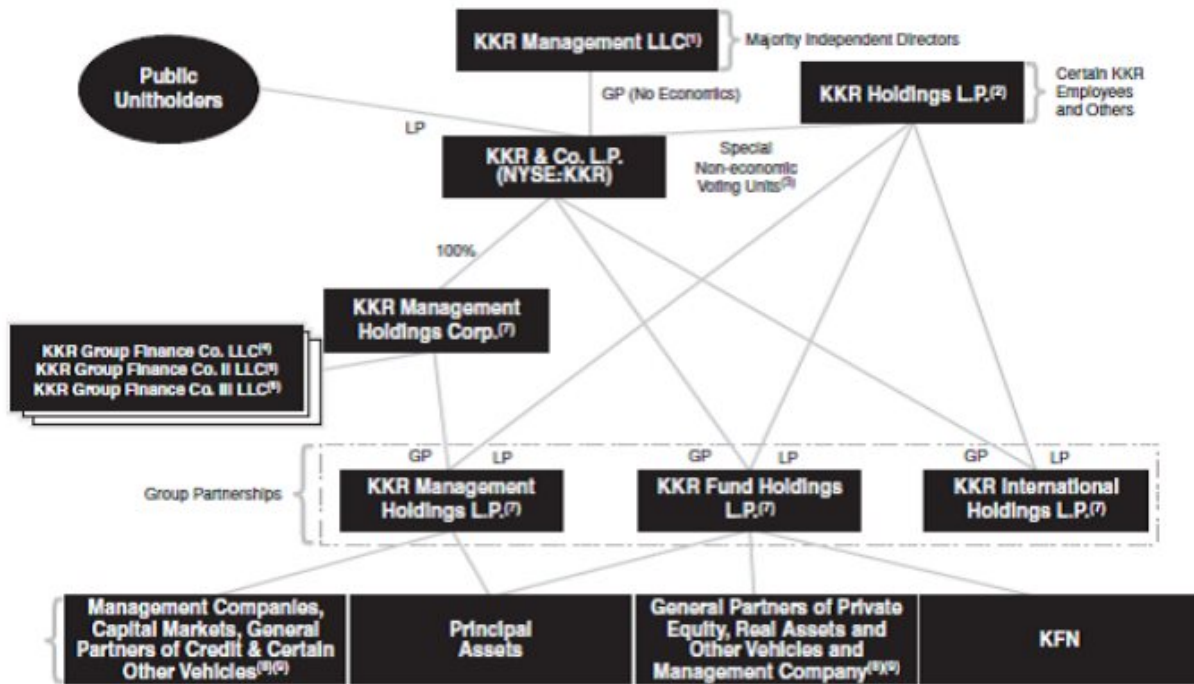
We have developed an institutionalized process for creating value in investments. As part of our effort, we utilize a team of 49 operating consultants at KKR Capstone, who are not KKR employees but work exclusively with our investment professionals and portfolio company management teams or our designees. With professionals in North America, Europe and the Asia-Pacific, KKR Capstone provides additional expertise for assessing investment opportunities and assisting managers of portfolio companies in defining strategic priorities and implementing operational changes. During the initial phases of an investment, KKR Capstone's work seeks to implement our thesis for value creation. These operating consultants may assist portfolio companies in addressing top-line growth, cost optimization and efficient capital allocation and in developing operating and financial metrics. Over time, this work shifts to identifying challenges and taking advantage of business opportunities that arise during the life of an investment. KKR Capstone is consolidated in KKR's financial results for GAAP purposes, but is not a subsidiary or affiliate of KKR.

*Senior Advisors*

To complement the expertise of our investment professionals, we have a team of senior advisors and other advisors. While not KKR employees, they provide us with additional operational and strategic insights. The responsibilities of senior advisors include serving on the boards of our portfolio companies, helping us source and evaluate individual investment opportunities and assisting portfolio companies with operational matters. These individuals include current and former chief executive officers, chief financial officers and chairmen of major corporations and leading positions of public agencies worldwide.

**Organizational Structure**

The following simplified diagram illustrates our organizational structure as of December 31, 2015, unless otherwise noted. Certain entities depicted below may be held through intervening entities not shown in the diagram.



- (1) KKR Management LLC serves as the general partner of KKR & Co. L.P., which is governed by a Board of Directors consisting of a majority of independent directors. KKR Management LLC does not hold any economic interests in KKR & Co. L.P. and is owned by senior KKR employees.
- (2) KKR Holdings is the holding vehicle through which certain of our current and former employees and other persons indirectly own their interest in KKR. KKR Group Partnership Units that are held by KKR Holdings are exchangeable for our common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications and compliance with applicable vesting and transfer restrictions. As limited partner interests, these KKR Group Partnership Units are non-voting and do not entitle KKR Holdings to participate in the management of our business and affairs. As of December 31, 2015, KKR Holdings had a 44.1% interest in our business indirectly through its limited partner interests in the KKR Group Partnerships.
- (3) KKR Holdings holds special non-economic voting units in our partnership that entitle it to cast, with respect to those limited matters that may be submitted to a vote of our unitholders, a number of votes equal to the number of KKR Group Partnership Units that it holds from time to time.
- (4) KKR Group Finance Co. LLC is a wholly-owned subsidiary of KKR Management Holdings Corp. and the issuer of our \$500 million aggregate principal amount of 6.375% Senior Notes due 2020 (the “2020 Senior Notes”). The 2020 Senior Notes are guaranteed by KKR & Co. L.P. and the KKR Group Partnerships.
- (5) KKR Group Finance Co. II LLC is a wholly-owned subsidiary of KKR Management Holdings Corp. and the issuer of our \$500 million aggregate principal amount of 5.500% Senior Notes due 2043 (the “2043 Senior Notes”), which were issued on February 1, 2013. The 2043 Senior Notes are guaranteed by KKR & Co. L.P. and the KKR Group Partnerships.
- (6) KKR Group Finance Co. III LLC is a wholly-owned subsidiary of KKR Management Holdings Corp. and the issuer of our \$1,000 million aggregate principal amount of 5.125% Senior Notes due 2044 (the “2044 Senior Notes”), which were issued on May 29, 2014 and on March 18, 2015. The 2044 Senior Notes are guaranteed by KKR & Co. L.P. and the KKR Group Partnerships.
- (7) Because the income of KKR Management Holdings L.P. is likely to be primarily non-qualifying income for purposes of the qualifying income exception to the publicly traded partnership rules, we formed KKR Management Holdings Corp., which is subject to taxation as a corporation for U.S. federal income tax purposes, to hold our KKR Group Partnership Units in KKR Management Holdings L.P. Accordingly, our allocable share of the taxable income of KKR Management Holdings L.P. will be subject to taxation at a corporate rate. KKR Management Holdings L.P., which is treated as a partnership for U.S. federal income tax purposes, was formed to hold interests in our fee generating businesses and other assets that may not generate qualifying income for purposes of the qualifying income exception to the publicly traded partnership rules. KKR Fund Holdings L.P., which is also treated as a partnership for U.S. federal income tax purposes, was formed to hold interests in our businesses and assets that will generate qualifying income for purposes of the qualifying income exception to the publicly traded partnership rules. KKR International

Holdings L.P. was formed generally to hold certain non-U.S. assets that may generate non-qualifying income under the U.S. federal income tax laws applicable to publicly traded partnerships. As of February 22, 2016, KKR International Holdings L.P. holds no assets.

- (8) KKR Management Holdings L.P. is the parent company of Kohlberg Kravis Roberts & Co. L.P., the SEC-registered investment adviser, which in turn is generally the parent company for most of KKR's other management and capital markets subsidiaries including KKR Credit Advisors (US) LLC, Prisma Capital Partners LP and KKR Capital Markets Holdings L.P., the holding company for KKR Capital Markets LLC. KKR Fund Holdings L.P. is the parent company of KKR Credit Advisors (Ireland).
- (9) 40% of the carried interest earned in relation to our investment funds and carry paying co-investment vehicles is allocated to a carry pool, from which carried interest is allocable to our employees and selected other individuals. No carried interest has been allocated with respect to co-investments acquired from KPE in the KPE Transaction.

## Regulation

Our operations are subject to regulation and supervision in a number of jurisdictions. The level of regulation and supervision to which we are subject varies from jurisdiction to jurisdiction and is based on the type of business activity involved. We, in conjunction with our outside advisors and counsel, seek to manage our business and operations in compliance with such regulation and supervision. The regulatory and legal requirements that apply to our activities are subject to change from time to time and may become more restrictive, which may make compliance with applicable requirements more difficult or expensive or otherwise restrict our ability to conduct our business activities in the manner in which they are now conducted. Changes in applicable regulatory and legal requirements, including changes in their enforcement, could materially and adversely affect our business and our financial condition and results of operations. As a matter of public policy, the regulatory bodies that regulate our business activities are generally responsible for safeguarding the integrity of the securities and financial markets and protecting fund investors who participate in those markets rather than protecting the interests of our unitholders.

### United States

#### *Regulation as an Investment Adviser*

We conduct our advisory business through our investment adviser subsidiaries, including Kohlberg Kravis Roberts & Co. L.P. and its wholly-owned subsidiaries KKR Credit Advisors (US) LLC and Prisma Capital Partners LP, each of which is registered as an investment adviser with the SEC under the Investment Advisers Act. The investment advisers are subject to the anti-fraud provisions of the Investment Advisers Act and to fiduciary duties derived from these provisions which apply to our relationships with our advisory clients globally, including funds that we manage. These provisions and duties impose restrictions and obligations on us with respect to our dealings with our fund investors and our investments, including for example restrictions on agency cross and principal transactions. Our registered investment advisers are subject to periodic SEC examinations and other requirements under the Investment Advisers Act and related regulations primarily intended to benefit advisory clients. These additional requirements relate, among other things, to maintaining an effective and comprehensive compliance program, recordkeeping and reporting requirements and disclosure requirements. The Investment Advisers Act generally grants the SEC broad administrative powers, including the power to limit or restrict an investment adviser from conducting advisory activities in the event it fails to comply with federal securities laws. Additional sanctions that may be imposed for failure to comply with applicable requirements include the prohibition of individuals from associating with an investment adviser, the revocation of registrations and other censures and fines.

KKR Credit Advisors (US) LLC is also subject to regulation under the Investment Company Act as an investment adviser to a registered investment company. The KKR Income Opportunities Fund is a closed-end management company registered under the Investment Company Act. The closed-end management company and KKR Credit Advisors (US) LLC are subject to the Investment Company Act and the rules thereunder, which among other things regulate the relationship between a registered investment company and its investment adviser and prohibit or restrict principal transactions and joint transactions.

#### *Regulation as a Broker-Dealer*

KKR Capital Markets LLC, one of our subsidiaries, is registered as a broker-dealer with the SEC under the Exchange Act and in all 50 U.S. States and U.S. territories and is a member of the Financial Industry Regulatory Authority, or FINRA. MCS Capital Markets LLC is registered as a broker-dealer with the SEC under the Exchange Act and in 35 U.S. States. As registered broker-dealers, KKR Capital Markets LLC and MCS Capital Markets LLC are subject to periodic SEC and FINRA examinations and reviews. A broker-dealer is subject to legal requirements covering all aspects of its securities business, including sales and trading practices, public and private securities offerings, use and safekeeping of customers' funds and securities, capital structure, record-keeping and retention and the conduct and qualifications of directors, officers, employees and other associated persons. These requirements include the SEC's "uniform net capital rule," which specifies the minimum

level of net capital that a broker-dealer must maintain, requires a significant part of the broker-dealer's assets to be kept in relatively liquid form, imposes certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing its capital and subjects any distributions or withdrawals of capital by a broker-dealer to notice requirements. These and other requirements also include rules that limit a broker-dealer's ratio of subordinated debt to equity in its regulatory capital composition, constrain a broker-dealer's ability to expand its business under certain circumstances and impose additional requirements when the broker-dealer participates in securities offerings of affiliated entities. Violations of these requirements may result in censures, fines, the issuance of cease-and-desist orders, revocation of licenses or registrations, the suspension or expulsion from the securities industry of the broker-dealer or its officers or employees or other similar consequences by regulatory bodies.

### ***United Kingdom***

We have several subsidiaries which are authorized and regulated by the United Kingdom Financial Conduct Authority, or FCA, under the Financial Services and Markets Act 2000, or FSMA, and are authorized in the United Kingdom with permission to engage in certain specified activities. FSMA and related rules govern most aspects of investment business, including sales, research and trading practices, provision of investment advice, corporate finance, use and safekeeping of client funds and securities, regulatory capital, record keeping, margin practices and procedures, approval standards for individuals, anti-money laundering, periodic reporting and settlement procedures. The FCA is responsible for administering these requirements and our compliance with the FSMA and related rules. Violations of these requirements may result in censures, fines, imposition of additional requirements, injunctions, restitution orders, revocation or modification of permissions or registrations, the suspension or expulsion from certain "controlled functions" within the financial services industry of officers or employees performing such functions or other similar consequences.

KKR Capital Markets Limited has permission to engage in a number of regulated activities regulated under FSMA, including dealing as principal or agent and arranging deals in relation to certain types of specified investments and arranging the safeguarding and administration of assets. KKR Capital Markets Limited also benefits from a passport under the single market directives to offer services cross border into all countries in the European Economic Area and Gibraltar. Kohlberg Kravis Roberts & Co. Partners LLP has permission to engage in a number of regulated activities including advising on and arranging deals relating to corporate finance business in relation to certain types of specified investments. KKR Asset Management Partners LLP has permission to engage in a number of regulated activities including and advising on and arranging deals in relation to certain types of specified investments. KKR Credit Advisors (UK) has permission to advise, arrange, manage and deal as agent in certain types of investments. Prisma Capital Management International LLP is authorized to carry on any investment services and activities on a regular basis except reception and transmission of orders in relation to one or more financial instruments or investment advice.

### ***Other Jurisdictions***

Certain other subsidiaries or funds that we advise are registered with, have been licensed by or have obtained authorizations to operate in their respective jurisdictions outside of the United States. These registrations, licenses or authorizations relate to providing investment advice, broker-dealer activities, marketing of securities and other regulated activities. Failure to comply with the laws and regulations governing these subsidiaries and funds that have been registered, licensed or authorized could expose us to liability and/or damage our reputation.

KKR Credit Advisors (Ireland) and KKR Alternative Investment Management are regulated by the Central Bank of Ireland. KKR Credit Advisors (Ireland) is authorized to carry out a number of regulated activities including receiving and transmitting orders, portfolio management and providing investment advice. KKR Alternative Investment Management is an authorized EU alternative investment manager permitted to conduct portfolio management, risk management and certain administrative activities.

KKR Capital Markets LLC and MCS Capital Markets LLC, respectively, are also registered as an international dealer under the Securities Act (Ontario). This registration permits us to trade in non-Canadian equity and debt securities with certain types of investors located in Ontario, Canada.

KKR Capital Markets Japan Limited, a joint stock corporation, is registered as a Type I and Type II Financial Instruments Business Operator (broker dealer) under the Financial Instruments and Exchange Act of Japan, and a money lender under the Money Lending Business Act of Japan.

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KKR MENA Limited, a Dubai International Financial Centre company, is licensed to arrange credit or deals in investments, advise on financial products or credit, and manage assets, and is regulated by the Dubai Financial Services Authority.

KKR Saudi Limited is licensed by the Capital Market Authority in Saudi Arabia and is authorized for the activity of arranging in the securities business.

KKR Australia Pty Limited and KKR Australia Investment Management Pty Limited are Australian financial services licensed and are authorized to provide advice on and deal in financial products for wholesale clients, and are regulated by the Australian Securities and Investments Commission.

KKR Capital Markets Asia Limited is licensed by the Securities and Futures Commission in Hong Kong to carry on dealing in securities and advising on securities regulated activities.

KKR Singapore Pte. Ltd. holds a capital markets services license to conduct fund management for accredited and/or institutional investors only, and is regulated by Monetary Authority of Singapore.

KKR Holdings Mauritius, Ltd. and KKR Account Adviser (Mauritius), Ltd. are unrestricted investment advisers authorized to manage portfolios of securities and give advice on securities transactions, and are regulated by the Financial Services Commission, Mauritius.

KKR Account Adviser (Mauritius), Ltd. is registered as a Foreign Institutional Investor, or FII, with the Securities and Exchange Board of India ("SEBI"), under the SEBI (Foreign Institutional Investors) Regulations, 1995 pursuant to which it can make investments in listed and unlisted securities of Indian issuers.

KKR Mauritius Direct Investments I, Ltd. is registered as a Foreign Portfolio Investor, or FPI, with SEBI under the SEBI (Foreign Portfolio Investor) Regulations, 2014 pursuant to which it can make investments in listed and unlisted securities of Indian issuers, and is incorporated as an investment holding company in Mauritius regulated by the Financial Services Commission, Mauritius.

KKR India Financial Services Private Limited is registered with the Reserve Bank of India as a non-deposit taking non-banking financial company and is authorized to undertake lending and financing activities.

KKR Capital Markets India Private Limited is licensed by the SEBI as a merchant bank that is authorized to execute capital market mandates, underwrite issues, offer investment advisory and other consultancy/advisory services.

Silverview Investments Pte. Ltd., Silverview Portfolio Investments Pte. Ltd. (earlier known as KKR Asia II Portfolio Investors Pte. Ltd.), Moneyline Portfolio Investments Limited are registered with SEBI either as an FII sub-account or an FPI pursuant to which they can make investments in listed and unlisted securities of Indian issuers.

KKR India Asset Finance Private Limited (formerly known as Motichand Finance Private Limited) is registered with the Reserve Bank of India as a non-deposit taking non-banking financial company and is authorized to undertake lending and financing activities.

Daena Venture Capital Investments, Ltd. is incorporated as an investment holding company in Mauritius regulated by the Financial Services Commission, Mauritius and was registered with SEBI as a foreign venture capital investor, or FVCI; however the FVCI certificated of registration has been surrendered with effect from December 18, 2015.

KKR Asia II Venture Investments Pte Ltd. is registered with SEBI as a foreign venture capital investor, or FVCI, under the SEBI (Foreign Venture Capital Investors) Regulations, 2000 pursuant to which it can make certain investments in securities of Indian issuers and is incorporated as an investment holding company in Singapore.

From time to time, one or more of our investment funds or their related investment vehicles may be regulated as a mutual fund by the Cayman Islands Monetary Authority, regulated as an investment limited partnership by the Central Bank of Ireland, listed on the Irish Stock Exchange, notified with the Financial Services Agency of Japan for sale pursuant to certain private placement exemptions and/or for investment pursuant to certain exemption, registered with the Financial Supervisory Service of the Republic of Korea, licensed by or granted in principal approval from SEBI, subject to the regulatory supervision of the Commission de Surveillance du Secteur Financier of Luxembourg, notified with the Netherlands Authority for Financial Markets for sale pursuant to certain private placement exemptions, or registered under the Investment Company Act.

There are a number of legislative and regulatory initiatives in the United States and in Europe that could significantly affect our business. Please see “Risk Factors-Risks Related to Our Business-Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could result in additional burdens on our business.”

### **Website and Availability of SEC Filings**

Our website address is [www.kkr.com](http://www.kkr.com). Information on our website is not incorporated by reference herein and is not a part of this Form 10-K. We make available free of charge on our website or provide a link on our website to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after those reports are electronically filed with, or furnished to, the SEC. To access these filings, go to the “KKR & Co. L.P.” portion of our “Investor Center” page on our website, then click on “SEC Filings”. You may also read and copy any document we file at the SEC’s public reference room located at 100 F Street, N.E., Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. In addition these reports and the other documents we file with the SEC are available at a website maintained by the SEC at [www.sec.gov](http://www.sec.gov).

From time to time, we may use our website as a channel of distribution of material information. Financial and other material information regarding our company is routinely posted on and accessible at [www.kkr.com](http://www.kkr.com). In addition, you may automatically receive e-mail alerts and other information about our company by enrolling your e-mail address by visiting the “E- mail Alerts” section at under the “KKR & Co. L.P.” section of the “Investor Center” heading at [www.kkr.com](http://www.kkr.com).

## ITEM 1A. RISK FACTORS

Investing in our securities involves risk. Persons investing in our securities should carefully consider the risks described below and the other information contained in this report and other filings that we make from time to time with the SEC, including our consolidated and combined financial statements and accompanying notes. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. Our business, financial condition or results of operations could also be adversely affected by additional factors that apply to all companies generally, as well as other risks that are not currently known to us or that we currently view to be immaterial. In any such case, the trading price of our securities could decline and you may lose all or part of your original investment. While we attempt to mitigate known risks to the extent we believe to be practicable and reasonable, we can provide no assurance, and we make no representation, that our mitigation efforts will be successful.

### Risks Related to Our Business

***Difficult market conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial prospects and condition.***

Our business and the businesses of the companies in which we invest are materially affected by conditions in the financial markets and economic conditions or events throughout the world, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation), trade barriers, commodity prices, currency exchange rates and controls and national and international political circumstances (including wars, terrorist acts or security operations). For example, the unprecedented turmoil in the global financial markets during 2008 and 2009 provoked significant volatility of securities prices, contraction in the availability of credit and the failure of a number of companies, including leading financing institutions, and had a material adverse effect on our businesses and the businesses of the companies in which we invest. A more recent example of volatility has occurred beginning in the late summer of 2015 and is continuing.

Low levels of growth and high levels of government debt in major markets including the United States and Europe persists, and Europe continues to experience high unemployment and ongoing austerity. Concerns regarding sovereign defaults and the possibility that one or more countries might leave the European Union have resurfaced. The pace of China's fixed asset investment growth has been slowing, which may pose a risk to the economic stability of China and its major trading partners. China's slowing also has the potential to hinder the demand for and prices of many important global commodities and consequently reduce capital spending in industries dependent on commodity prices. Although lower commodity prices, including the falling price of oil, are expected to benefit the economies of commodity importing countries, certain of our investments focused on the development, exploration and production of oil and natural gas properties, as well as the sale of products or services used in the natural resources sector, have and will continue to suffer from such a decline. In addition, the Federal Reserve may continue to raise interest rates in 2016, thus raising the cost of financing and possibly slowing economic growth in the United States. Furthermore, higher interest rates in the United States could also reduce the relative attractiveness of other global markets, thereby applying pressure to foreign asset values and currencies.

Such market and economic conditions and events are outside our control and may affect the level and volatility of securities prices and the liquidity and the value of our investments. In addition, we may not be able to or may choose not to manage our exposure to these conditions and/or events. For example, as of March 31, 2009, the date of the lowest aggregate valuation of our private equity funds during the 2008 and 2009 financial market turmoil, the investments in the private equity funds contributed to us in the KPE Transaction were marked down to 67% of original cost, and values across all geographies declined. For example, as of March 31, 2009, the European Fund II, European Fund III, 2006 Fund and Asian Fund had multiples of invested capital of 0.5x, 0.6x, 0.7x and 0.8x, respectively. If not reversed, recent declines in the equity, commodity and debt in the markets are also expected to cause write down in our investments and the investments of our funds. Our profitability may also be adversely affected by our fixed costs and the possibility that we would be unable to scale back other costs within a time frame sufficient to match any decreases in net income relating to changes in market and economic conditions.

Unfavorable market conditions may reduce opportunities for our funds to make, exit and realize value from their investments. For example, when financing is not available, it is difficult for potential buyers to raise sufficient capital to purchase assets in our funds' portfolios. Consequently, we may earn lower than expected returns on investments, which could cause us to realize diminished or no carried interest. In addition, we may not be able to find suitable investments for the funds to effectively deploy capital, which could adversely affect our ability to raise new funds because we can generally only raise capital for a successor fund following the substantial and successful deployment of capital from the existing fund. In the event of poor performance by existing funds or during periods of unfavorable fundraising conditions, pressures by fund investors for

lower fees, different fee sharing arrangements for transaction or other fees, and other concessions (for example, the inclusion of performance hurdles that require us in our newer funds, including all our newer private equity funds such as North America Fund XI, Asian Fund II and European Fund IV, to generate a specified return on investment prior to our right to receive carried interest) will likely continue and could increase. The outcome of such negotiations could result in our agreement to terms that are materially less favorable to us than for prior funds we have managed. In addition, successor funds raised by us when such unfavorable circumstances described above exist would also likely result in smaller funds than our comparable predecessor funds. Fund investors may also seek to redeploy capital away from certain of our credit or other non-private equity investment vehicles, which permit redemptions on relatively short notice, in order to meet liquidity needs or invest in other asset classes or with other managers. Any of these developments could adversely affect our future revenues, net income, cash flow, financial condition or ability to retain our employees. See “-Our inability to raise additional or successor funds could have a material adverse impact on our business” and “-Our investors in future funds may negotiate to pay us lower management fees and the economic terms of our future funds may be less favorable to us than those of our existing funds, which could adversely affect our revenues.”

During periods of difficult market or economic conditions or slowdowns (which may occur across one or more industries, sectors or geographies), companies in which we have invested may experience decreased revenues, financial losses, credit rating downgrades, difficulty in obtaining access to financing and increased funding costs. These companies may also have difficulty in expanding their businesses and operations or be unable to meet their debt service obligations or other expenses as they become due, including amounts payable to us. Negative financial results in our funds’ portfolio companies may result in lower investment returns for our investment funds, which could materially and adversely affect our operating results and cash flow. To the extent the operating performance of such portfolio companies (as well as valuation multiples) deteriorate or do not improve, our funds may sell those assets at values that are less than we projected or even at a loss, thereby significantly affecting those funds’ performance and consequently our operating results and cash flow and resulting in lower or no carried interest being paid to us. Adverse conditions may also increase the risk of default with respect to private equity, credit and other investments that we manage or the abandonment or foreclosure of our real asset investments. Even if economic and market conditions do improve broadly, adverse conditions in particular sectors may also cause our performance to suffer. Finally, low interest rates related to monetary stimulus, economic stagnation or deflation may negatively impact expected returns on all types of investments as the demand for relatively higher return assets increases and the supply decreases. In addition, our Capital Markets segment generates fees through a variety of activities in connection with the issuance and placement of equity and debt securities and credit facilities, with the size of fees generally correlated to overall transaction sizes. As a result, the conditions in financial markets as described above, as well as transaction activity in our Private Markets segment and to a lesser extent, Public Markets segment, impact both the frequency and size of fees generated by this segment.

***Changes in the debt financing markets may negatively impact the ability of our investment funds, their portfolio companies and strategies pursued with our balance sheet assets to obtain attractive financing for their investments or refinance existing debt and may increase the cost of such financing if it is obtained, which could lead to lower-yielding investments and potentially decrease our net income.***

In the event that our funds are unable to obtain committed debt financing for potential acquisitions or can only obtain debt at an increased interest rate or on unfavorable terms, our funds may have difficulty completing otherwise profitable acquisitions or may generate profits that are lower than would otherwise be the case, either of which could lead to a decrease in the investment income earned by us. Any failure by lenders to provide previously committed financing can also expose us to potential claims by sellers of businesses which we may have contracted to purchase. Similarly, certain of the strategies pursued using our balance sheet assets rely on the use of leverage, including the issuance of CLOs, and other secured and unsecured borrowings. Additionally, credit spreads in the lowest rated high yield bonds have increased from cyclical lows in 2014, and financing sources particularly in the U.S., are exercising caution in providing new credits. This tightening in debt financing could impact our ability to finance transactions. Our ability to generate returns on these assets and make cash available for distribution to our unitholders would be reduced to the extent that changes in market conditions cause the cost of our financing to increase relative to the income that can be derived from the assets acquired and financed. Similarly, our portfolio companies regularly utilize the corporate debt markets in order to obtain financing for their operations. To the extent that credit markets render such financing difficult to obtain or more expensive, this may negatively impact the operating performance of those portfolio companies and, therefore, the investment returns on our funds. In addition, to the extent that conditions in the credit markets impair the ability of our portfolio companies to refinance or extend maturities on their outstanding debt, either on favorable terms or at all, the operating performance of those portfolio companies may be negatively impacted, which could impair the value of our investment in those portfolio companies and lead to a decrease in the investment income earned by us. In some cases, the inability of our portfolio companies to refinance or extend maturities may result in the inability of those companies to repay debt at maturity and may cause the companies to sell assets, undergo a recapitalization or seek bankruptcy protection, which would also likely impair the value of our investment and lead to a decrease in investment income earned by us.



*We have significant liquidity requirements, and adverse economic and market conditions may adversely affect our sources of liquidity, which could adversely affect our business operations in the future.*

We expect that our primary liquidity needs will consist of cash required to:

- continue to grow our business, including seeding new strategies and funding our capital commitments made to existing and future funds, co- investments and any net capital requirements of our capital markets companies;
- warehouse investments in portfolio companies or other investments for the benefit of one or more of our funds, accounts or CLOs pending the contribution of committed capital by the investors in such vehicles;
- service debt obligations including the payment of obligations upon maturity or redemption, as well as any contingent liabilities that may give rise to future cash payments;
- fund cash operating expenses and amounts recorded for litigation matters;
- pay amounts that may become due under our tax receivable agreement with KKR Holdings;
- make cash distributions in accordance with our distribution policy;
- underwrite commitments within our capital markets business;
- fund our equity commitment to joint ventures such as Merchant Capital Solutions LLC;
- make future purchase price payments in connection with our proprietary acquisitions, such as our acquisition of Prisma and strategic partnerships with other fund managers;
- acquire additional principal assets, including other businesses and office space; and
- repurchase KKR & Co. L.P. common units, including pursuant to the unit repurchase program announced on October 27, 2015.

These liquidity requirements are significant and, in some cases, involve capital that will remain invested for extended periods of time. As of December 31, 2015, we have approximately \$1.4 billion of remaining unfunded capital commitments to our investment funds. Our commitments to our funds will require significant cash outlays over time, and there can be no assurance that we will be able to generate sufficient cash flows from realizations of investments to fund them.

In addition, as of December 31, 2015, we had \$2.0 billion of borrowings outstanding under our credit facilities and debt securities and \$1.3 billion of cash and short-term investments. This includes KFN's debt obligations of \$657.3 million and KFN's 7.375% Series A LLC preferred shares of \$373.8 million, which do not provide for recourse to KKR beyond the assets of KFN. While we have long-term committed financings with substantial facility limits, the terms of those facilities will expire in 2017 and 2019, and our senior notes become due in 2020, 2043 and 2044, and any borrowings thereunder will require refinancing or renewal, which could result in higher borrowing costs, or issuing equity. Depending on credit or other market conditions, we may not be able to renew all or part of these borrowings or find alternate sources of financing on commercially reasonable terms and we may not be able to raise equity. In addition, the incurrence of additional debt by us or our subsidiaries in the future could result in downgrades of our existing corporate credit ratings, which could limit the availability of future financing and increase our costs of borrowing.

In addition, the underwriting commitments for our capital markets business may require significant cash obligations, and these commitments may also put pressure on our liquidity. The holding company for our capital markets business has entered into a credit agreement that provides for revolving borrowings of up to \$500 million, which can only be used in connection with our capital markets business, including placing and underwriting securities offerings. To the extent we commit to buy and sell an issue of securities in firm commitment underwritings or otherwise, we may be required to borrow under our credit agreement for our capital markets business to fund such obligations, which, depending on the size and timing of the obligations, may limit our ability to enter into other underwriting arrangements or similar activities, service existing debt obligations or otherwise grow our business. Regulatory capital requirements may also limit the ability of our broker-dealer subsidiaries to participate in underwriting or other transactions or to allocate our capital more efficiently across our businesses.

In connection with our acquisition of Prisma and strategic partnerships with Nephila and Marshall Wace, we may be obligated to make future purchase price payments based on the respective performance of these businesses or the exercise of certain options. In addition in connection with the development of a new KKR office in New York City, we will be required to pay for the construction and completion of the office.

In the event that our liquidity requirements were to exceed available liquid assets for the reasons specified above or for any other reason, we could be forced to sell assets or seek to raise debt or equity capital on unfavorable terms. For further discussion of our liquidity needs see "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity."

***The "clawback" or "net loss sharing" provisions in our governing agreements may give rise to a contingent obligation that may require us to return or contribute amounts to our funds and fund investors.***

The partnership documents governing our carry-paying funds, including funds relating to private equity, infrastructure, energy, real estate, mezzanine, direct lending and special situations investments, generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. Under a clawback obligation, upon the liquidation of a fund, the general partner is required to return, typically on an after-tax basis, previously distributed carry to the extent that, due to the diminished performance of later investments, the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, including the effects of any performance thresholds. Excluding carried interest received by the general partners of funds that were not contributed to us in the KPE Transaction, as of December 31, 2015, no carried interest was subject to this clawback obligation, assuming that all applicable carry paying funds were liquidated at their December 31, 2015 fair values. Had the investments in such funds been liquidated at zero value, the clawback obligation would have been \$2,423.4 million .

Certain private equity funds that were contributed to us in the KPE Transaction in 2009 also include a "net loss sharing provision." Upon the liquidation of an investment vehicle to which a net loss sharing obligation applies, the general partner is required to contribute capital to the vehicle, to fund 20% of the net losses on investments. In these vehicles, such losses would be required to be paid by us to the fund investors in those vehicles in the event of a liquidation of the fund regardless of whether any carried interest had previously been distributed, and a greater share of investment losses would be allocable to us relative to the capital that we contributed to it as general partner. Based on the fair market values as of December 31, 2015, there would have been no net loss sharing obligation. If the vehicles were liquidated at zero value, the net loss sharing obligation would have been zero as of December 31, 2015.

Prior to the KPE Transaction in 2009, certain of our principals who received carried interest distributions with respect to certain private equity funds contributed to us had personally guaranteed, on a several basis and subject to a cap, the contingent obligations of the general partners of such private equity funds to repay amounts to fund investors pursuant to the general partners' clawback obligations. The terms of the KPE Transaction require that our principals remain responsible for any clawback obligations relating to carry distributions received prior to the KPE Transaction, up to a maximum of \$223.6 million . Through investment realizations, this amount has been reduced to \$159.7 million as of December 31, 2015. Using valuations as of December 31, 2015, no amounts are due with respect to the clawback obligation required to be funded by our principals. Carry distributions arising subsequent to the KPE Transaction may give rise to clawback obligations that may be allocated generally to us and our principals who participate in the carry pool. Unlike the clawback obligation, we will be responsible for amounts due under a net loss sharing obligation and will indemnify our principals for any personal guarantees that they have provided with respect to such amounts. In addition, guarantees of or similar arrangements relating to clawback or net loss sharing obligations in favor of third party investors in an individual investment partnership by entities we own may limit distributions of carried interest more generally.

***Our earnings and cash flow are highly variable due to the nature of our business and we do not intend to provide earnings guidance, each of which may cause the value of interests in our business to be volatile.***

Our earnings are highly variable from quarter to quarter due to the volatility of investment returns of most of our funds, other investment vehicles and our principal assets and the fees earned from our businesses. We recognize earnings on investments in our funds based on our allocable share of realized and unrealized gains (or losses) reported by such funds and for certain of our recent funds, when a performance hurdle is achieved. During times of market volatility, as we are presently experiencing, the fair value of our funds and our principal assets are more variable, and as publicly traded equity securities currently represent a higher proportion of the assets of many of our funds and principal assets than in the prior year, volatility in the equity markets may have a greater impact on our reported results than in the past. See also "Management's Discussion and Analysis of Financial Condition & Results of Operations--Critical Accounting Policies -- Fair Value Measurements" for a

discussion of the impact of equity markets on the value of private equity investments. A decline in realized or unrealized gains, a failure to achieve a performance hurdle or an increase in realized or unrealized losses, would adversely affect our net income.

Fee income, which we recognize when contractually earned, can vary due to fluctuations in AUM, the number of investment transactions made by our funds, the number of portfolio companies we manage, the fee provisions contained in our funds and other investment products and transactions by our capital markets business. In any particular quarter, fee income may vary significantly due to the receipt of termination fees or fees received by our Capital Markets business from syndications, in particular large equity syndications. While these events occur periodically, they generally do not occur every quarter and their size and frequency are variable. Fees and Other for the years ended December 31, 2013, 2014 and 2015 were \$762.5 million and \$1,110.0 million and \$1,043.8 million, respectively. We may create new funds or investment products or vary the terms of our funds or investment products (for example our newer funds include performance hurdles), which may alter the composition or mix of our income from time to time. We may also experience fluctuations in our results from quarter to quarter, including our revenue and net income, due to a number of other factors, including changes in the values of our funds' investments, changes in the amount of distributions or interest earned in respect of investments, changes in our operating expenses, the degree to which we encounter competition and general economic and market conditions. In addition, our earnings and cash flows are dependent in part on the performance of KFN, a specialty finance company that we acquired in 2014, and is subject to the risks to KFN's businesses as described elsewhere in the report. Although KFN is a subsidiary of KKR, KFN has its own indebtedness and preferred shares outstanding. The terms of its indebtedness and preferred shares impose limitations on KFN's current and future operations and may restrict its ability to make distributions to KKR. Net income (loss) attributable to KKR & Co. L.P. for the years ended December 31, 2013, 2014 and 2015 was \$691.2 million, \$477.6 million and \$488.5 million, respectively. Such fluctuations may lead to variability in the value of interests in our business and cause our results for a particular period not to be indicative of our performance in future periods. It may be difficult for us to achieve steady growth in net income and cash flow on a quarterly basis, which could in turn lead to large adverse movements in the value of interests in our business.

The timing and receipt of carried interest from our investment funds are unpredictable and will contribute to the volatility of our cash flows. For example, with respect to our private equity funds, carried interest is distributed to the general partner of a private equity fund with a clawback or net loss sharing provision only after all of the following are met: (i) a realization event has occurred (e.g., sale of a portfolio company, dividend, etc.); (ii) the vehicle has achieved positive overall investment returns since its inception, in excess of performance hurdles where applicable; and (iii) with respect to investments with a fair value below cost, cost has been returned to fund investors in an amount sufficient to reduce remaining cost to the investments' fair value. Carried interest payments from investments depend on our funds' performance and opportunities for realizing gains, which may be limited. It takes a substantial period of time to identify attractive investment opportunities, to raise all the funds needed to make an investment and then to realize the cash value (or other proceeds) of an investment through a sale, public offering or other exit. To the extent an investment is not profitable, no carried interest will be received from our funds with respect to that investment and, to the extent such investment remains unprofitable, we will only be entitled to a management fee on that investment. Furthermore, certain vehicles and separately managed accounts may not provide for the payment of any carried interest at all. Even if an investment proves to be profitable, it may be several years before any profits can be realized in cash. We cannot predict when, or if, any realization of investments will occur. In addition, if finance providers, such as commercial and investment banks, make it difficult for potential purchasers to secure financing to purchase companies in our investment funds' portfolio, it may decrease potential realization events and the potential to earn carried interest. A downturn in the equity markets would also make it more difficult to exit investments by selling equity securities. If we were to have a realization event in a particular quarter, the event may have a significant impact on our cash flows during the quarter that may not be replicated in subsequent quarters. A decline in realized or unrealized gains, or an increase in realized or unrealized losses, would adversely affect our investment income, which could further increase the volatility of our quarterly results.

The timing and receipt of carried interest also varies with the life cycle of certain of our funds. Our carry paying funds that have completed their investment periods and are able to realize mature investments, sometimes referred to as being in a harvesting period, are more likely to make larger distributions than our carry paying funds that are in their fund raising or investment periods that precede the harvesting period. During times when a significant portion of our assets under management is attributable to carry paying funds that are not in their harvesting periods, we may receive substantially lower carried interest distributions.

In addition, with respect to certain of the funds that we advise, such as hedge funds and fund of funds, we are entitled to incentive fees that are generally paid annually in June and December if the net asset value of a fund has increased over a certain pre-determined hurdle rate or a specified high-water mark. These funds generally also have "high-water mark" provisions whereby if the funds have experienced losses in prior periods, we will not be able to earn incentive fees with respect to a fund investor's account until the net asset value of the fund investor's account exceeds the highest period end value on which incentive fees were previously paid. The incentive fees we earn are therefore dependent on the net asset value of these funds or

vehicles, which could lead to volatility in our quarterly results and cash flow. Fees, including incentive fees, from KFN have been eliminated upon the completion of the KFN merger on a segment basis.

***A decline in the pace or size of investment by our funds, or a change in the terms governing transaction fees, management fees or monitoring fees would result in our receiving less revenue from fees.***

The transaction and management or monitoring fees that we earn are driven in part by the pace at which our funds make investments and the size of those investments. Any decline in that pace or the size of investments would reduce our revenue from transaction and management or monitoring fees. Likewise, during an attractive selling environment, our funds may capitalize on increased opportunities to exit investments. Any increase in the pace at which our funds exit investments, if not offset by new commitments and investments, would reduce future management fees. Many factors could cause such a decline in the pace of investment or the transaction and management or monitoring fees we receive, including:

- the inability of our investment professionals to identify attractive investment opportunities;
- competition for such opportunities among other potential acquirers;
- decreased availability of capital or financing on attractive terms;
- our failure to consummate identified investment opportunities because of business, regulatory or legal complexities and adverse developments in the U.S. or global economy or financial markets;
- terms we may agree with or provide to our fund investors or investors in separately managed accounts with respect to fees such as increasing the percentage of transaction or other fees we may share with our fund investors; and
- new regulations, guidance or other actions provided or taken by regulatory authorities.

***Our inability to raise additional or successor funds (or raise successor funds of a comparable size as our predecessor funds) could have a material adverse impact on our business.***

Our current private equity funds and certain other funds and investment vehicles have a finite life and a finite amount of commitments from fund investors. Once a fund nears the end of its investment period, our success depends on our ability to raise additional or successor funds in order to keep making investments and, over the long term, earning management fees (although our funds and investment vehicles generally continue to earn management fees at a reduced fee rate after the expiration of their investment periods). Even if we are successful in raising successor funds, to the extent we are unable to raise successor funds of a comparable size to our predecessor funds or the extent that we are delayed in raising such a successor fund, our revenues may decrease as the investment period of our predecessor funds expire and associated fees decrease. For example, KKR North America Fund XI and European IV are smaller than their respective predecessor funds. The performance of our funds also impacts our ability to raise capital, and deterioration in the performance of our funds would result in challenges to future fundraising. The evolving preferences of our fund investors may necessitate that alternatives to the traditional investment fund structure, such as managed accounts, smaller funds and co-investment vehicles, become a larger part of our business going forward. This could increase our cost of raising capital at the scale we have historically achieved. Furthermore, in order to raise capital for new strategies and products without drawing capital away from our existing products, we will need to seek new sources of capital such as individual investors.

To raise new funds and pursue new strategies, we have and expect to continue to use the capital from our balance sheet, which may decrease the liquidity available for other parts of our business. In addition if a new strategy or fund does not develop as anticipated and such assets are not ultimately transferred to a fund, we may be forced to realize losses on these retained assets. Institutional investors in funds that have suffered from decreasing returns, liquidity pressure, increased volatility or difficulty maintaining targeted asset allocations, may materially decrease or temporarily suspend making new fund investments. Such investors may elect to reduce their overall portfolio allocations to alternative investments such as private equity funds, resulting in a smaller overall pool of available capital in our industry. In addition, the asset allocation rules or regulations or investment policies to which such third-party investors are subject, could inhibit or restrict the ability of third-party investors to make investments in our investment funds. Coupled with a lack of distributions from their existing investment portfolios, many of these investors may have been left with disproportionately outsized remaining commitments to, and invested capital in, a number of investment funds, which may significantly limit their ability to make new commitments to third-party managed investment funds such as those advised by us.

Fund investors may also seek to redeploy capital away from certain of our credit vehicles, hedge fund, fund of funds, registered investment products or other investment vehicles, which permit redemptions on relatively short notice in order to meet liquidity needs or invest in other asset classes. We believe that our ability to avoid excessive redemption levels primarily depends on our funds' continued satisfactory performance, although redemptions may also be driven by other factors important to our fund investors, including their need for liquidity and compliance with investment mandates, even if our performance is superior. Investors' liquidity needs tend to be more pronounced during periods of market volatility, as at present. Any such redemptions would decrease our AUM and revenues. Investors may also deploy capital away from funds of funds if they deem this asset class's fee structure unattractive relative to the fees of other alternative products.

In addition, the Dodd Frank Wall Street Reform and Consumer Protection Act, or Dodd Frank Act, under what has become known as the "Volcker Rule," broadly prohibits depository institution holding companies (including foreign banks with U.S. branches, agencies or commercial lending companies and certain insurance companies), insured depository institutions and their subsidiaries and controlled affiliates, or "banking entities," from investing in "covered funds," including third party private equity funds like ours. Final regulations implementing the Volcker Rule were approved by the federal banking agencies, the SEC and the CFTC on December 10, 2013, although there is still some uncertainty regarding the implementation of the Volcker Rule and the final regulations and their practical implications. Although banking entities are expected to have until July 21, 2017 to conform their covered fund investments and relationships that were in place prior to December 31, 2013 to the requirements of the final regulations ( and may have until July 21, 2022 to conform investments in a private equity fund that qualifies as an "illiquid fund"), U.S. banking entities will be limited in their ability to undertake new contractual commitments to private equity funds like ours. Foreign banking entities may be able to continue to invest in private equity funds like ours under a Volcker Rule exemption for covered fund activities and investment that occur solely outside of the United States.

Banking entities have historically represented an important class of investors for our funds, with financial institutions constituting approximately 16% of our AUM as of December 31, 2015, and it is possible that other institutions will not be available to replace this traditional source of capital for our private equity funds. Furthermore, divestitures by banking entities of interests in private equity funds and hedge funds over the next several years to comply with the Volcker Rule may lead to lower prices in the secondary market for our fund interests, which could have adverse implications for our ability to raise funds from investors who may have considered the availability of secondary market liquidity as a factor in determining whether to invest. In addition to federal law, changes in state and local law may limit investment activities of state pension plans and insurance companies.

The number of funds raising capital varies from year to year, and in years where relatively few funds are raising capital, the growth of our AUM, FPAUM and associated fees may be significantly lower. For example, for the year ended December 31, 2015, our AUM increased to \$119.5 billion of which \$19.9 billion was attributable to new capital raised, while AUM as of December 31, 2014 on an adjusted basis was \$107.1 billion of which \$13.3 billion was attributable to new capital raised. We had several successful fundraises in 2015 for newer strategies such as European real estate, infrastructure, direct lending, mezzanine and special situations, there is no assurance that fundraises for other new strategies or successor funds will experience similar success in the future.

***Our investors in future funds, including separately managed accounts, may negotiate to pay us lower management fees or reimburse us for fewer expenses and the economic terms of our future funds may be less favorable to us than those of our existing funds, which could adversely affect our revenues or profitability.***

In connection with raising new funds or securing additional investments in existing funds, we negotiate terms for such funds and investments with investors. The outcome of such negotiations could result in our agreement to terms that are materially less favorable to us than the terms of prior funds we have advised or funds advised by our competitors. For example, such terms could restrict our ability to raise investment funds with investment objectives or strategies that compete with existing funds, reduce fee revenues we earn, reduce the percentage of profits on third-party capital in which we share, include a performance hurdle that requires us to generate a specified return on investment prior to our right to receive carried interest or add expenses and obligations for us in managing the fund or increase our potential liabilities. For example our newer private equity funds, including North America Fund XI, Asian Fund II and European Fund IV, include a performance hurdle that requires us to generate a 7% return on investment prior to receiving our share of fund gains. Furthermore, as institutional investors increasingly consolidate their relationships with investment firms and competition becomes more acute, we may receive more of these requests to modify the terms in our new funds. Certain of our newer funds also include more favorable terms for fund investors that commit to early closes for our funds. Additionally, in certain funds, we have agreed to charge management fees based on invested capital or net asset value as opposed to charging management fees based on committed capital. In certain cases, we have provided "fee holidays" to certain investors in which we do not charge management fees for a fixed period of time (such as the first six months). Agreement to terms that are materially less favorable to us could result in a decrease in our profitability.

Certain institutional investors have also publicly criticized certain fund fee and expense structures, including monitoring fees and transaction and advisory fees. We have received and expect to continue to receive requests from a variety of fund investors and groups representing such investors to decrease fees and to modify our carried interest and incentive fee structures, which could result in a reduction or delay in the timing of receipt of the fees and carried interest and incentive fees we earn. The SEC has also recently focused on certain fund fees and expenses, including whether such fees and expenses were appropriately disclosed to limited partners, which may cause fund investor resistance to our receipt of fees and /expenses be reimbursed to us. In our newer flagship private equity funds, we have increased the percentage of transaction and monitoring fees that are credited against fund management fees to as much as 100% of the amount of the transaction and monitoring fee attributable to that fund. In September of 2009, the Institutional Limited Partners Association, or “ILPA,” published a set of Private Equity Principles, or the “Principles,” which were revised in January 2011. The Principles were developed in order to encourage discussion between limited partners and general partners regarding private equity fund partnership terms. Certain of the Principles call for enhanced alignment of interests between general partners and limited partners through modifications of some of the terms of fund arrangements, including proposed guidelines for fees and carried interest structures. We provided ILPA our endorsement of the Principles, representing an indication of our general support for the efforts of ILPA.

In addition, certain institutional investors, including sovereign wealth funds and public pension funds, have demonstrated an increased preference for alternatives to the traditional investment fund structure, such as managed accounts, specialized funds and co-investment vehicles. We also have entered into strategic partnerships with individual investors whereby we manage that investor’s capital across a variety of our products on separately negotiated terms. There can be no assurance that such alternatives will be as profitable to us as the traditional investment fund structure, and the impact such a trend could have on our results of operations, if widely implemented, is unclear. Moreover, certain institutional investors are demonstrating a preference to in-source their own investment professionals and to make direct investments in alternative assets without the assistance of investment advisers like us. Such institutional investors may become our competitors and could cease to be our clients.

Any agreement to or changes in terms less favorable to us could adversely affect our revenues and profitability.

***The investment management business is intensely competitive, which could have a material adverse impact on our business.***

We compete as an investment manager for both fund investors and investment opportunities. The investment management business is highly fragmented, with our competitors consisting primarily of sponsors of public and private investment funds, real estate development companies, business development companies, investment banks, commercial finance companies and operating companies acting as strategic buyers of businesses. We believe that competition for fund investors is based primarily on:

- investment performance;
- investor liquidity and willingness to invest;
- investor perception of investment managers’ drive, focus and alignment of interest;
- business reputation;
- the duration of relationships with fund investors;
- the quality of services provided to fund investors;
- pricing;
- fund terms (including fees); and
- the relative attractiveness of the types of investments that have been or will be made.

We believe that competition for investment opportunities is based primarily on the pricing, terms and structure of a proposed investment and certainty of execution.

A number of factors serve to increase our competitive risks:

- a number of our competitors in some of our businesses may have greater financial, technical, marketing and other resources and more personnel than we do, and, in the case of some asset classes, longer operating histories, more established relationships or greater experience;
- fund investors may materially decrease their allocations in new funds due to their experiences following an economic downturn, the limited availability of capital, regulatory requirements or a desire to consolidate their relationships with investment firms;
- some of our competitors may have better expertise or be regarded by fund investors as having better expertise in a specific asset class or geographic region than we do;
- some of our competitors have agreed to terms on their investment funds or products that may be more favorable to fund investors than our funds or products, such as lower management fees, greater fee sharing, or performance hurdles for carried interest, and therefore we may be forced to match or otherwise revise our terms to be less favorable to us than they have been in the past;
- some of our funds may not perform as well as competitors' funds or other available investment products;
- our competitors have raised or may raise significant amounts of capital, and many of them have similar investment objectives and strategies to our funds, which may create additional competition for investment opportunities and may reduce the size and duration of pricing inefficiencies that many alternative investment strategies seek to exploit;
- some of these competitors may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to investment opportunities;
- some of our competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments;
- some of our competitors may be subject to less regulation or less regulatory scrutiny and accordingly may have more flexibility to undertake and execute certain businesses or investments than we do and/or bear less expense to comply with such regulations than we do;
- there are relatively few barriers to entry impeding the formation of new funds, including a relatively low cost of entering these businesses, and the successful efforts of new entrants into our various lines of business, including major commercial and investment banks and other financial institutions, have resulted in increased competition;
- some fund investors may prefer to invest with an investment manager that is not publicly traded, is smaller, or manages fewer investment products; and
- other industry participants will from time to time seek to recruit our investment professionals and other employees away from us.

We may lose investment opportunities in the future if we do not match investment prices, structures and terms offered by competitors. Our competitors that are corporate buyers may be able to achieve synergistic cost savings in respect of an investment, which may provide them with a competitive advantage in bidding for an investment. Alternatively, we may experience decreased investment returns and increased risks of loss if we match investment prices, structures and terms offered by competitors. Moreover, as a result, if we are forced to compete with other investment firms on the basis of price, we may not be able to maintain our current fund fee, carried interest or other terms. There is a risk that fees and carried interest in the alternative investment management industry will decline, without regard to the historical performance of a manager. Fee or carried interest income reductions on existing or future funds, without corresponding decreases in our cost structure, would adversely affect our revenues and profitability.

In addition, if interest rates were to rise or if market conditions for competing investment products become or are favorable and such products begin to offer rates of return superior to those achieved by our funds, the attractiveness of our funds relative to investments in other investment products could decrease. This competitive pressure could adversely affect our ability to make successful investments and limit our ability to raise future funds, either of which would adversely impact our business, results of operations and cash flow.

***Our structure involves complex provisions of U.S. federal income tax laws for which no clear precedent or authority may be available. These structures also are subject to potential legislative, judicial or administrative change and differing interpretations, possibly on a retroactive basis.***

The U.S. federal income tax treatment of our unitholders depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax laws for which no clear precedent or authority may be available. The U.S. federal income tax rules are constantly under review by persons involved in the legislative process, the Internal Revenue Service, or IRS, and the U.S. Department of the Treasury, frequently resulting in revised interpretations of established concepts, statutory changes, revisions to regulations and other modifications and interpretations. The present U.S. federal income tax treatment of owning our common units may be modified by administrative, legislative or judicial interpretation at any time, and any such action may affect investments and commitments previously made. The maintenance of the structure and tax attributes of the KKR Group Partnerships, which comprise our businesses, requires significant monitoring and resources. Failure to maintain this structure could result in material adverse tax consequences. Our organizational documents and agreements give the Managing Partner broad authority to modify the amended and restated partnership agreement from time to time as the Managing Partner determines to be necessary or appropriate, without the consent of the unitholders, to address changes in U.S. federal, state and local income tax regulations, legislation or interpretation. In some circumstances, such revisions could have a material adverse impact on some or all unitholders.

***The U.S. Congress has considered legislation that would have (i) in some cases after a ten-year period, precluded us from qualifying as a partnership or required us to hold carried interest through taxable subsidiary corporations and (ii) taxed certain income and gains at increased rates. If any similar legislation were to be enacted and apply to us, the after-tax income and gain related to our business, as well as the market price of our units, could be reduced.***

In the past, a number of legislative and administrative proposals have been introduced and, in certain cases, have been passed by the U.S. House of Representatives, that would have, in general, treated all or a portion of our carried interest as income subject to a tax rate that is higher than under current law. It is unclear when or whether the U.S. Congress will pass such legislation or what provisions will be included in any legislation, if enacted.

Some legislative and administrative proposals have provided that, for taxable years beginning after the date of enactment (or in some cases, beginning ten years after the date of enactment), income derived with respect to carried interest would not meet the qualifying income requirements under the publicly traded partnership rules. Therefore, if similar legislation is enacted, following such enactment (or such ten-year period), we would be precluded from qualifying as a partnership for U.S. federal income tax purposes. If we were taxed as a U.S. corporation, our effective tax rate would increase significantly. The federal statutory rate for corporations is currently 35%. In addition, we could be subject to increased state and local taxes. Furthermore, you could be subject to tax on our conversion into a corporation.

States and other jurisdictions have also considered legislation to increase taxes with respect to carried interest. For example, New York has periodically considered legislation under which you could be subject to New York state income tax on income in respect of our common units as a result of certain activities of our affiliates in New York, although it is unclear when or whether such legislation will be enacted.

If the proposed legislation described above or any similar legislation were to be enacted and apply to us, the after-tax income and gain related to our business, our ability to fund cash distributions, as well as the market price of our units, could be reduced.

***Additional proposed changes in the U.S. and foreign taxation of businesses could adversely affect us.***

The U.S. Congress, the Organization for Economic Co-operation and Development (or, OECD) and other government agencies in jurisdictions in which we and our affiliates invest or do business have maintained a focus on issues related to the taxation of multinational companies. The OECD is contemplating changes to numerous long-standing tax principles through its base erosion and profit shifting (or, BEPS) project, which is focused on a number of issues, including the distribution of profits between affiliated entities in different tax jurisdictions. Additionally, the Obama administration has announced other proposals for potential reform to the U.S. federal income tax rules for businesses, including reducing the deductibility of interest for corporations, reducing the top marginal rate on corporations and subjecting entities, like many of our entities, currently treated as partnerships for tax purposes to an entity-level income tax similar to the corporate income tax. A number of European jurisdictions have enacted taxes on financial transactions, and the European Commission has proposed legislation to harmonize these taxes under the so-called "enhanced cooperation procedure", which provides for adoption of EU-level legislation applicable to some but not all EU Member States. Several of these proposals for reform, if enacted by the U.S. or by other countries in which we or our affiliates invest or do business, could adversely affect our investment returns and could reduce the



cash we have available for distributions to unitholders or for other uses by us. It is unclear what any actual legislation could provide, when it would be proposed or what its prospects for enactment could be.

***We depend on our founders and other key personnel, the loss of whose services could have a material adverse effect on our business, results and financial condition.***

We depend on the efforts, skills, reputations and business contacts of our employees, including our founders, Henry Kravis and George Roberts, and other key personnel, the information and deal flow they and others generate during the normal course of their activities and the synergies among the diverse fields of expertise and knowledge held by our professionals. Accordingly, our success depends on the continued service of these individuals, who are not obligated to remain employed with us. The loss of the services of any of them could have a material adverse effect on our revenues, net income and cash flows and could harm our ability to maintain or grow AUM in existing funds or raise additional funds in the future.

Our employees and other key personnel possess substantial experience and expertise and have strong business relationships with investors in our funds and other members of the business community. As a result, the loss of these personnel could jeopardize our relationships with investors in our funds and members of the business community and result in the reduction of AUM or fewer investment opportunities. For example, if any of our principals were to join or form a competing firm, our business, results and financial condition could suffer.

Furthermore, the agreements governing our committed capital funds generally provide that in the event certain "key persons" (for example, both of Messrs. Kravis and Roberts for our private equity funds, and, in the case of certain geographically or product focused funds, one or more of the executives focused on such funds) generally cease to actively manage a fund or be substantially involved in KKR activities, investors in the fund will be entitled to reduce, in whole or in part, their capital commitments available for further investments on an investor-by-investor basis. In the case of certain of our fully paid-up funds, investors may be permitted to terminate their investment in the event a "key persons" provision is triggered, which could possibly lead to a liquidation of those funds. In addition, the occurrence of such a "key person" event could cause us to agree to less favorable ongoing terms with respect to the affected fund. The occurrence of such an event would likely have a significant negative impact on our revenue, net income and cash flow.

***If we cannot retain and motivate our principals and other key personnel and recruit, retain and motivate new employees and other key personnel, our business, results and financial condition could be adversely affected.***

Our most important asset is our people, and our continued success is highly dependent upon the efforts of our employees and other key personnel, and to a substantial degree on our ability to retain and motivate our employees and other key personnel and to strategically recruit, retain and motivate new talented employees, including qualified investment professionals. However, we may not be successful in these efforts as the market for qualified investment professionals is extremely competitive. Our ability to recruit, retain and motivate our employees is dependent on our ability to offer highly attractive incentive opportunities. If previously proposed legislation regarding the increased taxation of carried interest were to be enacted, income and gains recognized with respect to carried interest would be treated for U.S. federal income tax purposes as ordinary income rather than as capital gain. Such legislation would materially increase the amount of taxes that we, our employees and other key personnel would be required to pay, thereby adversely affecting our ability to offer such attractive incentive opportunities. See "-Risks Related to U.S. Taxation". Similarly, changes in the United Kingdom with respect to the taxation of carried interest, including the proposal to tax certain carried interest returns as income from April 6, 2016 would impact our ability to recruit, retain and motivate employees and key personnel in the United Kingdom. In addition, there have been proposed laws and regulations that sought to regulate the compensation of certain of our employees. See "-Extensive Regulation of our business affects our activities and creates the potential for significant liabilities and penalties." The possibility of increased regulatory focus or legislative or regulatory changes could result in additional burdens on our business." The loss of even a small number of our investment professionals could jeopardize the performance of our funds and other investment products, which would have a material adverse effect on our results of operations. Efforts to retain or attract employees, including our investment professionals, may result in significant additional expenses, which could adversely affect our profitability.

Many of our employees hold interests in our business through KKR Holdings. These individuals historically received financial benefits from our business in the form of distributions and amounts funded by KKR Holdings and through their direct and indirect participation in the value of KKR Group Partnership Units held by KKR Holdings. While all of our employees receive base salaries from us, annual cash bonuses for certain employees currently are borne by KKR Holdings from cash reserves based upon distributions on a portion of KKR Group Partnership Units held by KKR Holdings. In 2015, the amount of such annual cash bonuses paid by KKR Holdings L.P. was \$74.6 million. Effective with the distribution to be paid on March 8, 2016, with respect to the quarter ending December 31, 2015, KKR has changed its distribution policy. Under the new distribution policy, KKR intends to make equal quarterly distributions to holders of its common units in an amount of \$0.16 per common unit per quarter. To the extent that distributions are made on KKR Group Partnership Units underlying any unvested

KKR Holdings units, such amounts under the new distribution policy would be insufficient to fund annual cash bonus compensation. We, therefore, expect to pay an increasing portion and eventually all of the cash bonus payments from other sources, including cash from our operations and the carry pool. As a result, either our profit margins or our employee retention or both may be adversely impacted. There can be no assurance that the carry pool will have sufficient cash available to continue to make such cash payments in the future and fluctuations from the distributions generated from the carry pool, if not offset by compensation from other sources, could render our compensation less attractive. In any of these circumstances, a higher percentage of our revenue may be paid out in the form of cash compensation, which would be expected to have an adverse impact on our profit margins.

Moreover, in connection with the KPE Transaction, we made large grants of KKR Holdings units that vested in installments over a five year period commencing October 1, 2009 and that completely vested on October 1, 2014, subject to certain transfer restrictions. We have granted and expect to grant equity awards from our Equity Incentive Plan, which has caused dilution. While we evaluate the grant of equity awards from our Equity Incentive Plan to employees on an annual basis, the size of the grants, if any, is made at our discretion and is expected to be generally smaller in number of units than the grants of KKR Holdings units made on October 1, 2009 and with service-based vesting periods generally of approximately three years from date of grant. As we increase the use of equity awards from our Equity Incentive Plan in the future, expense associated with equity based compensation may increase materially. For example, in 2016 we allocated equity awards relating to 13.3 million KKR & Co. L.P. common units, under the Equity Incentive Plan. In 2016 KKR Holdings granted 28.9 million KKR Holdings units to certain senior employees and non-employee operating consultants. Such grants are subject to price vesting conditions in addition to service-based vesting conditions, which may make such grants a less effective retention mechanism if the price vesting condition is not achieved. See "Executive Compensation-- Compensation Discussion and Analysis--Compensation Elements--KKR Holdings Market Condition Awards" for the terms and conditions of such KKR Holdings units. The value of the KKR Holdings units and common units may drop in value or be volatile, which may make our equity less attractive to our employees. In July 2015, the SEC also proposed rules requiring companies to develop and enforce recovery policies that in the event of an accounting restatement, "claw back" from current and former executive officers incentive-based compensation they would not have received based on the restatement. If such rules are adopted as proposed and are deemed applicable to any component of our compensation, the effectiveness of our compensation as a retention mechanism may be further reduced. In addition, less carried interest from the carry pool may be allocated to certain of our employees, which may result in less cash payments to such employees. To the extent our equity incentive or carry pool programs are not effective, we may be limited in our ability to attract, retain and motivate talented employees and other key personnel and we may need to increase the level of cash compensation that we pay.

In addition, there is no guarantee that the confidentiality and restrictive covenant agreements to which our employees and other key personnel are subject, together with our other arrangements with them, will prevent them from leaving us, joining our competitors or otherwise competing with us. Depending on which entity is a party to these agreements and/or the laws applicable to them, we may not be able to enforce them or become subject to lawsuits or other claims, and certain of these agreements might be waived, modified or amended at any time without our consent. Even when enforceable, these agreements expire after a certain period of time, at which point each of our employees and other key personnel are in any event free to compete against us and solicit our fund investors and employees. See "Certain Relationships and Related Transactions, and Director Independence-Confidentiality and Restrictive Covenant Agreements."

We strive to maintain a work environment that reinforces our culture of collaboration, motivation and alignment of interests with fund investors. If we do not continue to develop and implement the right processes and tools to manage our changing enterprise and maintain our culture, our ability to compete successfully and achieve our business objectives could be impaired, which could negatively impact our business, financial condition and results of operations.

***Operational risks and data security breaches may disrupt our businesses, result in losses or limit our growth.***

We rely heavily on our financial, accounting and other data processing systems. If any of these systems do not operate properly or are disabled, we could suffer financial loss, a disruption of our businesses, liability to our funds, regulatory intervention or reputational damage. In addition, we operate in businesses that are highly dependent on information systems and technology. For example, we face operational risk from errors made in the execution, confirmation or settlement of transactions. We also face operational risk from transactions not being properly recorded, evaluated or accounted for in our funds. In particular, our Public Markets business is highly dependent on our ability to process and evaluate, on a daily basis, transactions across markets and geographies in a time-sensitive, efficient and accurate manner. Our information systems and technology may not continue to be able to accommodate our growth, may not be suitable for new products and strategies and may be subject to security risks, and the cost of maintaining such systems may increase from our current level. Such a failure to accommodate growth, or an increase in costs related to such information systems, could have a material adverse effect on our business. Furthermore, we depend on our principal offices in New York City, where most of our administrative personnel are

located, and technology and infrastructure concentrated in New York City and other offices for the continued operation of our business. We are also dependent on an increasingly concentrated group of third party vendors that we do not control for hosting solutions and technologies. A disaster or a disruption in the infrastructure that supports our businesses, including a disruption involving electronic communications or other services used by us, our vendors or third parties with whom we conduct business, or directly affecting our principal offices, could have a material adverse impact on our ability to continue to operate our business without interruption. Our business continuation or disaster recovery programs may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse us for our losses, if at all.

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. We face various security threats on a regular basis, including ongoing cyber security threats to and attacks on our information technology infrastructure that are intended to gain access to our proprietary information, destroy data or disable, degrade or sabotage our systems. Although we take protective measures and endeavor to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to unauthorized access, theft, misuse, computer viruses or other malicious code, and other events that could have a security impact. We and our employees may be the target of fraudulent emails. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means. In addition, cyber security has become a top priority for regulators around the world. If one or more of such events occur, this potentially could jeopardize our or our fund investors' or counterparties' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our fund investors', our counterparties' or third parties' operations, which could result in significant losses, increased costs, disruption of our business, liability to our fund investors and other counter-parties, regulatory intervention or reputational damage. Finally, we rely on third party service providers for certain aspects of our business, including for certain information systems, technology, administration, tax and compliance matters. Any interruption or deterioration in the performance of these third parties could impair the quality of our and our funds' operations and could impact our reputation and adversely affect our businesses and limit our ability to grow.

Our portfolio companies also rely on data processing systems and the secure processing, storage and transmission of information, including payment and health information. A disruption or compromise of these systems could have a material adverse effect on the value of these businesses. Our funds may invest in strategic assets having a national or regional profile or in infrastructure assets, the nature of which could expose them to a greater risk of being subject to a terrorist attack or security breach than other assets or businesses. Such an event may have adverse consequences on our investment or assets of the same type or may require portfolio companies to increase preventative security measures or expand insurance coverage.

***Our organizational documents do not limit our ability to enter into new lines of businesses, and we may expand into new investment strategies, geographic markets and businesses, each of which may result in additional risks and uncertainties in our businesses.***

We intend, to the extent that market conditions warrant, to seek to grow our businesses by increasing AUM in existing businesses, pursuing new investment strategies, including investment opportunities in new asset classes, developing new types of investment structures and products (such as managed accounts and structured products), and expanding into new geographic markets and businesses. We have in the past opened offices in Asia, the Middle East and Latin America, and also developed a capital markets business in the United States, Europe, the Middle East and Asia-Pacific, which we intend to grow and diversify. We have also launched a number of new investment initiatives in areas such as real estate, energy, infrastructure, hedge funds and growth equity.

Our organic growth strategy focuses on providing resources to foster the development of new product offerings and business strategies by our investment professionals and launching successor and related products, such that our new strategies achieve a level of scale and profitability. Given our diverse platform, these initiatives could create conflicts of interests with existing products, increase our costs and expose us to new market risks, and legal and regulatory requirements. The success of our organic growth strategy will also depend on, among other things, our ability to correctly identify and create products that appeal to the limited partners of our funds and vehicles. While we have made significant expenditures to develop these new strategies and products, there is no assurance that they will achieve a satisfactory level of scale and profitability. We have and may continue to pursue growth through acquisitions of other investment management companies, acquisitions of critical business partners, strategic partnerships or other strategic initiatives, which may include entering into new lines of business. In addition, we expect opportunities will arise to acquire other alternative or traditional investment managers. For example, we have built and expanded our hedge fund solutions business with the acquisition of Prisma and expanded our European credit business with our acquisition of Avoca. We have also made minority investments in hedge fund managers, and we have entered into joint ventures with third parties to participate in new real estate investment strategies. To the extent we make strategic

investments or acquisitions, undertake other strategic initiatives or enter into a new line of business, we will face numerous risks and uncertainties, including risks associated with:

- our ability to successfully negotiate and enter into beneficial arrangements with our counterparties;
- the required investment of capital and other resources;
- the incurrence of substantial transaction-related costs including non-recurring transaction-related costs;
- delays or failure to complete an acquisition or other transaction in a timely manner or at all due to a failure to obtain shareholder or regulatory approvals or satisfy any other closing conditions, which may subject us to damages or require us to pay significant costs;
- lawsuits challenging an acquisition or unfavorable judgments in such lawsuits, which may prevent the closing of the transaction, cause delays, or require us to incur substantial costs including in costs associated with the indemnification of directors;
- the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk or liability or have not appropriately planned for such activities;
- the possibility of diversion of management's time and attention from our core business;
- the possibility of disruption of our ongoing business;
- the failure to realize the anticipated benefits from an acquired business or strategic partnership in a timely manner, if at all;
- combining, integrating or developing operational and management systems and controls including an acquired business's internal controls and procedures;
- integration of the businesses including the employees of an acquired business;
- potential increase in concentration of the investors in our funds;
- disagreements with joint venture partners or other stakeholders in strategic partnerships;
- the additional business risks of the acquired business and the broadening of our geographic footprint, including the risks associated with conducting operations in foreign jurisdictions such as taxation;
- properly managing conflicts of interests;
- our ability to obtain requisite regulatory approvals and licenses without undue cost or delay and without being required to comply with material restrictions or material conditions that would be detrimental to us or to the combined organization; and
- regulatory scrutiny or litigation exposure due to the activities of the third party hedge fund managers or joint venture partners.

Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk and costs. If a new business generates insufficient revenues or if we are unable to efficiently manage our expanded operations, our results of operations will be adversely affected. Our strategic initiatives include joint ventures or the acquisition of minority interests in third parties, in which case we will be subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to, systems, controls and personnel that are not under our control.

***We may not be successful in executing upon or managing the complexities of new investment strategies, markets and businesses, which could adversely affect our business, results of operations and financial condition.***

Our growth strategy is based, in part, on the expansion of our platform through selective investment in, and development or acquisition of, businesses and investment strategies complementary to our business. The expansion into new products and geographies has demanded greater management attention and dedication of resources to manage the increasing complexity of operations and regulatory compliance. This growth strategy involves a number of risks, including the risk that the expected

synergies from a newly developed product or strategic alliance will not be realized, that the expected results will not be achieved, that new strategies are not appropriately planned for or integrated into the firm, that the new strategies may conflict, detract from or compete against our existing businesses, that the investment process, controls and procedures that we have developed around our existing platform will prove insufficient or inadequate or that our information systems and technology, including related security systems, may prove to be inadequate. We have also entered into strategic partnerships and separately managed accounts, which lack the scale of our traditional funds and are more costly to administer. The prevalence of these accounts may also present conflicts and introduce complexity in the deployment of capital. The offering of investment products to retail investors, including any funds registered under the Investment Company Act, may result in increased compliance and litigation costs. We may also incur significant charges in connection with such investments, which ultimately may result in significant losses and costs. Such losses could adversely impact our business, results of operations and financial condition, as well as do harm to our professional reputation.

***If we are unable to syndicate the securities or indebtedness or realize returns on investments financed with our balance sheet assets, our liquidity, business, results of operations and financial condition could be adversely affected.***

Our balance sheet assets provide us with a significant source of capital to grow and expand our business, increase our participation in our transactions and underwrite commitments in our capital markets business. Our balance sheet assets have provided a source of capital to underwrite loans, securities or other financial instruments, which we generally expect to syndicate to third parties. To the extent that we are unable to do so, we may be required to sell such investments at a significant loss or hold them indefinitely. If we are required to retain investments on our balance sheet for an extended period of time, the inability of our capital markets business to complete additional transactions would impair our results.

We generally have a larger balance sheet than many of our competitors, and consequently, the performance of these balance sheet assets has a greater impact on our results of operations. Our success in deploying our balance sheet and generating returns on this capital will depend among other things on the availability of suitable opportunities after giving priority in investment opportunities to our advised investment funds and accounts, the level of competition from other companies that may have greater financial resources and our ability to value potential development or acquisition opportunities accurately and negotiate acceptable terms for those opportunities. To the extent we are unsuccessful in deploying our balance sheet, our business and financial results may suffer. In addition, as our balance sheet has been a significant source of capital for new strategies, to the extent that such strategies are not successful or our balance sheet assets cease to provide adequate liquidity, we would be limited in our ability to seed new businesses or support our existing business as effectively as contemplated. See also “-If we are unable to consummate or successfully integrate additional development opportunities, acquisitions or joint ventures, we may not be able to implement our growth strategy successfully.”

***Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could adversely affect our business.***

Our business is subject to extensive regulation, including periodic examinations, inquiries and investigations by governmental and self-regulatory organizations in the jurisdictions in which we operate around the world. Many of these regulators, including U.S. federal and state and foreign government agencies and self-regulatory organizations, are empowered to impose fines, suspensions of personnel or other sanctions, including censure, the issuance of cease-and-desist orders or the suspension or expulsion of applicable licenses and memberships; any of the foregoing may damage our relations with existing fund investors, may impair our ability to raise capital for successor funds, or may contravene provisions concerning compliance with law in agreements to which we are a party. Even if a sanction is not imposed or the sanction imposed against us or our personnel by a regulator were small in monetary amount, the adverse publicity relating to the regulatory activity or imposition of these sanctions could harm our reputation and cause us to lose existing fund investors or fail to gain new fund investors. In addition, actions by regulators against other investment managers can cause changes in business practices that could materially adversely affect our business, financial condition and results of operations.

In particular, the private equity industry has come under increased regulatory and news media scrutiny with governmental officials and regulators, including the SEC, focusing on the private equity industry’s fees, allocation of expenses to funds, valuation practices, allocation of fund investment opportunities, and disclosures to fund investors. SEC focus areas have recently included the acceleration of monitoring fees, the allocation of broken-deal expenses, the disclosure, use and compensation of operating partners or consultants, outside business activities of firm principals and employees, group purchasing arrangements and general conflicts of interest disclosures.

Any changes in the regulatory framework applicable to our business, including the changes and potential changes described below, as well as adverse news media attention, may impose additional expenses or capital requirements on us, limit our fundraising for our investment products, result in limitations in the manner in which our business is conducted, have an adverse impact upon our financial condition, results of operations, reputation or prospects, impair employee retention or

recruitment and require substantial attention by senior management. It is impossible to determine the extent of the impact of any new laws, regulations, initiatives or regulatory guidance that may be proposed or may become law on our business or the markets in which we operate. If enacted, any new regulation or regulatory framework could negatively impact our funds and us in a number of ways, including increasing our costs and the cost for our funds of investing, borrowing, hedging or operating, increasing the funds' or our regulatory operating costs, imposing additional burdens on the funds' or our staff, and potentially requiring the disclosure of sensitive information. In addition, we may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. New laws or regulations could make compliance more difficult or more expensive, affect the manner in which we conduct business and divert significant management and operational resources and attention from our business. Moreover, we anticipate the potential for an increase in regulatory investigations and new or enhanced reporting requirements of the trading and other investment activities of alternative investment management funds and firms, including our funds and us. Such investigations and reporting obligations will likely impose additional expenses on us, may require the attention of senior management and increase the complexity of managing our business and may result in fines or other sanctions if we or any of our funds are deemed to have violated any law or regulations.

**Regulation under the Dodd-Frank Act.** There have been a number of legislative and regulatory proposals affecting the financial sector in the United States. In particular, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or Dodd-Frank Act, that President Obama signed into law on July 21, 2010, created a significant amount of new regulation. Among other things, the Dodd-Frank Act:

- established the Financial Stability Oversight Council, or FSOC, an inter-agency body charged with, among other things, designating systemically important nonbank financial companies for heightened prudential supervision and making recommendations regarding the imposition of enhanced regulatory standards regarding capital, leverage, conflicts and other requirements for financial firms deemed to pose a systemic threat to U.S. financial stability;
- requires private equity and hedge fund advisers to register with the SEC under the Investment Advisers Act (as described elsewhere in this report, Kohlberg Kravis Roberts & Co. L.P. and its wholly-owned subsidiaries KKR Credit Advisors (US) LLC and Prisma Capital Partners LP are registered with the SEC as investment advisers under the Investment Advisers Act), to maintain extensive records and to file reports if deemed necessary for purposes of systemic risk assessment by certain governmental bodies;
- directs federal regulatory agencies to review and, in certain cases, prohibit compensation arrangements at financial institutions that give employees incentives to engage in conduct deemed to encourage inappropriate risk taking by covered financial institutions;
- requires public companies to adopt and disclose policies requiring, in the event the company is required to issue an accounting restatement, the clawback of related incentive compensation from current and former executive officers;
- restricts the ability of banking organizations to sponsor or invest in private equity and hedge funds;
- granted the U.S. government resolution authority to liquidate or take emergency measures with regard to troubled financial institutions that fall outside the existing resolution authority of the Federal Deposit Insurance Corporation, or FDIC; and
- created a Consumer Financial Protection Bureau within the U.S. Federal Reserve.

Some of these provisions are subject to further rule making and to the discretion of regulatory bodies, such as the FSOC. For example, the following rulemakings have been enacted and the following notices of proposed rulemakings have been announced that may apply to us or our subsidiaries:

- On April 3, 2012, the FSOC issued a final rule and interpretive guidance regarding the process by which it designates nonbank financial companies as systemically important. The rule and guidance detail a three-stage review process, with the level of scrutiny increasing at each stage. During the first stage, the FSOC applies a broad set of uniform quantitative metrics to identify nonbank financial companies that warrant additional review. In this first stage, the FSOC considers whether a nonbank financial company has at least \$50 billion in total consolidated assets and whether it meets other thresholds relating to credit default swaps outstanding, derivative liabilities, loans and bonds outstanding, a minimum leverage ratio of total consolidated assets to total equity of 15 to 1, and a short-term debt ratio of debt (with maturities less than 12 months) to total consolidated assets of 10%. A company that meets both the asset test and at least one of the other thresholds will be subject to additional review in Stage 2. Although we have

more than \$50 billion in total consolidated assets as of December 31, 2015, we believe we do not currently meet the Stage 1 criteria outlined above; however, those criteria as well as our business may evolve over time. Additional uncertainty is created because the FSOC retains authority to designate any nonbank financial company as systemically important, even if the company does not meet the Stage 1 criteria. The FSOC will consider in the future whether to establish “an additional set of metrics or thresholds tailored to evaluate hedge funds and private equity firms and their advisers.” The preamble to the final rule notes that less regulatory data is generally available for hedge funds and private equity firms, but indicates that, in developing any such additional metrics or thresholds, it intends to review financial disclosures that private fund advisers are required to file with the SEC and CFTC, as further described below.

- In May 2014, the FSOC hosted a public conference devoted exclusively to the asset management industry to help inform the FSOC’s ongoing assessment of potential risks to U.S. financial stability. On December 18, 2014, the FSOC issued a notice seeking public comment on potential systemic risks from asset management products and activities, focusing in particular on (1) liquidity and redemption risks, (2) use of leverage, (3) operational functions, and (4) resolution-related issues. According to such notice, the FSOC has not made any determination regarding the existence or nature of any potential risks to financial stability posed by the asset management industry.
- If the FSOC were to determine that we were a systemically important nonbank financial company, we would be subject to a heightened degree of regulation, including more stringent standards relating to capital, leverage, liquidity, risk management, resolution planning, credit exposure reporting, and concentration limits, restrictions on acquisitions and annual stress testing by the Federal Reserve. There can be no assurance that nonbank financial firms such as us will not become subject to the aforementioned restrictions or other requirements for financial firms deemed to be systemically important to the financial stability of the U.S. economy.
- The Dodd-Frank Act, under what has become known as the “Volcker Rule,” broadly prohibits depository institution holding companies (including foreign banks with U.S. branches or agencies), insured depository institutions and their subsidiaries and controlled affiliates (or banking entities), from investing in third-party private equity funds like ours. See “-Our inability to raise additional or successor funds (or raise successor funds of a comparable size as our predecessor funds) could have a material adverse impact on our business.”
- On October 26, 2011, the SEC adopted a rule requiring certain advisers to private funds to periodically file reports on Form PF. Large private fund advisers including advisers with at least \$1.5 billion in assets under management attributable to hedge funds and advisers with at least \$2 billion in assets under management attributable to private equity funds are subject to more detailed and in certain cases more frequent reporting requirements. The information is to be used by the FSOC in monitoring risks to the U.S. financial system.
- On March 2, 2011, the SEC issued for public comment a proposed rule as part of a joint rule-making effort with other federal regulatory agencies designed to prohibit certain incentive-based compensation arrangements deemed to encourage inappropriate risk taking by covered financial institutions by providing “excessive” compensation, fees or benefits or that could lead to material losses. The proposed rule would cover financial institutions with total consolidated assets of at least \$1 billion, including investment advisers and broker-dealers, and provide heightened requirements for financial institutions with total consolidated assets of at least \$50 billion. The application of this rule to us could require us to substantially revise our compensation strategy and affect our ability to recruit and retain qualified employees.
- The Dodd-Frank Act amended the Exchange Act to compensate and protect whistleblowers who voluntarily provide original information to the SEC and establishes a fund to be used to pay whistleblowers who will be entitled to receive a payment equal to between 10% and 30% of certain monetary sanctions imposed in a successful government action resulting from the information provided by the whistleblower.

As mandated by the Dodd-Frank Act, the Commodity Futures Trading Commission, or CFTC, has proposed or adopted a series of rules to establish a comprehensive new regulatory framework for swaps. Under Title VII of the Dodd-Frank Act, the CFTC has assumed regulatory authority over many types of swaps. As a result:

- Operating pooled funds, or providing investment advice to clients that trade swaps is now a basis for registration with the CFTC, absent an applicable exemption. Also, although not mandated by the Dodd-Frank Act, the CFTC in 2012 issued a final rule that rescinded an exemption from CFTC registration for commodity pool operators in connection with privately offered funds. Operating our funds in a manner consistent with one or more exemptions from registration with the CFTC may limit the activities of certain of our funds, and monitoring and analysis of these

exemptions requires management and operational resources and attention. Registration with the CFTC, if required, could impact our operations and add additional costs associated with ongoing compliance.

- The Dodd-Frank Act also imposes regulatory requirements on the trading of swaps, including requirements that most swaps be executed on an exchange or “swap execution facility” and cleared through a central clearing house. Although these requirements presently apply only to certain classes of interest rate and credit default swaps, the CFTC is expected to mandate central execution and clearing with respect to additional classes of swaps in the future.
- The CFTC issued regulations with quantitative tests and thresholds to determine whether entities acting as “swap dealers” or “major swap participants” must register in the appropriate category and comply with capital, margin, record keeping, reporting and business conduct rules. Our funds could become subject to the requirement to register as major swap participants due to changes to the funds’ investment strategy or valuations, or revisions to the thresholds for registration.
- The CFTC has proposed rules instituting position limits on certain physical commodity futures contracts that, if finalized as proposed, would limit positions in 28 agricultural, energy and metals commodities, including swaps, futures and options that are economically equivalent to those commodity contracts. If the proposed rules are adopted in substantially the form proposed and to the extent that we do not qualify for an exemption, we may be required to aggregate the positions of our various investment funds and the positions of our portfolio companies, which in turn may require us and our portfolio companies to limit our trading activities, and impact the ability of our investment funds to invest or remain invested in certain derivatives, or engage in otherwise profitable acquisitions in particular industries. The Dodd-Frank Act also requires SEC to establish position limits on security-based swaps, which rules could have a similar impact on our business.
- The CFTC and banking regulators have adopted, and the SEC has proposed, rules regarding minimum margin and capital requirements for over-the-counter swaps. The imposition of these requirements could increase the cost of trading in the derivative markets, which could in turn make it more expensive and difficult for us or our funds to enter into swaps and other derivatives in the normal course of our business and reduce the effectiveness of the funds’ investment strategies. These rules could also adversely impact liquidity in derivatives markets, which could expose our funds to greater risks and reduce hedging opportunities in connection with their trading activities. The compliance dates for the CFTC and banking margin rules will be phased in between 2016 and 2020, depending on the aggregate notional amount of over-the-counter swaps traded by market participants and their affiliates.

Additionally, federal banking and housing agencies finalized rules implementing the Dodd-Frank Act’s five percent risk retention requirement for originators of asset-backed securities. Although such rules will not become fully effective until December 24, 2016, they contain provisions that may have an adverse effect on us and/or the holders of the notes issued by our CLOs, or on the primary or secondary market for CLO securities generally, including the level of liquidity and trading of CLO securities.

The implementation of any new regulations could increase the cost of trading in the commodities and derivative markets, which could in turn make it more expensive and difficult for us or our funds to enter into swaps and other derivatives in the normal course of our business. Moreover, these increased regulatory responsibilities and increased costs could reduce trading levels in the commodities and derivative markets by a number of market participants, which could in turn adversely impact liquidity in the markets and expose our funds to greater risks in connection with their trading activities.

***EU-Wide Regulations.*** The EU Alternative Investment Fund Managers Directive (AIFMD) entered into effect on July 22, 2013. The AIFMD establishes a comprehensive regulatory and supervisory framework for alternative investment fund managers (AIFMs) managing and/or marketing alternative investment funds (AIFs) in the EU. The AIFMD imposes various substantive requirements on authorized AIFMs including rules on the structure of remuneration for certain personnel that are similar to those applicable under CRD III and IV (as defined below), a threshold for regulatory capital, reporting obligations in respect of controlled EU portfolio companies and increased transparency towards investors and regulators and allows authorized AIFMs to market AIFs to professional investors throughout the EU under an “EU passport”. The AIFMD also imposes a new, strict depositary regime.

The EU passport has been available to authorized EU AIFMs, since July 2013 but has yet to become available to non EU AIFMs. In the meantime (and until at least 2018), non-EU AIFMs may continue to market within the EU under the private placement regimes (NPPRs) of the individual member states, where available, subject to complying with certain minimum requirements imposed by the AIFMD and any additional requirements that individual member states may impose. In 2015, the European Securities and Markets Authority (ESMA) published advice in relation to the application of the EU passport to non-EU AIFMs and AIFs from certain jurisdictions and its opinion on the function of the EU passport for EU AIFMs and NPPRs.



Upon the effectiveness of any measures adopted by the EU Commission extending the EU passport to non-EU AIFMs and AIFs, the NPPRs allowing marketing by non-EU authorized AIFMs in certain member states will likely be further restricted, and NPPRs may become unavailable for marketing by non-EU authorized AIFMs in all member states as early as 2019. While our authorized EU AIFs continue to be marketed under an EU passport, the availability of the NPPRs and the uncertainty regarding the application of the EU passport to non EU AIFMs and AIFs may adversely impact the marketing of new strategies.

The AIFMD, the Level 2 Regulation and EU member state implementing measures could have an adverse effect on our businesses by, among other things, (i) imposing disclosure obligations and restrictions on distributions by EU portfolio companies of the funds we manage, (ii) potentially requiring changes in our compensation structures for key personnel, thereby potentially affecting our ability to recruit and retain these personnel, and (iii) generally increasing our compliance costs. Although a subsidiary of ours is registered as an Irish AIFM, we may not be able to benefit from the EU marketing passport for all of our funds under the AIFMD. In addition, there are areas of the AIFMD that are subject to legal uncertainty, including the scope of the legal structures qualifying as AIFs whose management and marketing requires authorization, and failure to comply even in areas where there is legal uncertainty can result in fines. Compliance with the AIFMD has also increased the cost and complexity of raising capital for our funds and consequently may also slow the pace of fundraising.

In July 2014, revisions to the Markets in Financial Instruments Directive (known as MiFID I), consisting of the revised directive, MiFID II, and a new related regulation, MiFIR, came into force; however, the date upon which they will apply to our business is uncertain. MiFID II and MiFIR further strengthen the EU regulatory framework for the provision of investment services and trading in financial instruments by introducing a number of substantial reforms in regards to transaction reporting, market structure, securities trading and conduct of business rules, including new harmonized rules for authorization of EU branches of third country firms looking to provide certain investment services in the EU. Work on the Level 2 measures on MiFID II is still under way, and the final delegated acts have not yet been adopted. The application of MiFID II and MiFIR will result in new regulatory burdens, including the requirement to trade certain derivatives on regulated trading venues. The increased regulatory burden could result in increased costs, and any failure to comply with the new requirements, even in areas where there is legal uncertainty, could result in fines.

On January 1, 2011, an amendment to the Capital Requirements Directive (CRD III) entered into force. Among other things, CRD III required EU member states to introduce stricter controls on remuneration for key employees and risk takers within specified credit institutions and investment firms. The CRD III was further amended by the Capital Requirements Directive IV and the Capital Requirements Regulation as discussed below, which introduced a limited number of additional remuneration requirements, including a cap on variable remuneration. Two of our subsidiaries (established in the UK and Ireland) are subject to the remuneration-related requirements of CRD IV and similar requirements under the AIFMD. Additionally, the European Banking Authority has published final guidelines on sound remuneration policies under CRD IV which set out the requirements for remuneration policies, group application and proportionality, along with criteria for the allocation of remuneration as fixed and variable and details on the disclosures required under the Capital Requirements Regulation. These guidelines will apply from January 1, 2017. These measures required changes in our compensation structures for key personnel, thereby potentially affecting these subsidiaries' ability to recruit and retain these personnel.

In 2010, the Basel Committee on Banking Supervision, an international body comprised of senior representatives of bank supervisory authorities and central banks from 27 countries, including the United States, finalized a comprehensive set of capital and liquidity standards, commonly referred to as "Basel III," for internationally active banking organizations. These new standards, which are expected to be fully phased in by 2019, are expected to require banks to hold more capital, predominantly in the form of common equity, than under the current capital framework. In the EU, Basel III's capital and liquidity standards have been implemented in a revision to CRD III and a new Capital Requirements Regulation, collectively referred to as CRD IV, which came into force on January 1, 2014. CRD IV replaced CRD III and created a single harmonized prudential rule book for banks, introducing new corporate governance rules and enhanced the powers of regulators. Like CRD III, CRD IV applies to specified credit institutions and investment firms. CRD IV has enhanced our financial reporting obligations and subjected us to new reporting requirements, which increases costs and the risk of non-compliance.

In August 2012, the regulation on OTC Derivatives, Central Counterparties and Trade Repositories (also known as the European Market Infrastructure Regulation, or EMIR) became effective. EMIR applies to derivatives transactions in which one of the parties is established in the EU, and may in some circumstances apply to transactions between two non-EU counterparties where these contracts have a direct, substantial and foreseeable effect within the EU. Certain of the requirements of EMIR came into force in March 2013, and other obligations will be phased in. In particular, EMIR imposes a requirement that certain "standardized" OTC derivatives contracts are centrally cleared. This requirement will be phased in based on the relevant entities' activities over a period from June 2016 to December 2018. Where OTC transactions are not subject to central clearing, techniques must be employed to monitor, measure and mitigate the operational and counterparty risks presented by the transaction. These risk mitigation techniques include trade confirmation, reconciliation processes, exchange of margin, and the daily mark to market of trades. Certain of these risk mitigation and reporting obligations are already in force. Initial margin

requirement for uncleared trades are expected to be phased in between September 1, 2016 and September 1, 2020. Variation margin requirements for uncleared trades are expected to be phased in between September 1, 2016, and March 1, 2017. The European Commission has not yet adopted an equivalence decision for the U.S., but “conditional” equivalence has been proposed in relation to certain parts of the CFTC and SEC regimes, whereby adherence to the relevant U.S. regimes as well as a number of additional stipulations would be deemed equivalent to EMIR. Ongoing regulatory uncertainty regarding the interaction between U.S. and EU requirements for central clearing and related activities could result in duplicative regulatory obligations in the two jurisdictions and could increase our costs of compliance. The implementation of any new regulations could increase the cost of trading in the commodities and derivative markets, which could in turn make it more expensive and difficult for us or our funds to enter into swaps and other derivatives in the normal course of our business. Moreover, these increased regulatory responsibilities and increased costs could reduce trading levels in the commodities and derivative markets by a number of market participants, which could in turn adversely impact liquidity in the markets and expose our funds to greater risks in connection with their trading activities.

A number of other EU financial regulatory initiatives have the potential to adversely affect our business. Future acquisitions by KKR or our funds could lead to application of the EU’s Financial Conglomerates Directive, which introduced a prudential regime for financial conglomerates to address perceived risks associated with large cross-sector businesses, and could increase the costs of investing in insurance companies and banks in the EU. Other recent EU financial regulatory initiatives include the Short Selling Regulation, which limits sovereign and naked short selling of government bonds and stocks, the Bank Recovery and Resolution Directive (BRRD), which established a recovery and resolution framework for EU credit institutions and investment firms, a new regulation (CSDR) on central securities depositories (CSDs), which introduces common securities settlement standards across the EU and harmonizes the rules governing CSDs, and a new regulation on reporting and transparency of securities financing transactions (SFT Regulation), which requires all SFTs to be reported to trade repositories, places additional reporting requirements on investment managers, and introduces prior risk disclosures and written consent before assets are rehypothecated. The European Commission has also proposed a Money Market Funds (MMF) Regulation. The EU has adopted certain risk retention and due diligence requirements in respect of various types of EU-regulated investors that, among other things, restrict investors from taking positions in securitization. The implementation of these new requirements could increase our and our funds’ costs and the complexity of managing our business and could result in fines if we or any of our funds were deemed to have violated any of the new regulations.

**Other regulations of the financial markets.** Certain requirements imposed by regulators are designed primarily to ensure the integrity of the financial markets and are not designed to protect holders of interests in our business or our funds. Consequently, these regulations often serve to limit our activities. In addition to many of the regulations and proposed regulations described above under “-Regulation under the Dodd-Frank Act,” and “-EU-Wide Regulation,” U.S. federal bank regulatory agencies have issued leveraged lending guidance covering transactions characterized by a degree of financial leverage. Such guidance limits the amount or availability of debt financing and may increase the cost of financing we are able to obtain for our transactions and may cause the returns on our investments to suffer.

Regulators in the U.S. and abroad are also considering a variety of regulatory measures that could affect various non-bank financial institutions that operate outside of the regulated banking system and the activities in which they engage. These reform measures are generally intended to mitigate against the kind of market disruptions that prevailed in 2008 and 2009 and that ultimately affected both banks and non-banks. If these regulations are adopted, they could impose additional regulatory burdens and costs, including potentially imposing capital requirements, limiting financing and leverage and increasing costs, in each case causing the returns on our lending and credit investment activities to suffer. Certain of our businesses may also be directly subject to such new regulation, which could cause such businesses to limit or cease engaging in certain activities.

Certain of the funds and accounts we manage that engage in originating, lending and/or servicing loans, may consider investments that would subject us to state and federal regulation, borrower disclosure requirements, limits on fees and interest rates on some loans, state lender licensing requirements and other regulatory requirements in the conduct of their business. If our funds and accounts make these investments, they may also be subject to consumer disclosures and substantive requirements on consumer loan terms and other federal regulatory requirements applicable to consumer lending that are administered by the Consumer Financial Protection Bureau. These state and federal regulatory programs are designed to protect borrowers.

State and federal regulators and other governmental entities have authority to bring administrative enforcement actions or litigation to enforce compliance with applicable lending or consumer protection laws, with remedies that can include fines and monetary penalties, restitution of borrowers, injunctions to conform to law, or limitation or revocation of licenses and other remedies and penalties. In addition, lenders and servicers may be subject to litigation brought by or on behalf of borrowers for violations of laws or unfair or deceptive practices. If we enter into transactions that subject us to these risks, failure to conform to applicable regulatory and legal requirements could be costly and have a detrimental impact on certain of our funds and accounts and ultimately on us

**Portfolio Company Regulatory Environment.** We are subject to certain laws, such as certain environmental laws, takeover laws, anti-bribery and anti-corruption laws, escheat or abandoned property laws, and antitrust laws, that may impose requirements on us and our portfolio companies as an affiliated group. As a result, we could become jointly and severally liable for all or part of fines imposed on our portfolio companies or be fined directly for violations committed by portfolio companies, and such fines imposed directly on us could be greater than those imposed on the portfolio company. Compliance with these laws or contracts could also require us to commit significant resources and capital towards information gathering and monitoring thereby increasing our operating costs. For example, on April 2, 2014, the European Commission announced that it had fined 11 producers of underground and submarine high voltage power cables a total of 302 million euro for participation in a ten-year market and customer sharing cartel. Fines were also imposed on parent companies of the producers involved, including Goldman Sachs, the former parent company of one of the cartel members. The Federal Energy Regulatory Commission (FERC) has proposed a rule requiring regional transmission organizations and independent systems operators to collect, report and keep updated substantial information concerning their ownership structure and corporate relationships, corporate officers, direct and indirect investors (including non-controlling and passive non-voting investors), and lending and other material contractual relationships. If such rules are adopted as proposed, we and certain of our portfolio companies may become subject to costly and burdensome data collection and reporting requirements.

In the United States, certain statutes may subject us or our funds to the liabilities of our portfolio companies. The Comprehensive Environmental Response, Compensation and Liability Act, also referred to as the Superfund, requires cleanup of sites from which there has been a release or threatened release of hazardous substances, and authorizes the EPA to take any necessary response action at Superfund sites, including ordering potentially responsible parties liable for the release to pay for such actions. Potentially responsible parties are broadly defined under CERCLA. In addition, we or certain of our investment funds could potentially be held liable under ERISA for the pension obligations of one or more of our portfolio companies if we or the investment fund were determined to be a “trade or business” under ERISA and deemed part of the same “controlled group” as the portfolio company under such rules, and the pension obligations of any particular portfolio company could be material. In a decision of a federal appellate court (*Sun Capital Partners III LP v. New England Teamsters & Trucking Indus. Pension Fund*), a private equity firm was held to be engaged in a “trade or business” under ERISA.

Similarly, our portfolio companies may be subject to contractual obligations which may impose obligations or restrictions on their affiliates. The interpretation of such contractual provisions will depend on local laws. Given that we do not control all of our portfolio companies and that our portfolio companies generally operate independently of each other, there is a risk that we could contravene one or more of such laws, regulations and contractual arrangements due to limited access and opportunities to monitor compliance. In addition, compliance with these laws or contracts could require us to commit significant resources and capital towards information gathering and monitoring thereby increasing our operating costs.

***Complex regulations may limit our ability to raise capital, increase the costs of our capital raising activities and may subject us to penalties .***

We regularly rely on exemptions in the United States from various requirements of the Securities Act, the Exchange Act, the Investment Company Act, the Commodity Exchange Act and the U.S. Employee Retirement Income Security Act of 1974, or ERISA, in conducting our investment management activities. These exemptions are sometimes highly complex and may in certain circumstances depend on compliance by third parties whom we do not control. If for any reason these exemptions were to become unavailable to us, we could become subject to additional restrictive and costly registration requirements, regulatory action, or third party claims and our business could be materially and adversely affected. For example, in raising new funds, we typically rely on private placement exemptions from registration under the Securities Act, including Regulation D, which was recently amended to prohibit issuers (including our funds) from relying on certain of the exemptions from registration if the fund or any of its “covered persons” (including certain officers and directors, but also including certain third parties including, among others, promoters, placement agents and beneficial owners of 20% of outstanding voting securities of the fund) has been the subject of a “disqualifying event,” or a “bad actor,” which can include a variety of criminal, regulatory and civil matters. If any of the covered persons associated with our funds is subject to a disqualifying event, one or more of our funds could lose the ability to raise capital in a Rule 506 private offering for a significant period of time, which could significantly impair our ability to raise new funds, and, therefore, could materially adversely affect our business, financial condition and results of operations. In addition, if certain of our employees or any potential significant investor has been the subject of a disqualifying event, we could be required to reassign or terminate such an employee or we could be required to refuse the investment of such an investor, which could impair our relationships with investors, harm our reputation, or make it more difficult to raise new funds. See also “-Risks Related to Our Organizational Structure-If we were deemed to be an “investment company” subject to regulation under the Investment Company Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.”

We are and will become further subject to additional regulatory and compliance burdens as we expand our product offerings and investment platform to include retail investors. For example, funds in our Public Markets segment are registered under the Investment Company Act as management investment companies. These funds and KKR Credit Advisors (US) LLC, which serves as their investment adviser (or in the case of a BDC, as its sub-adviser), are subject to the Investment Company Act and the rules thereunder, which, among other things, regulate the relationship between a registered investment company (or business development company) and its investment adviser and prohibit or severely restrict principal transactions and joint transactions. As our business expands we may be required to make additional registrations, including in jurisdictions outside the U.S. Compliance with these rules will increase our compliance costs and create potential for additional liabilities and penalties the management of which would divert management's attention from our business and investments.

In June 2010, the SEC approved Rule 206(4)-5 under the Advisers Act regarding "pay to play" practices by investment advisers involving campaign contributions and other payments to government clients and elected officials able to exert influence on such clients. Among other restrictions, the rule prohibits investment advisers from providing advisory services for compensation to a government client for two years, subject to very limited exceptions, after the investment adviser, its senior executives or its personnel involved in soliciting investments from government entities make contributions to certain candidates and officials in position to influence the hiring of an investment adviser by such government client. Advisers are required to implement compliance policies designed, among other matters, to track contributions by certain of the adviser's employees and engagements of third parties that solicit government entities and to keep certain records in order to enable the SEC to determine compliance with the rule. There has also been similar rule-making on a state-level regarding "pay to play" practices by investment advisers, including in California and New York, and FINRA has proposed its own set of regulations. Any failure on our part to comply with these rules could cause us to lose compensation for our advisory services or expose us to significant penalties and reputational damage.

***Federal, state and foreign anti-corruption and sanctions laws applicable to us and our portfolio companies creates the potential for significant liabilities and penalties and reputational harm .***

We are also subject to a number of laws and regulations governing payments and contributions to political persons or other third parties, including restrictions imposed by the Foreign Corrupt Practices Act, or FCPA, as well as trade sanctions and export control laws administered by the Office of Foreign Assets Control, or OFAC, the U.S. Department of Commerce and the U.S. Department of State. The FCPA is intended to prohibit bribery of foreign governments and their officials and political parties, and requires public companies in the United States to keep books and records that accurately and fairly reflect those companies' transactions. OFAC, the U.S. Department of Commerce and the U.S. Department of State administer and enforce various export control laws and regulations, including economic and trade sanctions based on U.S. foreign policy and national security goals against targeted foreign states, organizations and individuals. These laws and regulations relate to a number of aspects of our business, including servicing existing fund investors, finding new fund investors, and sourcing new investments, as well as activities by the portfolio companies in our investment portfolio or other controlled investments.

The Iran Threat Reduction and Syrian Human Rights Act of 2012 ("ITRA") expanded the scope of U.S. sanctions against Iran and amended the Exchange Act. Specifically, Section 219 of the ITRA amended the Exchange Act to require public reporting companies to disclose in their annual or quarterly reports any dealings or transactions the company or its affiliates engaged in during the previous reporting period involving Iran or other individuals and entities targeted by certain OFAC sanctions. In some cases, ITRA requires companies to disclose these types of transactions even if they are permissible under U.S. law or are conducted outside of the United States by a foreign affiliate. We are required to separately file, concurrently with this annual report, a notice that such activities have been disclosed in this annual report. The SEC is required to post this notice of disclosure on its website and send the report to the U.S. President and certain U.S. Congressional committees. The U.S. President thereafter is required to initiate an investigation and, within 180 days of initiating such an investigation, to determine whether sanctions should be imposed. Disclosure of such activity, even if such activity is not subject to sanctions under applicable law, and any sanctions actually imposed on us or our affiliates as a result of these activities, could harm our reputation and have a negative impact on our business.

Similar laws in non-U.S. jurisdictions, such as EU sanctions or the U.K. Bribery Act, as well as other applicable anti-bribery, anti-corruption, anti-money laundering, or sanction or other export control laws in the U.S. and abroad, may also impose stricter or more onerous requirements than the FCPA, OFAC, the U.S. Department of Commerce and the U.S. Department of State, and implementing them may disrupt our business or cause us to incur significantly more costs to comply with those laws. Different laws may also contain conflicting provisions, making compliance with all laws more difficult. If we fail to comply with these laws and regulations, we could be exposed to claims for damages, civil or criminal financial penalties, reputational harm, incarceration of our employees, restrictions on our operations and other liabilities, which could negatively affect our business, operating results and financial condition. In addition, we may be subject to successor liability for FCPA

violations or other acts of bribery, or violations of applicable sanctions or other export control laws committed by companies in which we or our funds invest or which we or our funds acquire.

***We are subject to substantial litigation risks and may face significant liabilities and damage to our professional reputation as a result of litigation allegations and negative publicity.***

The activities of our businesses, including the investment decisions we make and the activities of our employees in connection with our portfolio companies, may subject us and them to the risk of litigation by third parties, including fund investors dissatisfied with the performance or management of their funds, debt or equity holders of our portfolio companies, and a variety of other potential litigants. See the section entitled “Litigation” appearing in Note 17 “Commitments and Contingencies” of our financial statements included elsewhere in this report. By way of example, we, our funds and certain of our employees are each exposed to the risks of litigation relating to investment activities of our funds and actions taken by the officers and directors (some of whom may be KKR employees) of portfolio companies, such as the risk of shareholder litigation by other shareholders of public companies or holders of debt instruments of companies in which our funds have significant investments. We are also exposed to risks of litigation, investigation or negative publicity in the event of any transactions that are alleged not to have been properly addressed.

To the extent investors in our investment funds suffer losses resulting from fraud, gross negligence, willful misconduct or other similar misconduct, such investors may have remedies against us, our investment funds, our employees or our affiliates. Investors in our funds do not have legal remedies against us, the general partners of our funds, our funds, our employees or our affiliates solely based on their dissatisfaction with the investment performance of those funds. While the general partners and investment advisers to our investment funds, including their directors, officers, employees and affiliates, are generally indemnified to the fullest extent permitted by law with respect to their conduct in connection with the management of the business and affairs of our investment funds, such indemnity generally does not extend to actions determined to have involved fraud, gross negligence, willful misconduct or other similar misconduct.

In addition, we have formed and may continue to form funds targeting retail investors, which may subject us to additional risk of litigation and regulatory scrutiny. See—“Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could adversely affect our business.”

If any civil or criminal lawsuits were brought against us and resulted in a finding of substantial legal liability or culpability, the lawsuit could materially adversely affect our business, financial condition or results of operations or cause significant reputational harm to us, which could seriously impact our business. We depend to a large extent on our business relationships and our reputation for integrity and high caliber professional services to attract and retain fund investors and qualified professionals and to pursue investment opportunities for our funds. As a result, allegations of improper conduct by private litigants or regulators, whether the ultimate outcome is favorable or unfavorable to us, as well as negative publicity and press speculation about us, our investment activities or the private equity industry in general, whether or not valid, may harm our reputation, which may be more damaging to our business than to other types of businesses.

In addition, with a workforce composed of many highly paid professionals, we face the risk of litigation relating to claims for compensation or other damages, which may, individually or in the aggregate, be significant in amount. The cost of settling any such claims could negatively impact our business, financial condition and results of operations.

***Misconduct of our employees or by our portfolio companies could harm us by impairing our ability to attract and retain clients and subjecting us to significant legal liability and reputational harm.***

There is a risk that our principals and employees could engage in misconduct that adversely affects our business. We are subject to a number of obligations and standards arising from our business and our authority over the assets we manage. The violation of these obligations and standards by any of our employees would adversely affect our clients and us. We may also be adversely affected if there is misconduct by senior management of portfolio companies in which our funds invest, even though we may be unable to control or mitigate such misconduct. Our business often requires that we deal with confidential matters of great significance to companies in which we may invest. If our employees were improperly to use or disclose confidential information, we could suffer serious harm to our reputation, financial position and current and future business relationships, as well as face potentially significant litigation. It is not always possible to detect or deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in all cases. If any of our employees or the employees of portfolio companies were to engage in misconduct or were to be accused of such misconduct, our business and our reputation could be adversely affected.

***Underwriting, syndicating and securities placement activities expose us to risks.***

KKR Capital Markets LLC or KCM, a subsidiary of ours, may act as an underwriter, syndicator or placement agent in securities offerings, and our joint venture's subsidiary, MCS Capital Markets LLC, may also act as an underwriter, syndicator or placement agent in securities offerings. We may incur losses and be subject to reputational harm to the extent that, for any reason, we are unable to sell securities or indebtedness we purchased or placed as an underwriter, syndicator or placement agent at the anticipated price levels. As an underwriter, syndicator or placement agent, we also may be subject to potential liability for material misstatements or omissions in prospectuses and other offering documents relating to offerings we underwrite, syndicate or place.

***We are subject to risks in using prime brokers, custodians, administrators and other agents.***

Certain of our investment funds and our principal activities depend on the services of prime brokers, custodians, administrators and other agents to carry out certain securities transactions.

In the event of the insolvency of a prime broker and/or custodian, our funds may not be able to recover equivalent assets in full as they will rank among the prime broker's and custodian's unsecured creditors in relation to assets which the prime broker or custodian borrows, lends or otherwise uses. In addition, our and our funds' cash held with a prime broker or custodian may not be segregated from the prime broker's or custodian's own cash, and our funds therefore may rank as unsecured creditors in relation thereto. The inability to recover assets from the prime broker or custodian could have a material impact on the performance of our funds and our business, financial condition and results of operations. Counterparties have generally reacted to recent market volatility by tightening their underwriting standards and increasing their margin requirements for all categories of financing, which has the result of decreasing the overall amount of leverage available and increasing the costs of borrowing. Many of our funds have credit lines, and if a lender under one or more of these credit lines were to become insolvent, we may have difficulty replacing the credit line and one or more of our funds may face liquidity problems.

Default risk may arise from events or circumstances that are difficult to detect, foresee or evaluate. In addition, concerns about, or a default by, one large participant could lead to significant liquidity problems for other participants, which may in turn expose us to significant losses. We may not accurately anticipate the impact of market stress or counterparty financial condition, and as a result, we may not have taken sufficient action to reduce these risks effectively.

***Compliance with applicable accounting requirements may materially strain our resources, materially increase our annual expenses and exposes us to other risks.***

The SEC may require in the future that we report our financial results under International Financial Reporting Standards, or IFRS, instead of under U.S. GAAP. IFRS is a set of accounting principles that has been gaining acceptance on a worldwide basis. These standards are published by the London-based International Accounting Standards Board ("IASB") and are more focused on objectives and principles and less reliant on detailed rules than U.S. GAAP. Today, there remain significant and material differences in several key areas between U.S. GAAP and IFRS which would affect us if we were required to prepare financial statements in conformity with IFRS. Additionally, U.S. GAAP provides specific guidance in classes of accounting transactions for which equivalent guidance in IFRS does not exist. The adoption of IFRS is highly complex and would have an impact on many aspects and operations of KKR, including but not limited to financial accounting and reporting systems, internal controls, taxes, borrowing covenants and cash management. It is expected that a significant amount of time, internal and external resources and expenses over a multi-year period would be required for this conversion.

**Risks Related to the Assets We Manage**

As an investment manager, we sponsor and manage funds that make investments worldwide on behalf of third-party investors and, in connection with those activities, are required to deploy our own capital in those investments. The investments of these funds are subject to many risks and uncertainties which, to the extent they are material, are discussed below. In addition, we have balance sheet investments and manage those assets on our own behalf. These risks, as they apply to our balance sheet investments, may have a greater impact on our results and financial conditions as we directly bear the full risk of our balance sheet. As a result, the gains and losses on such assets are reflected in our net income and the risks set forth below relating to the assets that we manage will directly affect our operating performance.

***The historical returns attributable to our funds, including those presented in this report, should not be considered as indicative of the future results of our funds, our balance sheet or of our future results or of any returns on our common units.***

We have presented in this report certain information relating to our investment returns, such as net and gross IRRs, multiples of invested capital and realized and unrealized investment values for funds that we have sponsored and managed. The historical and potential future returns of the funds that we manage are not directly linked to returns on KKR Group Partnership Units.

Moreover, historical returns of our funds may not be indicative of the future results that you should expect from us, which could negatively impact the fees and incentive amounts received by us from such funds. In particular, the future results of our funds or balance sheet assets may differ significantly from their historical results including for the following reasons:

- the rates of returns of our funds reflect unrealized gains as of the applicable valuation date that may never be realized, which may adversely affect the ultimate value realized from those funds' investments;
- the historical returns that we present in this report derive largely from the performance of our earlier private equity funds, whereas future fund returns will depend increasingly on the performance of our newer funds, which may have little or no investment track record, and in particular you will not benefit from any value that was created in our funds prior to the KPE Transaction to the extent such value has been realized and we may be required to repay excess amounts previously received in respect of carried interest in our funds if, upon liquidation of the fund, we have received carried interest distributions in excess of the amount to which we were entitled;
- the future performance of our funds will be affected by macroeconomic factors, including negative factors arising from disruptions in the global financial markets that were not prevalent in the periods relevant to the historical return data included in this report;
- in some historical periods, the rates of return of some of our funds have been positively influenced by a number of investments that experienced a substantial decrease in the average holding period of such investments and rapid and substantial increases in value following the dates on which those investments were made; the actual or expected length of holding periods related to investments is likely longer than such historical periods; those trends and rates of return may not be repeated in the future;
- our newly established funds may generate lower returns during the period that they take to deploy their capital;
- our funds' returns have benefited from investment opportunities and general market conditions in certain historical periods that may not repeat themselves, and there can be no assurance that our current or future funds will be able to avail themselves of comparable investment opportunities or market conditions; and
- we may create new funds and investment products in the future that reflect a different asset mix in terms of allocations among funds, investment strategies, geographic and industry exposure, vintage year and economic terms.

In addition, our historical rates of return reflect our historical cost structure, which has varied and may vary further in the future. Certain of our newer funds, for example, have lower fee structures and also have performance hurdles. Future returns will also be affected by the risks described elsewhere in this report, including risks of the industry sectors and businesses in which a particular fund invests and changes in laws. See “-Risks Related to our Business-Difficult market conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial condition.”

***Valuation methodologies for certain assets in our funds and on our balance sheet can be subjective and the fair value of assets established pursuant to such methodologies may never be realized, which could result in significant losses for our funds and us.***

There are no readily ascertainable market prices for a substantial majority of illiquid investments of our investment funds, our finance vehicles or other assets on our balance sheet. When determining fair values of investments, we use the last reported market price as of the statement of financial condition date for investments that have readily observable market prices. When an investment does not have a readily available market price, the fair value of the investment represents the value, as determined by us in good faith, at which the investment could be sold in an orderly disposition over a reasonable period of time between

willing parties other than in a forced or liquidation sale. There is no single standard for determining fair value in good faith and in many cases fair value is best expressed as a range of fair values from which a single estimate may be derived. When making fair value determinations for our private equity investments, we typically use a market multiples approach that considers a specified financial measure (such as EBITDA) and/or a discounted cash flow analysis. Real asset investments in infrastructure, energy and real estate are valued using one or more of the discounted cash flow analysis, market comparables analysis and direct income capitalization, which in each case incorporates significant assumptions and judgments. Credit investments are valued using values obtained from dealers or market makers, and where these values are not available, credit investments are valued by us based on ranges of valuations determined by an independent valuation firm.

Each of these methodologies requires estimates of key inputs and significant assumptions and judgments. We also consider a range of additional factors that we deem relevant, including the applicability of a control premium or illiquidity discount, the presence of significant unconsolidated assets and liabilities, any favorable or unfavorable tax attributes, the method of likely exit, financial projections, estimates of assumed growth rates, terminal values, discount rates including risk free rates, capital structure, risk premiums and other factors, and determining these factors may involve a significant degree of our management's judgment and the judgment of management of our portfolio companies.

Because valuations, and in particular valuations of investments for which market quotations are not readily available, are inherently uncertain, may fluctuate over short periods of time and may be based on estimates, determinations of fair value may differ materially from the values that would have resulted if a ready market had existed. Even if market quotations are available for our investments, such quotations may not reflect the value that we would actually be able to realize because of various factors, including possible illiquidity associated with a large ownership position, subsequent illiquidity in the market for a company's securities, future market price volatility or the potential for a future loss in market value based on poor industry conditions or the market's view of overall company and management performance. Our partners' capital could be adversely affected if the values of investments that we record is materially higher than the values that are ultimately realized upon the disposal of the investments and changes in values attributed to investments from quarter to quarter may result in volatility in our AUM and such changes could materially affect the results of operations that we report from period to period. There can be no assurance that the investment values that we record from time to time will ultimately be realized and that we will be able to realize the investment values that are presented in this report.

Because there is significant uncertainty in the valuation of, or in the stability of the value of, illiquid investments, the fair values of investments reflected in an investment fund's or finance vehicle's net asset value, or NAV, do not necessarily reflect the prices that would actually be obtained by us on behalf of the fund or finance vehicle when such investments are realized. For example there may be liabilities such as unknown or uncertain tax exposures with respect to investments, especially those outside the United States, which may not be fully reflected in valuations. Realizations at values significantly lower than the values at which investments have been reflected in prior fund NAVs would result in losses for the applicable fund and the loss of potential carried interest and other fees. Also, if realizations of our investments produce values materially different than the carrying values reflected in prior fund NAVs, fund investors may lose confidence in us, which could in turn result in difficulty in raising capital for future funds.

In addition, because we value our entire portfolio only on a quarterly basis, subsequent events that may have a material impact on those valuations may not be reflected until the next quarterly valuation date.

***Our investments are impacted by various economic conditions that are difficult to quantify or predict, and may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our financial condition and results of operations.***

Our investments are impacted by various economic conditions that are difficult to quantify or predict and may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our financial condition and results of operations. For example,

- Global equity markets, which may be volatile, significantly impact the valuation of our portfolio companies and, therefore, the investment income that we recognize. For our investments that are publicly listed and thus have readily observable market prices, global equity markets have a direct impact on valuation. For other investments, these markets have an indirect impact on valuation as we typically utilize market multiples (i.e. stock price of comparable companies divided by earnings or cash flow) as a critical input to ascertain fair value of our investments that do not have readily observable market prices. In addition, the valuation for any particular period may not be realized at the time of disposition. For example, because our private equity funds often hold very large amounts of the securities of their portfolio companies, the disposition of these securities often takes place over a long period of time, which can further expose us to volatility risk. In addition, the receptivity of equity markets to initial public offerings, or IPOs, as



well as subsequent secondary equity offerings by companies already public, impacts our ability to realize investment gains. Unfavorable market conditions, market volatility and other factors may also adversely impact the performance of our hedge fund businesses and our strategic partnerships with hedge fund asset managers and the level or pace of subscriptions or redemptions from the funds in these businesses.

- Changes in credit markets can also impact valuations and may have offsetting results depending on the valuation methodology used. For example, we typically use a discounted cash flow analysis as one of the methodologies to ascertain the fair value of our investments that do not have readily observable market prices. If applicable interest rates rise, then the assumed cost of capital for those portfolio companies would be expected to increase under the discounted cash flow analysis, and this effect would negatively impact their valuations if not offset by other factors. Rising U.S. interest rates may also negatively impact certain foreign currencies that depend on foreign capital flows. Conversely, a fall in interest rates can positively impact valuations of certain portfolio companies if not offset by other factors. These impacts could be substantial depending upon the magnitude of the change in interest rates. In certain cases, the valuations obtained from the discounted cash flow analysis and the other primary methodology we use, the market multiples approach, may yield different and offsetting results. For example, the positive impact of falling interest rates on discounted cash flow valuations may offset the negative impact of the market multiples valuation approach and may result in less of a decline in value than for those investments that had a readily observable market price. Finally, low interest rates related to monetary stimulus and economic stagnation may also negatively impact expected returns on all investments, as the demand for relatively higher return assets increases and supply decreases.
- Foreign exchange rates can materially impact the valuations of our investments that are denominated in currencies other than the U.S. dollar. For example, U.S. dollar appreciation relative to other currencies is likely to cause a decrease in the dollar value of non-U.S. investments to the extent unhedged.
- Conditions in commodity markets impact the performance of our portfolio companies and other investments in a variety of ways, including through the direct or indirect impact on the cost of the inputs used in their operations as well as the pricing and profitability of the products or services that they sell. The price of commodities has historically been subject to substantial volatility, which among other things, could be driven by economic, monetary, political or weather related factors. If certain of our portfolio companies are unable to raise prices to offset increases in the cost of raw materials or other inputs, or if consumers defer purchases of or seek substitutes for the products of such portfolio companies, such portfolio companies could experience lower operating income which may in turn reduce the valuation of those portfolio companies. The value of energy real asset investments generally increase or decrease with the increase or decrease, respectively, of commodity prices. As we make additional investments in oil and gas companies and assets, the value of our portfolio and the investment income we realize may become increasingly sensitive to oil and gas prices. Apart from our energy real asset investments, a number of our other investments may be dependent to varying degrees on the energy sector through, for example, the provision of equipment and services used in energy exploration and production. These companies may benefit from an increase or suffer from a decline in commodity prices.

Changes in these factors can have a significant effect on the results of the valuation methodologies used to value our portfolio, and our reported fair values for these assets could vary materially if these factors from prior quarters were to change significantly. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Business Environment.”

Global and regional economic conditions have a substantial impact on the value of investments. See “-Risks Related to Our Business-Difficult market conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial condition.”

***Dependence on significant leverage in investments by our funds and our balance sheet assets could adversely affect our ability to achieve attractive rates of return on those investments.***

Because many of our funds’ investments and our balance sheet assets often rely heavily on the use of leverage, our ability to achieve attractive rates of return will depend on our continued ability to access sufficient sources of indebtedness at attractive rates. For example, our credit funds use varying degrees of leverage when making investments. Similarly, in many private equity investments, indebtedness may constitute 70% or more of a portfolio company’s total debt and equity capitalization, including debt that may be incurred in connection with the investment, and a portfolio company’s indebtedness may also increase in recapitalization transactions subsequent to the company’s acquisition. The absence of available sources of sufficient debt financing for extended periods of time could therefore materially and adversely affect our funds and our

portfolio companies. Also, an increase in either the general levels of interest rates or in the risk spread demanded by sources of indebtedness such as we experienced during 2009 would make it more expensive to finance those investments. In addition, increases in interest rates could decrease the value of fixed-rate debt investments that our balance sheet assets, finance vehicles or our funds make. Increases in interest rates could also make it more difficult to locate and consummate private equity and other investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital or their ability to benefit from a higher amount of cost savings following the acquisition of the asset. In addition, a portion of the indebtedness used to finance private equity investments often includes high- yield debt securities issued in the capital markets. Capital markets are volatile, and there may be times when we might not be able to access those markets at attractive rates, or at all, when completing an investment.

Investments in highly leveraged entities are also inherently more sensitive to declines in revenues, increases in expenses and interest rates and adverse economic, market and industry developments. The incurrence of a significant amount of indebtedness by an entity could, among other things:

- subject the entity to a number of restrictive covenants, terms and conditions, any violation of which would be viewed by creditors as an event of default and could materially impact our ability to realize value from our investment;
- allow even moderate reductions in operating cash flow to render it unable to service its indebtedness;
- give rise to an obligation to make mandatory prepayments of debt using excess cash flow, which might limit the entity's ability to respond to changing industry conditions to the extent additional cash is needed for the response, to make unplanned but necessary capital expenditures or to take advantage of growth opportunities;
- limit the entity's ability to adjust to changing market conditions, thereby placing it at a competitive disadvantage compared to its competitors who have relatively less debt;
- limit the entity's ability to engage in strategic acquisitions that might be necessary to generate attractive returns or further growth; and
- limit the entity's ability to obtain additional financing or increase the cost of obtaining such financing, including for capital expenditures, working capital or other general corporate purposes.

A leveraged company's income and equity also tend to increase or decrease at a greater rate than would otherwise be the case if money had not been borrowed. As a result, the risk of loss associated with a leveraged company is generally greater than for comparable companies with comparatively less debt. For example, leveraged companies could default on their debt obligations due to a decrease in revenues and cash flow precipitated by an economic downturn or by poor relative performance at such a company. Similarly, the leveraged nature of some of our investments in real assets increases the risk that a decline in the fair value of the underlying real asset will result in their abandonment or foreclosure. For example, if the property-level debt on a particular investment has reached its maturity and the underlying asset value has declined below its debt-level, we may, in absence of cooperation with the lender in regards to a partial debt-write-off, be forced to put the investment into liquidation.

When our existing portfolio investments reach the point when debt incurred to finance those investments matures in significant amounts and must be either repaid or refinanced, those investments may materially suffer if they have generated insufficient cash flow to repay maturing debt and there is insufficient capacity and availability in the financing markets to permit them to refinance maturing debt on satisfactory terms, or at all. If the financing for such purposes were to be unavailable or uneconomic when significant amounts of the debt incurred to finance our existing portfolio investments start to come due, these investments could be materially and adversely affected. In the event of default or potential default under applicable financing arrangements, one or more of our portfolio companies may go bankrupt, which could give rise to substantial investment losses, adverse claims or litigation against us or our employees and damage to our reputation.

Among the sectors particularly challenged by downturns in the global credit markets, including the downturn experienced from 2008 through 2010, are the CLO and leveraged finance markets. We have significant exposure to these markets through our CLO subsidiaries, which we principally acquired in the acquisitions of KFN and Avoca. As of December 31, 2015, we indirectly hold below investment grade corporate loans and securities with a \$8.4 billion estimated fair market value through our CLO subsidiaries. Each of these subsidiaries is a special purpose company that issued to us and other investors notes secured by a pool of collateral consisting primarily of corporate leveraged loans. In most cases, our CLO holdings are deeply subordinated, representing the CLO subsidiary's substantial leverage, which increases both the opportunity for higher returns as well as the magnitude of losses when compared to holders or investors that rank more senior to us in right of payment. These

loans and bonds also generally involve a higher degree of risk than investment grade rated debt including the risks described in the paragraphs above. Our CLO subsidiaries have historically experienced an increase in downgrades, depreciations in market value and defaults in respect of leveraged loans in their collateral during downturns in credit markets. The CLOs' portfolio profile tests set limits on the amount of discounted obligations a CLO can hold. During any time that a CLO issuer exceeds such a limit, the ability of the CLO's manager to sell assets and reinvest available principal proceeds into substitute assets is restricted. In such circumstances, CLOs may fail certain over-collateralization tests, which would cause diversions of cash flows away from us as holders of the more junior CLO, which may impact our cash flows. The ability of the CLOs to make interest payments to the holders of the senior notes of those structures is highly dependent upon the performance of the CLO collateral. If the collateral in those structures were to experience a significant decrease in cash flow due to an increased default level, payment of all principal and interest outstanding may be accelerated as a result of an event of default or by holders of the senior notes. There can be no assurance that market conditions giving rise to these types of consequences will not occur, re-occur, subsist or become more acute in the future. In July 2009, KFN surrendered for cancellation approximately \$298.4 million in aggregate of notes issued to it by certain of its CLOs. The surrendered notes were cancelled and the obligations due under such notes were deemed extinguished. Because our CLO structures involve complex collateral and other arrangements, the documentation for such structures is complex, is subject to differing interpretations and involves legal risk. These CLOs have served as long-term, non-recourse financing for debt investments and as a way to minimize refinancing risk, minimize maturity risk and secure a fixed cost of funds over an underlying market interest rate. An inability to continue to utilize CLOs or other similar financing vehicles successfully could limit our ability to fund future investments, grow our business or fully execute our business strategy and our results of operations may be adversely affected.

Our CLO subsidiaries regularly use significant leverage to finance their assets. An inability by such subsidiaries to continue to raise or utilize leverage, to refinance or extend the maturities of their outstanding indebtedness or to maintain adequate levels of collateral under the terms of their collateralized loan obligations could limit their ability to grow their business, reinvest principal cash, distribute cash to us or fully execute their business strategy, and our results of operations may be adversely affected. If these subsidiaries are unable to maintain their operating results and access to capital resources, they could face substantial liquidity problems and might be required to dispose of material assets or operations to meet debt service and other obligations. These CLO strategies and the value of the assets of such CLO subsidiaries are also sensitive to changes in interest rates because these strategies rely on borrowed money and because the value of the underlying portfolio loans can fall when interest rates rise. If interest rates on CLO borrowings increase and the interest rates on the portfolio do not also increase, the CLO strategy is unlikely to achieve its projected returns. Also, if interest rates increase in the future, our CLO portfolio will likely experience a reduction in value because it would hold assets receiving below market rates of interest.

Our hedge fund-of-funds, long/short credit fund, other credit-oriented funds and CLOs may choose to use leverage as part of their respective investment programs and regularly borrow a substantial amount of their capital. The use of leverage poses a significant degree of risk and enhances the possibility of a significant loss in the value of the investment portfolio. A fund may borrow money from time to time to purchase or carry securities or debt obligations or may enter into derivative transactions (such as total return swaps) with counterparties that have embedded leverage. The interest expense and other costs incurred in connection with such borrowing may not be recovered by appreciation in the securities purchased or carried and will be lost-and the timing and magnitude of such losses may be accelerated or exacerbated-in the event of a decline in the market value of such securities or debt obligations. Gains realized with borrowed funds may cause the fund's net asset value to increase at a faster rate than would be the case without borrowings. However, if investment results fail to cover the cost of borrowings, the fund's net asset value could also decrease faster than if there had been no borrowings.

Any of the foregoing circumstances could have a material adverse effect on our financial condition, results of operations and cash flow.

***The due diligence process that we undertake in connection with our investments may not reveal all facts that may be relevant in connection with an investment.***

Before making our investments, we conduct due diligence that we deem reasonable and appropriate based on the facts and circumstances applicable to each investment. The objective of the due diligence process is to identify attractive investment opportunities based on the facts and circumstances surrounding an investment, to identify possible risks associated with that investment and, in the case of private equity investments, to prepare a framework that may be used from the date of an acquisition to drive operational achievement and value creation. When conducting due diligence, we typically evaluate a number of important business, financial, tax, accounting, environmental and legal issues in determining whether or not to proceed with an investment. Outside consultants, legal advisors, accountants and investment banks are involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, we rely on resources available to us, including information provided by the

target of the investment and, in some circumstances, third-party investigations. The due diligence process may at times be subjective with respect to newly organized companies or carve-out transactions for which only limited information is available.

Instances of bribery, fraud, accounting irregularities and other improper, illegal or corrupt practices can be difficult to detect, and fraud and other deceptive practices can be widespread in certain jurisdictions. Several of our funds invest in emerging market countries that may not have established laws and regulations that are as stringent as in more developed nations, or where existing laws and regulations may not be consistently enforced. For example, our funds invest throughout jurisdictions that have material perceptions of corruption according to international rating standards (such as Transparency International and Corruption Perceptions Index) such as China, India, Indonesia, Latin America, the Middle East and Africa. Due diligence on investment opportunities in these jurisdictions is frequently more complicated because consistent and uniform commercial practices in such locations may not have developed. Bribery, fraud, accounting irregularities and corrupt practices can be especially difficult to detect in such locations.

The due diligence conducted for certain of our Public Markets strategies is limited to publicly available information. Accordingly, we cannot be certain that the due diligence investigation that we will carry out with respect to any investment opportunity will reveal or highlight all relevant facts (including fraud, bribery and other illegal activities and contingent liabilities) that may be necessary or helpful in evaluating such investment opportunity, including the existence of contingent liabilities. We also cannot be certain that our 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 we used when evaluating that investment.

When we conduct due diligence in making and monitoring investments in third party hedge funds, we rely on information supplied by third party hedge funds or by service providers to such third party hedge funds. The information we receive from them may not be accurate or complete and therefore we may not have all the relevant facts necessary to properly assess and monitor our funds' investment in a particular hedge fund.

***Our investment management activities involve investments in relatively high-risk, illiquid assets, and we may fail to realize any profits from these activities for a considerable period of time or lose some or all of the capital invested.***

Many of our funds and our balance sheet may hold investments in securities that are not publicly traded. In many cases, our funds or we may be prohibited by contract or by applicable securities laws from selling such securities at many points in time. Our funds or we will generally not be able to sell these securities publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration is available, and then only at such times when we do not possess material nonpublic information. The ability of many of our funds or us to dispose of investments is heavily dependent on the capital markets and in particular the public equity markets. For example, the ability to realize any value from an investment may depend upon the ability to complete an initial public offering of the portfolio company in which such investment is made. Even if the securities are publicly traded, large holdings of securities can often be disposed of only over a substantial length of time, exposing our investment returns to risks of downward movement in market prices during the intended disposition period. Moreover, because the investment strategy of many of our funds, particularly our private equity funds, often entails or having representation on our funds' public portfolio company boards, our funds may be restricted in their ability to effect such sales during certain time periods. As certain of our funds have a finite term, we could also be forced to dispose of investments sooner than otherwise desirable. Accordingly, under certain conditions, our funds 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. Moreover, we may determine that we may be required to sell our balance sheet assets alongside our funds' investments at such times. We have made and expect to continue to make significant capital investments in our current and future funds and other strategies. Contributing capital to these funds is risky, and we may lose some or all of the principal amount of our investments.

***Our investments are subject to a number of inherent risks.***

Our results are highly dependent on our continued ability to generate attractive returns from our investments. Investments made by our private equity, credit or other investments involve a number of significant risks inherent to private equity, credit and other investing, including the following:

- companies in which investments are made may have limited financial resources and may be unable to meet their obligations under their securities, which may be accompanied by a deterioration in the value of their equity securities or any collateral or guarantees provided with respect to their debt;

- companies in which investments are made are more likely to depend on the management talents and efforts of a small group of persons and, as a result, the death, disability, resignation or termination of one or more of those persons could have a material adverse impact on their business and prospects;
- companies in which private equity investments are made may be businesses or divisions acquired from larger operating entities which may require a rebuilding or replacement of financial reporting, information technology, operational and other functions;
- companies in which investments are made may from time to time be parties to litigation, may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position;
- instances of bribery, fraud and other deceptive practices committed by senior management of portfolio companies in which our funds or we invest may undermine our due diligence efforts with respect to such companies, and if such fraud is discovered, negatively affect the valuation of a fund's investments as well as contribute to overall market volatility that can negatively impact a fund's or our investment program;
- our funds may make investments that they do not advantageously dispose of prior to the date the applicable fund is dissolved, either by expiration of such fund's term or otherwise, resulting in a lower than expected return on the investments and, potentially, on the fund itself;
- our portfolio companies generally have capital structures established on the basis of financial projections based primarily on management judgments and assumptions, and general economic conditions and other factors may cause actual performance to fall short of these financial projections, which could cause a substantial decrease in the value of our equity holdings in the portfolio company and cause our funds' or our performance to fall short of our expectations;
- executive officers, directors and employees of an equity sponsor may be named as defendants in litigation involving a company in which an investment is made or is being made, and we or our funds may indemnify such executive officers, directors or employees for liability relating to such litigation;
- we advise funds that invest in businesses that operate in a variety of industries that are subject to extensive domestic and foreign regulation (including companies that supply services to governmental agencies), such as the telecommunications industry, the defense and government services industry, the healthcare industry and oil and gas industry, that may involve greater risk due to rapidly changing market and governmental conditions in those sectors;
- our transactions involve complex tax structuring that could be challenged or disregarded, which may result in losing treaty benefits or would otherwise adversely impact our investments; and
- significant failures of our portfolio companies to comply with laws and regulations applicable to them could affect the ability of our funds or us to invest in other companies in certain industries in the future and could harm our reputation;

***Our investments in real assets such as real estate, infrastructure assets and energy may expose us to increased risks and liabilities and may expose our unitholders to adverse tax consequences.***

Investments in real assets, which may include real estate, infrastructure assets, oil and gas properties and other energy assets, may expose us to increased risks and liabilities that are inherent in the ownership of real assets. For example,

- Ownership of real assets in our funds or vehicles may increase our risk of liability under environmental laws that impose, regardless of fault, joint and several liability for the cost of remediating contamination and compensation for damages. In addition, changes in environmental laws or regulations or the environmental condition of an investment may create liabilities that did not exist at the time of acquisition that would not have been foreseen. Even in cases where we are indemnified by a seller with respect to an investment against liabilities arising out of violations of environmental laws and regulations, there can be no assurance as to the financial viability of the seller to satisfy such indemnities or our ability to achieve enforcement of such indemnities.
- Ownership of real assets may also present additional risk of liability for personal and property injury or impose significant operating challenges and costs, for example with respect to compliance with zoning, environmental or other applicable laws.

- Real asset investments may face construction risks, without limitation: (i) labor disputes, shortages of material and skilled labor, or work stoppages; (ii) slower than projected construction progress and the unavailability or late delivery of necessary equipment; (iii) less than optimal coordination with public utilities in the relocation of their facilities; (iv) adverse weather conditions and unexpected construction conditions; (v) accidents or the breakdown or failure of construction equipment or processes; (vi) catastrophic events such as explosions, fires, and terrorist activities, and other similar events and (vii) risks associated with holding direct or indirect interests in undeveloped land or underdeveloped real property. These risks could result in substantial unanticipated delays or expenses (which may exceed expected or forecasted budgets) and, under certain circumstances, could prevent completion of construction activities once undertaken. Certain real asset investments may remain in construction phases for a prolonged period and, accordingly, may not be cash generative for a prolonged period. Recourse against the contractor may be subject to liability caps or may be subject to default or insolvency on the part of the contractor.
- The operation of real assets is exposed to potential unplanned interruptions caused by significant catastrophic or force majeure events. These risks could, among other effects, adversely impact the cash flows available from investments in real assets, cause personal injury or loss of life, damage property, or instigate disruptions of service. In addition, the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged service interruptions may result in permanent loss of customers, litigation, or penalties for regulatory or contractual non-compliance. Force majeure events that are incapable of, or too costly to, cure may also have a permanent adverse effect on an investment.
- The management of the business or operations of a real asset may be contracted to a third-party management company unaffiliated with us. Although it would be possible to replace any such operator, the failure of such an operator to adequately perform its duties or to act in ways that are in the portfolio company's best interest, or the breach by an operator of applicable agreements or laws, rules, and regulations, could have an adverse effect on the investment's financial condition or results of operations. Real asset investments may involve the subcontracting of design and construction activities in respect of projects, and as a result our investments are subject to the risk that contractual provisions passing liabilities to a subcontractor could be ineffective, the subcontractor fails to perform services which it has agreed to provide and in cases where a single subcontractor provides services to various investments, the subcontractor becomes insolvent.

Without limiting the foregoing disclosure, we note that investments that we have made and will continue to make in the oil and gas industries may present specific environmental, safety and other inherent risks, and such investments are subject to stringent and complex foreign, federal, state and local laws, ordinances and regulations specific to oil and gas industries, for example governing controls, taxes, transportation of oil and natural gas, exploration and production, permitting, and various conservation laws and regulations applicable to oil and natural gas production and related operations in addition to regulations governing occupational health and safety, the discharge of materials into the environment or otherwise relating to environmental protection. Failure to comply with applicable laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial obligations and the issuance of orders enjoining some or all of our operations in affected areas. These laws and regulations may also restrict the rate of oil and natural gas production below the rate that would otherwise be possible and increase the cost of production thus reducing profitability. Our oil and gas investments are subject to other risks, such as:

- The acquisition of oil and gas properties at appropriate prices.
- Currently unforeseen environmental incidents may occur or past non-compliance with environmental laws or regulations may be discovered making it difficult to predict the future costs or impact of compliance.
- The oil and gas industries present inherent risk of personal and property injury, for which we may not be fully insured.
- The use of new technologies, including hydraulic fracturing.
- Our estimated oil, natural gas, and natural gas liquids reserve quantities and future production rates are based on many assumptions that may prove to be inaccurate. Any material inaccuracies in these reserve estimates or the underlying assumptions will materially affect the quantities and value of our reserves.
- The performance of our energy investments depend on the skill, ability and decisions of third party operators. The success of our investment will depend on their exploitation, development, construction and drilling activities and the timing and cost of drilling, completing and operating wells. Failure of such operators to comply with applicable laws, rules and regulations could result in liabilities to us, reduce the value of our interest in the oil and natural gas properties, adversely affect our cash flows and results of operations.

- If commodity prices decline and remain depressed for a prolonged period, a significant portion of our development projects may become uneconomic and cause write downs of the value of our oil and natural gas properties, which may reduce the value of our energy investments, have a negative impact on our ability to use these investments as collateral or otherwise have a material adverse effect on our results of operations.

Investments in real estate are subject to the risks inherent in the ownership and operation of real estate and real estate related businesses and assets. These risks include those associated with the burdens of ownership of real property, general and local economic conditions, changes in supply of and demand for competing properties in an area (as a result, for instance, of overbuilding), fluctuations in the average occupancy, the financial resources of tenants, changes in building, environmental and other laws, energy and supply shortages, various uninsured or uninsurable risks, natural disasters, changes in government regulations (such as rent control), changes in real property tax rates, changes in interest rates, the reduced availability of mortgage funds which may render the sale or refinancing of properties difficult or impracticable, negative developments in the economy that depress travel activity, environmental liabilities, contingent liabilities on disposition of assets, terrorist attacks, war and other factors that are beyond our control.

- The success of certain investments will depend on the ability to restructure and effect improvements in the operations of the applicable properties, and there is no assurance, we will be successful in identifying or implementing such restructuring programs and improvements.
- If we acquire direct or indirect interests in undeveloped land or underdeveloped real property, which may often be non-income producing, they will be subject to the risks normally associated with such assets and development activities, including risks relating to the availability and timely receipt of zoning and other regulatory or environmental approvals, the cost and timely completion of construction (including risks beyond the control of our fund, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms.
- The strategy of our real estate funds may be based, in part, on the availability for purchase of assets at favorable prices, and upon the continuation or improvement of market conditions, or on the availability of refinancing. No assurance can be given that the real estate businesses or assets can be acquired or disposed of at favorable prices or that refinancing will be available.
- Lenders in commercial real estate financing customarily will require a “bad boy” guarantee, which typically provides that the lender can recover losses from the guarantors for certain bad acts, such as fraud or intentional misrepresentation, intentional waste, willful misconduct, criminal acts, misappropriation of funds, voluntary incurrence of prohibited debt and environmental losses sustained by lender. For our acquisitions, “bad boy” guarantees would generally be extended by our funds, our balance sheet or a combination of both depending on the ownership of the relevant asset. In addition, “bad boy” guarantees typically provide that the loan will be a full personal recourse obligation of the guarantor, for certain actions, such as prohibited transfers of the collateral or changes of control and voluntary bankruptcy of the borrower. It is expected that commercial real estate financing arrangements generally will require “bad boy” guarantees and in the event that such a guarantee is called, a fund’s or our assets could be adversely affected. Moreover, “bad boy” guarantees could apply to actions of the joint venture partners associated with the investments, and in certain cases the acts of such joint venture partner could result in liability to our funds or us under such guarantees.
- The acquisition, ownership and disposition of real properties carry certain specific litigation risks. Litigation may be commenced with respect to a property acquired in relation to activities that took place prior to the acquisition of such property. In addition, at the time of disposition, other potential buyers may bring claims related to the asset or for due diligence expenses or other damages. After the sale of a real estate asset, buyers may later sue our funds or us for losses associated with latent defects or other problems not uncovered in due diligence.
- Our funds or we may be subject to certain risks associated with investments in particular assets. Real estate investment trusts (or REITs) be affected by changes in the value of their underlying properties and by defaults by borrowers or tenants. REITs depend on their ability to generate cash flow to make distributions and may be impacted by changes in tax laws or by a failure to qualify for tax-free pass through income. Investments in real estate debt investments may be unsecured and subordinated to a substantial amount of indebtedness. Such debt investments may not be protected by financial covenants. Non-performing real estate loans may require a substantial amount of workout negotiations and/or restructuring, which may entail, among other things, a substantial reduction in the interest rate and a substantial write-down of the principal of such loan. Investments in commercial mortgage loans are subject to risks of delinquency and foreclosure, and risks of loss. In the event of any default under a mortgage loan held directly by our fund or us, our fund or we will bear a risk of loss of principal to the extent of any deficiency between the value of the

collateral and the principal to the extent of any deficiency between the value of the collateral the principal and accrued interest of the loan. Investments in assets or businesses that are distressed may have little or no near term cash flow and involve a high degree of risk. Such investments subject to bankruptcy or insolvency could be subordinated or disallowed.

Infrastructure investments often involve an ongoing commitment to a municipal, state, federal or foreign government or regulatory agencies. The nature of these obligations exposes the owners of infrastructure investments to a higher level of regulatory control than typically imposed on other businesses. They may also rely on complex government licenses, concessions, leases or contracts, which may be difficult to obtain or maintain. Revenues for such investments may rely on contractual agreements for the provision of services with a limited number of counterparties, and are consequently subject to counterparty default risk. The operations and cash flow of infrastructure investments are also more sensitive to inflation and, in certain cases, commodity price risk. Furthermore, services provided by infrastructure investments may be subject to rate regulations by government entities that determines or limits prices that may be charged. Similarly, users of applicable services or government entities in response to such users may react negatively to any adjustments in rates reducing the profitability of such infrastructure investments.

In addition, investments in real assets may cause adverse tax consequences for certain non-U.S. unitholders regarding income effectively connected with the conduct of a U.S. trade or business and the imposition of certain tax withholding. Please see “-Risks Related to U.S. Taxation-Non- U.S. persons face unique U.S. tax issues from owning our common units that may result in adverse tax consequences to them”. Moreover, investments in real assets may also require all our unitholders to file tax returns and pay taxes in various state and local jurisdictions in the U.S. and abroad where these real assets are located. Please see “Risks Related to U.S. Taxation-Holders of our common units may be subject to state, local and foreign taxes and return filing requirements as a result of owning such common units”.

***Certain of our funds and CLOs and our firm through our principal assets hold high-yield, below investment grade or unrated debt, or securities of companies that are experiencing significant financial or business difficulties, which generally entail greater risk, and if those losses are realized, it could adversely affect our results of operations, and our cash available for distribution to unitholders.***

Certain of our funds and CLOs in our Public Markets segment and our firm through our principal assets invest in below investment grade or unrated debt, including corporate loans and bonds, each of which generally involves a higher degree of risk than investment grade rated debt, and may be less liquid. Issuers of high yield or unrated debt may be highly leveraged, and their relatively high debt-to-equity ratios create increased risks that their operations might not generate sufficient cash flow to service their debt obligations. As a result, high yield or unrated debt is often less liquid than investment grade rated debt. Also, investments may be made in loans and other forms of debt that are not marketable securities and therefore are not liquid. In the absence of appropriate hedging measures, changes in interest rates generally will also cause the value of debt investments to vary inversely to such changes. The obligor of a debt security or instrument may not be able or willing to pay interest or to repay principal when due in accordance with the terms of the associated agreement and collateral may not be available or sufficient to cover such liabilities. Commercial bank lenders and other creditors may be able to contest payments to the holders of other debt obligations of the same obligor in the event of default under their commercial bank loan agreements. Sub-participation interests in syndicated debt may be subject to certain risks as a result of having no direct contractual relationship with underlying borrowers. Debt securities and instruments may be rated below investment grade by recognized rating agencies or unrated and face ongoing uncertainties and exposure to adverse business, financial or economic conditions and the issuer’s failure to make timely interest and principal payments.

Certain of our investment funds, especially in our special situations strategy, and our firm through principal assets may hold interests in business enterprises involved in work-outs, liquidations, reorganizations, bankruptcies and similar transactions and may purchase high risk receivables. An investment in such business enterprises entails the risk that the transaction in which such business enterprise is involved either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the fund of the security or other financial instrument in respect of which such distribution is received. In addition, if an anticipated transaction does not in fact occur, we or the fund may be required to sell the investment at a loss. Investments in troubled companies may also be adversely affected by U.S. federal and state and non-U.S. laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and a bankruptcy court’s discretionary power to disallow, subordinate or disenfranchise particular claims. Investments in securities and private claims of troubled companies made in connection with an attempt to influence a restructuring proposal or plan of reorganization in a bankruptcy case may also involve substantial litigation, which has the potential to adversely impact us or unrelated funds or portfolio companies. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies, there is a potential risk of loss of the entire investment in



such company. Such investments involve a substantial degree of risk, and a decline in value of the assets would have a material adverse effect on our financial performance.

***Our investment in Nephila is exposed to natural catastrophe and weather risk.***

Our investment in Nephila, an investment manager focused on investing in natural catastrophe and weather risk, is exposed to a risk of reduced revenues resulting from natural disasters. Because catastrophic loss events are by their nature unpredictable, historical results of operations of Nephila may not be indicative of its future results of operations. As a result of the occurrence of one or more major catastrophes in any given period, the expected returns from this investment may fall short of our expectations.

***We often pursue investment opportunities that involve business, regulatory, legal or other complexities.***

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

***Our private equity investments are typically among the largest in the industry, which involves certain complexities and risks that are not encountered in small- and medium-sized investments.***

Our private equity funds make investments in companies with relatively large capitalizations, which involves certain complexities and risks that are not encountered in small- and medium-sized investments. For example, larger transactions may be more difficult to finance and exiting larger deals may present incremental challenges. In addition, larger transactions may pose greater challenges in implementing changes in the company's management, culture, finances or operations, and may entail greater scrutiny by regulators, interest groups and other third parties. These constituencies may be more active in opposing some larger investments by certain private equity firms.

In some transactions, the amount of equity capital that is required to complete a large capitalization private equity transaction may be significant and are required to be structured as a consortium transaction. A consortium transaction involves an equity investment in which two or more other private equity firms serve together or collectively as equity sponsors. While we have sought to limit where possible the amount of consortium transactions in which we have been involved, we have participated in a significant number of those transactions. Consortium transactions generally entail a reduced level of control by our firm over the investment because governance rights must be shared with the other consortium investors. Accordingly, we may not be able to control decisions relating to a consortium investment, including decisions relating to the management and operation of the company and the timing and nature of any exit, which could result in the risks described in “-Our funds have made investments in companies that we do not control, exposing us to the risk of decisions made by others with which we may not agree.” Any of these factors could increase the risk that our larger investments could be less successful. The consequences to our investment funds of an unsuccessful larger investment could be more severe given the size of the investment. Moreover, we have significant co-investments in such large investments, and as a result the poor performance of any such large investment may have a material adverse impact on our financial results. See “-We and certain of our funds may make a limited number of investments, or investments that are concentrated in certain geographic regions or asset types, which could negatively affect our performance or the performance of our funds to the extent those concentrated investments perform poorly” and “-Because we hold interests in some of our portfolio companies both through our management of private equity

funds as well as through separate investments in those funds and direct co-investments, fluctuation in the fair values of these portfolio companies may have a disproportionate impact on the investment income earned by us.”

***We and our funds have made investments in companies that we do not control, exposing us to the risk of decisions made by others with which we may not agree.***

We and our funds and accounts hold investments that include debt instruments and equity securities of companies that we do not control, and such investments may comprise an increasing part of our business. Such instruments and securities may be acquired by our funds and accounts through trading activities or through purchases of securities from the issuer or we may purchase such instruments and securities on a principal basis. In addition, our funds and accounts may acquire minority equity interests, particularly when making private equity investments in Asia or sponsoring investments as part of a large investor consortium or through many of our Public Markets funds, and may also dispose of a portion of their majority equity investments in portfolio companies over time in a manner that results in the funds or accounts retaining a minority investment. We and our funds, including our newer private equity funds, have made certain minority investments in publicly traded companies. We have also increasingly made minority investments in companies including hedge fund managers with our balance sheet assets. Transactions made by companies we do not control could be viewed as unwanted, damage our reputation, and consequently impair our ability to source transactions in the future. Those investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which we do not agree or that the majority stakeholders or the management of the company may take risks or otherwise act in a manner that does not serve our interests. These companies may be subject to complex regulatory requirements and instances of non-compliance by them may subject us to reputational harm or in certain cases, liability. We are also reliant on the systems and processes of these companies including for financial information and valuations of our investments in or with them, including hedge fund managers and their funds, but we do not control the decisions and judgments made during such processes. Our investments in hedge fund managers through our stakes and seeding business may subject us to additional regulatory complexities or scrutiny if we are deemed to control the company for regulatory purposes, despite our minority interest. These asset managers may also be dependent on their founders and other key persons, and the loss of these key personnel could adversely impact our investment. If any of the foregoing were to occur, the value of the investments held by our funds or accounts or by us could decrease and our financial condition, results of operations and cash flow could be adversely affected.

***We make investments in companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States.***

Many of our funds, vehicles and accounts invest or have the flexibility to invest a significant portion of their assets in the equity, debt, loans or other securities of issuers that are based outside of the United States. A substantial amount of these investments consist of private equity investments made by our private equity funds. For example, as of December 31, 2015, approximately 49% of the unrealized value of the investments of those funds and accounts was attributable to foreign investments. Investing in companies that are based or have significant operations in countries outside of the United States and, in particular, in emerging markets such as China and India, Eastern Europe, countries in south and southeast Asia, Brazil, Latin America and Africa, involves risks and considerations that are not typically associated with investments in companies established in the United States. These risks may include the following:

- 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;
- the imposition of non-U.S. taxes and changes in tax law;
- differences in the legal and regulatory environment, for example the recognition of information barriers, or enhanced legal and regulatory compliance;
- greater levels of corruption and potential exposure to the FCPA and other laws that prohibit improper payments or offers of payments to foreign governments, their officials and other third parties;
- violations of sanctions regimes;
- limitations on borrowings to be used to fund acquisitions or dividends;
- limitations on permissible counterparties in our transactions or consolidation rules that effectively restrict the types of businesses in which we may invest;

- political risks generally, including political hostility to investments by foreign or private equity investors;
- less liquid markets;
- reliance on a more limited number of commodity inputs, service providers and/or distribution mechanisms;
- adverse fluctuations in currency exchange rates and costs associated with conversion of investment principal and income from one currency into another;
- higher rates of inflation;
- less available current information about an issuer;
- higher transaction costs;
- less government supervision of exchanges, brokers and issuers;
- less developed bankruptcy and other laws;
- greater application of concepts like equitable subordination, which may, in bankruptcy or insolvency, result in the subordination of debt or other senior interests held by our investment funds, vehicles or accounts in companies in which our investment funds, vehicles or accounts also hold equity interests;
- difficulty in enforcing contractual obligations;
- lack of uniform accounting, auditing and financial reporting standards;
- less stringent requirements relating to fiduciary duties;
- fewer investor protections; and
- greater price volatility.

As a result of the complexity of and lack of clear laws, precedent or authority with respect to the application of various income tax laws to our structures, the application of rules governing how transactions and structures should be reported is also subject to differing interpretations. In particular, certain jurisdictions have either proposed or adopted rules that seek to limit the amount of interest that may be deductible where the lender and the borrower are related parties (or where third party borrowings have been guaranteed by a related party) and in some cases, without regard to whether the lender is a related party, or may seek to interpret existing rules in a more restrictive manner. In addition, the tax authorities of certain countries have sought to disallow tax deductions for transaction and certain other costs at the portfolio company level either on the basis that the entity claiming the deduction does not benefit from the costs incurred or on other grounds. These measures will most likely adversely affect portfolio companies in those jurisdictions in which our investment funds have investments, and limit the benefits of additional investments in those countries. Our business is also subject to the risk that similar measures might be introduced in other countries in which our investment funds currently have investments or plan to invest in the future, or that other legislative or regulatory measures that negatively affect their respective portfolio investments might be promulgated in any of the countries in which they invest.

In addition, certain countries such as Australia, China, India, Japan, Brazil and South Korea, where we have made investments, have sought to tax investment gains derived by nonresident investors, including private equity funds, from the disposition of the equity in companies operating in those countries. In some cases this development is the result of new legislation or changes in the interpretation of existing legislation and local authority assertions that investors have a local taxable presence or are holding companies for trading purposes rather than for capital purposes, or are not otherwise entitled to treaty benefits.

Further, the tax authorities in certain countries, such as Australia, Belgium, China, India, Japan, Denmark, Germany, and South Korea have sought to deny the benefits of income tax treaties or EU Directives with respect to withholding taxes on interest and dividends and capital gains, of nonresident entities. Benefits of income tax treaties or EU Directives could be denied under each country's general anti-avoidance rules or on the basis that the entity benefiting from such treaty or Directive

is not the owner of the income, is a mere conduit inserted primarily to access treaty benefits or Directives, or otherwise lacks substance.

These various proposals and initiatives could result in an increase in taxes paid by our funds and/or increased tax withholding with respect to our investors.

In July 2013, the Organisation for Economic Co-operation and Development ("OECD") published its Action Plan on Base Erosion and Profit Shifting ("BEPS"). The OECD released its final reports in October 2015 describing measures for a reform of the international tax rules to be implemented by the member states by the end of 2016. The BEPS project looks at various different ways in which domestic tax rules around the world, and the bilateral double tax treaties that govern the interplay between them, could be amended to address issues such as "double non-taxation" or "profit shifting". Among measures published by the OECD, there are specific Actions to prevent treaty abuse, the deductibility of interest expense and neutralizing the effects of certain hybrid mismatch arrangements which are potentially very relevant to some of our structures and could have an adverse tax impact on our funds, investors and/or our portfolio companies.

As a result of the complexity of our structures, foreign jurisdictions may seek to tax an additional portion of the fee income associated with our management advisory activity. Foreign jurisdictions may assert that an additional amount of fee income is subject to local tax, potentially reducing our profits associated with such income, although this risk may be mitigated by the availability of foreign tax credits. We or our funds may also inadvertently establish a taxable presence in a jurisdiction because of activities conducted there. Compliance with tax laws and structures in these jurisdictions and the costs of adapting to changes in tax policies require significant oversight and cost.

Although we expect that most of the capital commitments of our funds, vehicles and accounts will be denominated in U.S. dollars, our investments and capital commitments that are denominated in a foreign currency, such as euro, will be subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the ability of countries to pay their national debt, 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. We may employ hedging techniques to minimize these risks, but we can offer no assurance that such strategies will be effective or even available at all. If we engage in hedging transactions, we may be exposed to additional risks associated with such transactions. See "--Risk management activities may adversely affect the return on our investments." Furthermore, we or our funds have and expect to continue to invest in European companies and companies that have operations that may be affected by the Eurozone economy. While concerns about sovereign defaults and the possibility that one or more countries might leave the European Union or the Eurozone are unresolved, such an event or austerity and other measures introduced in order to limit or contain these issues, could have a material adverse effect on investments by our funds in European companies. Legal uncertainty about the funding of euro denominated obligations following any break up of or exits from the Eurozone could also materially adversely affect a fund.

***Third party investors in our funds with commitment-based structures may not satisfy their contractual obligation to fund capital calls when requested by us, which could adversely affect a fund's operations and performance.***

Investors in certain of our funds make capital commitments to those funds that the funds are entitled to call from those investors at any time during prescribed periods. We depend on fund investors fulfilling their commitments when we call capital from them in order for such funds to consummate investments and otherwise pay their obligations (for example, management fees) when due. Any fund investor that did not fund a capital call would generally be subject to several possible penalties, including having a significant amount of existing investment forfeited in that fund. However, the impact of the penalty is directly correlated to the amount of capital previously invested by the investor in the fund and if an investor has invested little or no capital, for instance early in the life of the fund, then the forfeiture penalty may not be as meaningful. Investors may in the future also negotiate for lesser or reduced penalties at the outset of the fund, thereby inhibiting our ability to enforce the funding of a capital call. If our fund investors were to fail to satisfy a significant amount of capital calls for any particular fund or funds, the operation and performance of those funds could be materially and adversely affected.

***Our equity investments and many of our debt investments often rank junior to investments made by others, exposing us to greater risk of losing our investment.***

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

receive payment in full before distributions could be made in respect of its investment. In addition, debt investments made by us or our funds in our portfolio companies may be equitably subordinated to the debt investments made by third parties in our portfolio companies. After repaying senior security holders, the company may not have any remaining assets to use for repaying amounts owed in respect of our investment. To the extent that any assets remain, holders of claims that rank equally with our investment would be entitled to share on an equal and ratable basis in distributions that are made out of those assets. Also, during periods of financial distress or following an insolvency, the ability of us or our funds to influence a company's affairs and to take actions to protect an investment may be substantially less than that of the senior creditors.

***Risk management activities may adversely affect the return on our investments.***

When managing exposure to market risks, we employ hedging strategies or certain forms of derivative instruments to limit our 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 risk management activities undertaken by us is selective and 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 we enter into generally will depend on our ability to correctly predict market changes. As a result, while we may enter into such transactions in order to reduce our exposure 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, we 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 us from achieving the intended result and could give rise to a loss. In addition, it may not be possible to fully or perfectly limit our exposure 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 our control or ability to hedge.

While hedging arrangements may reduce certain risks, such arrangements themselves may entail certain other risks. These arrangements may require the posting of cash collateral, including at a time when a fund has insufficient cash or illiquid assets such that the posting of the cash is either impossible or requires the sale of assets at prices that do not reflect their underlying value. Moreover, these hedging arrangements may generate significant transaction costs, including potential tax costs, that reduce the returns generated by a fund. The CFTC has proposed or adopted regulations governing swaps and security-based swaps, which may limit our trading activities and our ability to implement effective hedging strategies or increase the costs of compliance. See "Risks Related to Our Business- Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could result in additional burdens on our business."

***The assets of our funds and our firm through our principal assets may make a limited number of investments, or investments that are concentrated in certain issuers, geographic regions or asset types, which could negatively affect our performance or the performance of our funds to the extent those concentrated assets perform poorly.***

The governing agreements of our funds contain only limited investment restrictions and only limited requirements as to diversification of fund investments, either by geographic region or asset type. Our private equity funds generally permit up to 20% of the fund to be invested in a single company. Similarly, subject to certain concentration limits, our balance sheet may hold significant exposures to certain issuers, industries or asset classes. As of December 31, 2015, investments in private equity, CLOs, alternative credit, energy and real estate each represent more than 5% of our investments on a consolidated segment basis. During periods of difficult market conditions or slowdowns in these sectors or geographic regions, decreased revenues, difficulty in obtaining access to financing and increased funding costs may be exacerbated by this concentration of investments, which would result in lower investment returns. Because a significant portion of a fund's capital may be invested in a single investment or portfolio company, a loss with respect to such investment or portfolio company could have a significant adverse impact on such fund's capital. Accordingly, a lack of diversification on the part of a fund could adversely affect a fund's performance and therefore, our financial condition and results of operations. Where our balance sheet has a significant exposure to an issuer, industry or asset class, as was the case with energy investments beginning in late 2014 through and into

2016, losses may have an even greater impact on our financial condition and results of operations, as we would directly bear the full extent of such losses.

***Because we hold interests in some of our portfolio companies both through our management of private equity funds as well as through separate investments in those funds and direct co-investments, fluctuation in the fair values of these portfolio companies may have a disproportionate impact on the investment income earned by us.***

We hold interests in some of our portfolio companies through our management of private equity and other funds, as well as through separate investments in those funds and co-investments in certain portfolio companies of such funds. As of December 31, 2015, we hold significant aggregate investments in each of First Data Corporation and Walgreens Boots Alliance Inc. (the company resulting from Walgreen's acquisition of Alliance Boots GmbH), which each represent more than 5% of our investments on a consolidated segment basis. As a result of our disproportionate investment in these companies, or any other portfolio companies for which similar investments are held in the future, any fluctuation in the fair values of these portfolio companies may have a disproportionate impact on the investment income earned by us as compared to other portfolio companies.

***Our business activities may give rise to a conflict of interest with our funds.***

As we have expanded and as we continue to expand the number and scope of our businesses, we increasingly confront potential conflicts of interest relating to investment activities among our various funds and also our own account. For example,

- In pursuing the interest of our fund investors, we may take actions that could reduce our AUM or our profits that we could otherwise realize in the short term.
- We may be required to allocate investment opportunities among investment vehicles that may have overlapping investment objectives, including vehicles that may have different fee structures, and among KKR co-investment vehicles (including vehicles in which KKR employees may investment) and third party co-investors.
- We may, on behalf of our funds or KKR itself, buy, sell, hold or otherwise deal with securities or other investments that may be purchased, sold or held by our other funds or that are otherwise issued by a portfolio company in which our funds invest. Conflicts of interest may arise between a fund, on one hand, and KKR on the other or among our funds including but not limited to those relating to the purchase or sale of investments, the structuring of, or exercise of rights with respect to investment transactions and the advice we provide to our funds. For example we may sell an investment at a different time or for different consideration than our funds.
- We may invest on behalf of our fund or for our own account in a portfolio company of one fund that is a competitor, service provider, supplier, customer, or other counterparty with respect to a portfolio company of another fund.
- We may structure an investment in a manner that may be attractive to fund investors or to KKR Holdings L.P., from a tax perspective but that may require corporate taxation to unitholders.
- A decision to acquire material non-public information about a company while pursuing an investment opportunity for a particular fund or our own account may result in our having to restrict the ability of other funds to take any action.
- Our fiduciary obligations to our fund investors may preclude us from pursuing attractive proprietary investment opportunities, in particular as we enter into strategic relationships with broad investment mandates similar to the investments we make with our balance sheet. Notwithstanding the foregoing, we also allocate certain investments, which we believe are not suitable for our funds to our balance sheet.
- Conflicts may arise in allocating investments, time, services, expenses or resources among the investment activities of our funds, KKR, other KKR-affiliated entities and the employees of KKR.
- Our principals have made personal investments in a variety of our investment funds, which may result in conflicts of interest among investors of our funds or unitholders regarding investment decisions for these funds.
- The general partner's entitlement to receive carried interest from many of our funds may create an incentive for that general partner to make riskier and more speculative investments on behalf of a fund than would be the case in the absence of such an arrangement. In addition, for our funds that pay carried interest based on accrued rather than realized gains, the amount of carried interest to which the general partner is entitled and the timing of its receipt of carried interest will depend on the valuation by the general partner of the fund's investment.

- From time to time, one of our funds may seek to effect a purchase or sale of an investment with one or more of our other funds in a so-called “cross transaction”.
- The investors in our investment vehicles are based in a wide variety of jurisdictions and take a wide variety of forms, and consequently have diverging interests among themselves from a regulatory, tax or legal perspective or with respect to investment policies and target risk/return profiles.
- We or our affiliates, including our capital markets business, may receive fees or other compensation in connection with specific transactions or different clients that may give rise to conflicts. The decision to take on an opportunity in one of our businesses may, as a practical matter, also limit the ability of one or our other businesses to take advantage of other related opportunities.

In addition, our funds and accounts also invest in a broad range of asset classes throughout the corporate capital structure. These investments include investments in corporate loans and debt securities, preferred equity securities and common equity securities. In certain cases, we may manage separate funds or accounts that invest in different parts of the same company’s capital structure. For example, our credit funds may invest in different classes of the same company’s debt and may make debt investments in a company that is owned by one of our private equity funds. In those cases, the interests of our funds may not always be aligned, which could create actual or potential conflicts of interest or the appearance of such conflicts. For example, one of our private equity funds could have an interest in pursuing an acquisition, divestiture or other transaction that, in its judgment, could enhance the value of the private equity investment, even though the proposed transaction would subject one of our credit fund’s debt investments to additional or increased risks. Finally, our ability to effectively implement a public securities strategy may be limited to the extent that contractual obligations entered into in the ordinary course of our private equity business impose restrictions on our engaging in transactions that we may be interested in otherwise pursuing.

We may also cause different investment funds to invest in a single portfolio company, for example where the fund that made an initial investment no longer has capital available to invest. Conflicts may also arise where we make balance sheet investments for our own account or permit employees to invest alongside our investment vehicles or our balance sheet for their own account. In certain cases, we may require that a transaction or investment be approved by fund investors or their advisory committees, be approved by an independent valuation expert, be subject to a fairness opinion, be based on arms-length pricing data or be calculated in accordance with a formula provided for in a fund’s governing documents prior to the completion of the relevant transaction to address potential conflicts of interest. Such instances include principal transactions where we or our affiliates warehouse an investment in a portfolio company for the benefit of one or more of our funds or accounts pending the contribution of committed capital by the investors in such funds or accounts, follow-on investments by a fund other than a fund which made an initial investment in a company or transactions in which we arrange for one of our funds or accounts to buy a security from, or sell a security to, another one of our funds or accounts.

Appropriately dealing with conflicts of interest is complex and difficult and we could suffer reputational damage or potential liability if we fail, or appear to fail, to deal appropriately with conflicts as they arise. Regulatory scrutiny of, or litigation in connection with, conflicts of interest could have a material adverse effect on our reputation which could in turn materially adversely affect our business in a number of ways, including as a result of an inability to raise additional funds and a reluctance of counterparties to do business with us.

***Investors in certain of our Public Markets funds may redeem their investments in these funds with minimal notice.***

Investors in our funds of funds along with those in our long/short credit strategy and other investment vehicles may generally submit redemptions to redeem their investments on a quarterly or monthly basis following the expiration of a specified period of time or in certain cases capital may be withdrawn earlier subject to a fee, in each case subject to the applicable fund’s specific redemption provisions. For certain KKR Prisma funds managed as part of a single investor’s mandate the length of time to redeem an investment may vary and will depend on the liquidity constraints of each KKR Prisma fund’s underlying hedge fund portfolio. Factors which could result in investors leaving our funds include changes in interest rates that make other investments more attractive, changes in investor perception regarding our focus or alignment of interest, unhappiness with a fund’s performance or investment strategy, changes in our reputation, departures or changes in responsibilities of key investment professionals, performance and liquidity needs of fund investors. In a declining market or period of economic disruption or uncertainty, the pace of redemptions and consequent reduction in our AUM could accelerate. The decrease in revenues that would result from significant redemptions from our funds of funds or other similar investment vehicles could have a material adverse effect on our business, revenues, net income and cash flows.

A portion of assets invested in our fund of hedge funds strategy are managed through separately managed accounts or entities structured for investment by one investor or related investors whereby we earn management and incentive fees, and we

intend to continue to seek additional separately managed account or single entity mandates. The investment management agreements we enter into in connection with managing separately managed accounts or entities on behalf of certain clients may be terminated by such clients on as little as 30 days' prior written notice, or less in certain prescribed circumstances. In addition, the boards of directors of certain funds we manage could terminate our advisory engagement of those companies, on as little as 30 days' prior written notice. Similarly, we provide subadvisory services to other investment advisors and managers. Such investment advisors and managers could terminate our subadvisory agreements on as little as 30 days' prior written notice. In the case of any such terminations, the management and incentive fees we earn in connection with managing such account or company would immediately cease, which could result in a significant adverse impact on our revenues.

In addition, certain funds in our Public Markets business are registered under the Investment Company Act as management investment companies. These funds and KKR Credit Advisors (US) LLC, which serves as their investment adviser (or, in the case of the business development company, as its sub-adviser), are subject to the Investment Company Act and the rules thereunder. One of these funds is a New York Stock Exchange-listed closed-end fund. In addition, the management fees we are paid for managing investment companies will generally be subject to contractual rights the company's board of directors (or, in the case of the business development company we manage, the investment adviser) has to terminate our management of an account on as short as 60 days' prior notice. Termination of these agreements would reduce the fees we earn from the relevant funds, which could have a material adverse effect on our results of operations.

***Our funds of funds may be subject to risks related to the limited rights it has to withdraw, transfer or otherwise liquidate its investments.***

A fund of funds is subject to risks related to the limited rights it has to withdraw, transfer or otherwise liquidate its investments from the underlying hedge funds or other funds in which it invests. Hedge funds, including those in which our fund of funds are invested and the hedge funds we offer to our fund investors, may make investments or hold trading positions in markets that are volatile and which may become illiquid. Timely divestiture or sale of trading positions can be impaired by decreased trading volume, increased price volatility, concentrated trading positions, limitations on the ability to transfer positions in highly specialized or structured transactions to which they may be a party, and changes in industry and government regulations. It may be impossible or costly for hedge funds to liquidate positions rapidly in order to meet margin calls, withdrawal requests or otherwise, particularly if there are other market participants seeking to dispose of similar assets at the same time or the relevant market is otherwise moving against a position or in the event of trading halts or daily price movement limits on the market or otherwise.

Moreover, these risks may be exacerbated for funds of funds such as those we manage. For example, if one of our funds of funds were to invest a significant portion of its assets in two or more hedge funds that each had illiquid positions in the same issuer, the illiquidity risk for our funds of hedge funds would be compounded. In 2008 many hedge funds experienced significant declines in value. In many cases, these declines in value were both provoked and exacerbated by margin calls and forced selling of assets, often at distressed prices. Moreover, certain funds of funds were invested in hedge funds that halted redemptions in the face of illiquidity and other issues, which precluded those funds of funds from receiving their capital back on request. There can be no guarantee that such a situation would not recur, particularly in times of market distress.

Terms of the governing documents may also limit a fund of funds' ability to withdraw, transfer or otherwise liquidate their investments in underlying portfolio funds. Under the terms of the governing documents of the relevant portfolio funds or other investments, the ability of a fund of funds or account to redeem any amount invested therein may be subject to certain restrictions and conditions, including restrictions on the redemption of capital for an initial period, restrictions on the amount of redemptions and the frequency with which redemptions can be made, and investment minimums that must be maintained. Additionally, portfolio funds typically reserve the right to reduce ("gate") or suspend redemptions, to set aside ("side pocket") capital that cannot be redeemed for so long as an event or circumstance has not occurred or ceased to exist, respectively, and to satisfy redemptions by making distributions in-kind, under certain circumstances. The ability of our funds of funds or accounts to redeem portfolio fund interests may be adversely affected to varying degrees by such restrictions depending on, among other things, the length of any restricted periods imposed by the portfolio fund, the amount and timing of a requested redemption in relation to the time remaining of any restricted periods imposed by portfolio funds, the aggregate amount of redemption requests, the next regularly scheduled redemption dates of such portfolio funds, the imposition of "gates" or suspensions, the use of "side pockets", the decision by a portfolio fund to satisfy redemptions in-kind, and the satisfaction of other conditions.



***Investments by our fund of funds, other hedge funds and similar investment vehicles and strategic partnerships with hedge fund managers are subject to numerous additional risks.***

Investments by one or more hedge funds and investment vehicles with similar characteristics that we currently advise or may organize in the future are subject to numerous additional risks including the following:

- Generally, there are few limitations on the execution of investment strategies of a hedge fund or fund of funds, which are subject to the sole discretion of the management company or the general partner of such funds.
- Hedge funds may engage in short selling, which is subject to 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 prices of the securities to rise further, thereby exacerbating the loss.
- We may enter into credit default swaps (or CDS) as investments or hedges. CDS involve greater risks than investing in the reference obligation directly. In addition to general market risks, CDS are subject to risks related to changes in interest rates, credit spreads, credit quality and expected recovery rates of the underlying credit instrument. A CDS is a contract in which the protection “buyer” is generally obligated to pay the protection “seller” an upfront or a periodic stream of payments over the term of the contract provided that no credit event, such as a default, on a reference obligation has occurred. If a credit event occurs, the seller generally must pay the buyer the “par value” (full notional value) of the swap in exchange for an equal face amount of deliverable obligations of the issuer (also known as the reference entity) of the underlying credit instrument referenced in the CDS, or, if the swap is cash settled, the seller may be required to deliver the related net cash amount. The protection buyer will lose its investment and recover nothing should no event of default occur. If an event of default were to occur, the value of the reference obligation received by the protection seller (if any), coupled with the periodic payments previously received, may be less than the full notional value it pays to the buyer, resulting in a loss of value to the seller. If we act as the protection seller in respect of a CDS contract, we would be exposed to many of the same risks of leverage described herein since if an event of default occurs the seller must pay the buyer the full notional value of the reference obligation.
- Hedge funds and investment vehicles with similar characteristics are exposed to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the fund to suffer a loss. Counterparty risk is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the fund has concentrated its transactions with a single or small group of counterparties. Generally, hedge funds and investment vehicles with similar characteristics are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. Moreover, the fund’s internal consideration of the creditworthiness of their counterparties may prove insufficient. The absence of a regulated market to facilitate settlement may increase the potential for losses.
- Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This systemic risk may adversely affect the financial intermediaries (such as clearing agencies, clearing houses, banks, securities firms and exchanges) with which the hedge funds and investment vehicles with similar characteristics interact on a daily basis.
- The efficacy of investment and trading strategies depend largely on the ability to establish and maintain an overall market position in a combination of financial instruments. A hedge fund’s trading orders may not be executed in a timely and efficient manner due to various circumstances, including systems failures or human error. In such event, the funds might only be able to acquire some but not all of the components of the position, or if the overall position were to need adjustment, the funds might not be able to make such adjustment. As a result, the funds would not be able to achieve the market position selected by the management company or general partner of such funds, and might incur a loss in liquidating their position.
- These funds may make investments that they do not advantageously dispose of prior to the date the applicable fund is dissolved, either by expiration of such fund’s term or otherwise. Although we generally expect that investments will be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, and the general partners of the funds have a limited ability to extend the term of the fund with the consent of fund investors or the advisory board of the fund, as applicable, our funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous

time as a result of dissolution. This would result in a lower than expected return on the investments and, perhaps, on the fund itself.

- These funds may rely on computer programs, internal infrastructure and services, quantitative models (both proprietary models and those supplied by third parties) and information and data provided by third parties to trade, clear and settle securities and other transactions, among other activities, that are critical to the oversight of certain funds' activities. If any such models, information or data prove to be incorrect or incomplete, any decisions made in reliance thereon could expose the funds to potential risks. Any hedging based on faulty models, information or data may prove to be unsuccessful and adversely impact a fund's profits.
- Hedge fund investments are also subject to risks relating to investments in commodities, futures, options and other derivatives, the prices of which are highly volatile and may be subject to the theoretically unlimited risk of loss in certain circumstances, including if the fund writes a call option. Price movements of commodities, futures and options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies. The value of futures, options and swap agreements also depends upon the price of the commodities underlying them. In addition, hedge funds' assets are subject to the risk of the failure of any of the exchanges on which their positions trade or of their clearinghouses or counterparties. Most U.S. commodities exchanges limit fluctuations in certain commodity interest prices during a single day by imposing "daily price fluctuation limits" or "daily limits," the existence of which may reduce liquidity or effectively curtail trading in particular markets. Our fund of hedge fund business may also be subject to and may subject our firm to extensive regulations, including those of the Commodity Futures Trading Commission and the regulations described under "-Risks Related to Our Business-Extensive regulation of our businesses affects our activities and creates the potential for significant liabilities and penalties. The possibility of increased regulatory focus or legislative or regulatory changes could result in additional burdens on our business".

The hedge fund managers with which we have strategic partnerships are subject to the risks above. To the extent the financial condition of these hedge fund managers is adversely affected by these risks, our revenues, AUM and FPAUM may decline.

### **Risks Related to Our Common Units**

*As a limited partnership, we qualify for some exemptions from the corporate governance and other requirements of the NYSE.*

We are a limited partnership and, as a result, qualify for exceptions from certain corporate governance and other requirements of the rules of the NYSE. Pursuant to these exceptions, limited partnerships may elect, and we have elected, not to comply with certain corporate governance requirements of the NYSE, including the requirements: (i) that the listed company have a nominating and corporate governance committee that is composed entirely of independent directors; (ii) that the listed company have a compensation committee that is composed entirely of independent directors and (iii) that the compensation committee be required to consider certain independence factors when engaging compensation consultants, legal counsel and other committee advisers. In addition, as a limited partnership, we are not required to obtain unitholder approval for (a) the issuance of common units to certain related parties where the number of common units exceeds one percent of the outstanding common units or voting power, (b) the issuance of common units that equals or exceeds 20% of the outstanding common units or voting power, or (c) a change of control transaction, and we are not required to hold annual unitholder meetings. Accordingly, you do not have the same protections afforded to equity holders of entities that are subject to all of the corporate governance requirements of the NYSE.

*Our founders are able to determine or influence the outcome of any matter that may be submitted for a vote of our limited partners.*

Very few matters are required to be submitted to a vote of our unitholders, and generally such matters require a majority or more of all the outstanding voting units. As of February 22, 2016, KKR Holdings owns 361,346,588 KKR Group Partnership Units, or 44% of the outstanding KKR Group Partnership Units. Depending upon the number of units actually voted, we believe our senior employees should generally have sufficient voting power to substantially influence matters subject to a majority or more of all outstanding voting units. Matters that require a vote of a majority of all outstanding voting units include a merger or consolidation of our business, a sale of all or substantially all of our assets and amendments to our partnership agreement that may be material to holders of our common units. In addition, our limited partnership agreement contains provisions that require a majority vote of all outstanding voting units to make certain amendments to our partnership agreement that would materially and adversely affect all holders of our common units or a particular class of holders of common units, and since approximately 44% of our voting units, as of February 22, 2016, are controlled by KKR Holdings, we believe KKR

Holdings should generally have the ability to substantially influence amendments that could materially and adversely affect the holders of our common units either as a whole or as a particular class.

The voting rights of holders of our common units are further restricted by provisions in our limited partnership agreement stating that any of our common units held by a person that beneficially owns 20% or more of any class of our common units then outstanding (other than our Managing Partner or its affiliates, or a direct or subsequently approved transferee of our Managing Partner or its affiliates) cannot be voted on any matter. Our limited partnership agreement also contains provisions limiting the ability of the holders of our common units to call meetings, to acquire information about our operations, and to influence the manner or direction of our management. Our limited partnership agreement does not restrict our Managing Partner's ability to take actions that may result in our partnership being treated as an entity taxable as a corporation for U.S. federal (and applicable state) income tax purposes. Furthermore, holders of our common units would not be entitled to dissenters' rights of appraisal under our limited partnership agreement or applicable Delaware law in the event of a merger or consolidation, a sale of substantially all of our assets or any other transaction or event.

***Our limited partnership agreement contains provisions that reduce or eliminate duties (including fiduciary duties) of our Managing Partner and limit remedies available to unitholders for actions that might otherwise constitute a breach of duty. It will be difficult for unitholders to successfully challenge a resolution of a conflict of interest by our Managing Partner or by its conflicts committee.***

Our limited partnership agreement contains provisions that require holders of our common units to waive or consent to conduct by our Managing Partner and its affiliates that might otherwise raise issues about compliance with fiduciary duties or applicable law. For example, our limited partnership agreement provides that when our Managing Partner is acting in its individual capacity, as opposed to in its capacity as our Managing Partner, it may act without any fiduciary obligations to holders of our common units, whatsoever. When our Managing Partner, in its capacity as our general partner, or our conflicts committee is permitted to or required to make a decision in its "sole discretion" or "discretion" or that it deems "necessary or appropriate" or "necessary or advisable," then our Managing Partner or the conflicts committee will be entitled to consider only such interests and factors as it desires, including its own interests, and will have no duty or obligation (fiduciary or otherwise) to give any consideration to any interest of or factors affecting us or any holder of our common units and will not be subject to any different standards imposed by our limited partnership agreement, the Delaware Revised Uniform Limited Partnership Act, which is referred to as the Delaware Limited Partnership Act, or under any other law, rule or regulation or in equity. These standards reduce the obligations to which our Managing Partner would otherwise be held. See also "-We are a Delaware limited partnership, and there are provisions in our limited partnership agreement regarding exculpation and indemnification of our officers and directors that differ from the Delaware General Corporation Law (DGCL) in a manner that may be less protective of the interests of our common unitholders."

The above modifications of fiduciary duties are expressly permitted by Delaware law. Hence, we and holders of our common units will only have recourse and be able to seek remedies against our Managing Partner if our Managing Partner breaches its obligations pursuant to our limited partnership agreement. Unless our Managing Partner breaches its obligations pursuant to our limited partnership agreement, we and holders of our common units will not have any recourse against our Managing Partner even if our Managing Partner were to act in a manner that was inconsistent with traditional fiduciary duties. Furthermore, even if there has been a breach of the obligations set forth in our limited partnership agreement, our limited partnership agreement provides that our Managing Partner and its officers and directors will not be liable to us or holders of our common units, for errors of judgment or for any acts or omissions unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that our Managing Partner or its officers and directors acted in bad faith or engaged in fraud or willful misconduct. These provisions are detrimental to the holders of our common units because they restrict the remedies available to unitholders for actions that without such limitations might constitute breaches of duty including fiduciary duties.

Whenever a potential conflict of interest exists between us and our Managing Partner, our Managing Partner may resolve such conflict of interest. If our Managing Partner determines that its resolution of the conflict of interest is on terms no less favorable to us than those generally being provided to or available from unrelated third parties or is fair and reasonable to us, taking into account the totality of the relationships between us and our Managing Partner, then it will be presumed that in making this determination, our Managing Partner acted in good faith. A holder of our common units seeking to challenge this resolution of the conflict of interest would bear the burden of overcoming such presumption. This is different from the situation with Delaware corporations, where a conflict resolution by an interested party would be presumed to be unfair and the interested party would have the burden of demonstrating that the resolution was fair.

Also, if our Managing Partner obtains the approval of the conflicts committee of our Managing Partner, the resolution will be conclusively deemed to be fair and reasonable to us and not a breach by our Managing Partner of any duties it may owe to us or holders of our common units. This is different from the situation with Delaware corporations, where a conflict resolution by a committee consisting solely of independent directors may, in certain circumstances, merely shift the burden of

demonstrating unfairness to the plaintiff. If you purchase, receive or otherwise hold a common unit, you will be treated as having consented to the provisions set forth in our limited partnership agreement, including provisions regarding conflicts of interest situations that, in the absence of such provisions, might be considered a breach of fiduciary or other duties under applicable state law. As a result, unitholders will, as a practical matter, not be able to successfully challenge an informed decision by the conflicts committee.

We have also agreed to indemnify our Managing Partner and any of its affiliates and any member, partner, tax matters partner, officer, director, employee agent, fiduciary or trustee of our partnership, our Managing Partner or any of our affiliates and certain other specified persons, to the fullest extent permitted by law, against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts incurred by our Managing Partner or these other persons. We have agreed to provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons acted in bad faith or engaged in fraud or willful misconduct. We have also agreed to provide this indemnification for criminal proceedings.

Our Managing Partner may exercise its right to call and purchase common units as provided in our limited partnership agreement or assign this right to one of its affiliates or to us. Our Managing Partner may use its own discretion, free of fiduciary duty restrictions, in determining whether to exercise this right. As a result, a unitholder may have his common units purchased from him at an undesirable time or price. For additional information, see our limited partnership agreement filed as an exhibit to this annual report.

Any claims, suits, actions or proceedings concerning the matters described above or any other matter arising out of or relating in any way to the limited partnership agreement may only be brought in the Court of Chancery of the State of Delaware or, if such court does not have subject matter jurisdiction thereof, any other court in the State of Delaware with subject matter jurisdiction.

***The market price and trading volume of our common units may be volatile, which could result in rapid and substantial losses for our common unitholders.***

The market price of our common units may be highly volatile, could be subject to wide fluctuations and could decline significantly in the future. In addition, the trading volume in our common units may fluctuate and cause significant price variations to occur. If the market price of our common units declines significantly, you may be unable to sell your common units at an attractive price, if at all. Some of the factors that could negatively affect the price of our common units or result in fluctuations in the price or trading volume of our common units include:

- variations in our quarterly operating results or distributions, which may be substantial;
- our policy of taking a long-term perspective on making investment, operational and strategic decisions, which is expected to result in significant and unpredictable variations in our quarterly returns;
- failure to meet analysts' earnings estimates;
- publication of research reports about us or the investment management industry or the failure of securities analysts to cover our common units sufficiently;
- additions or departures of our principals and other key management personnel;
- adverse market reaction to any indebtedness we may incur or securities we may issue in the future;
- changes in market valuations of similar companies;
- speculation in the press or investment community;
- changes or proposed changes in laws or regulations or differing interpretations thereof affecting our business or enforcement of these laws and regulations, or announcements relating to these matters;
- a lack of liquidity in the trading of our common units;

- adverse publicity about the investment management or private equity industry generally or individual scandals, specifically; and
- general market and economic conditions.

***An investment in our common units is not an investment in any of our funds, and the assets and revenues of our funds are not directly available to us.***

Our common units are only securities of KKR & Co. L.P., the holding company of the KKR business. While our historical consolidated and combined financial information includes financial information, including assets and revenues, of certain funds on a consolidated basis, and our future financial information will continue to consolidate certain of these funds, such assets and revenues are available to the fund and not to us except to a limited extent through management fees, carried interest or other incentive income, distributions and other proceeds arising from agreements with funds, as discussed in more detail in this report.

***Our common unit price may decline due to the large number of common units eligible for future sale, for exchange, and issuable pursuant to our equity incentive plan and acquisitions.***

The market price of our common units could decline as a result of sales of a large number of common units in the market or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell common units in the future at a time and at a price that we deem appropriate. As of February 22, 2016, we have 457,834,875 common units outstanding, which amount excludes common units beneficially owned by KKR Holdings in the form of KKR Group Partnership Units discussed below and common units available for future issuance under the KKR & Co. L.P. 2010 Equity Incentive Plan, which we refer to as our Equity Incentive Plan.

As of February 22, 2016, KKR Holdings owns 361,346,588 KKR Group Partnership Units that may be exchanged, on a quarterly basis, for our common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. Except for interests held by our founders and certain interests held by other principals that were vested upon grant, interests in KKR Holdings that are held by our principals are subject to service, performance and/or price-based vesting at the time of grant and, following such vesting, additional restrictions in certain cases on exchanges. During 2015, 3,100,780 previously unvested units in KKR Holdings vested. The market price of our common units could decline as a result of the exchange or the perception that an exchange may occur of a large number of KKR Group Partnership Units for our common units. These exchanges, or the possibility that these exchanges may occur, also might make it more difficult for holders of our common units to sell our common units in the future at a time and at a price that they deem appropriate.

In addition, we will continue to issue additional common units pursuant to our Equity Incentive Plan. The total number of common units which may be issued under our Equity Incentive Plan is equivalent to 15% of the number of fully exchanged and diluted common units outstanding as of the beginning of the year. The amount may be increased each year to the extent that we issue additional equity. As of February 19, 2016, KKR may issue common units registered on KKR's registration statement on Form S-8 (no. 333-171601) for this purpose and may also issue 24.6 million common units under the Equity Incentive Plan that were not registered on KKR's registration statement on Form S-8. In addition previously issued awards that were canceled or are canceled in the future, or in certain cases, withheld in respect of tax withholding obligations, are or will become available for further grant under the terms of the Equity Incentive Plan. See "Executive Compensation-KKR & Co. L.P. Equity Incentive Plan". In addition, our limited partnership agreement authorizes us to issue an unlimited number of additional partnership securities and options, rights, warrants and appreciation rights relating to partnership securities for the consideration and on the terms and conditions established by our Managing Partner in its sole discretion without the approval of our unitholders. In accordance with the Delaware Limited Partnership Act and the provisions of our partnership agreement, we may also issue additional partner interests that have designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to our common units. Similarly, the partnership agreements of the KKR Group Partnerships authorize the general partners of the KKR Group Partnerships to issue an unlimited number of additional securities of the KKR Group Partnerships with such designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to the KKR Group Partnerships Units, and which may be exchangeable for KKR Group Partnership Units. In the past, we have issued and sold common units of KKR & Co. L.P. to generate cash proceeds to pay withholding taxes, social benefit payments or similar payments payable by us in respect of awards granted pursuant to the Equity Incentive Plan or the amount of cash delivered in respect of awards granted pursuant to the Equity Incentive Plan that are settled in cash instead of common units. As of February 19, 2016, we may issue up to 0.8 million common units as registered on our registration statement on Form S-3 (no. 333-196059) in respect of such withholding taxes and cash settled equity awards.

We have used and in the future may continue to use common units as consideration in acquisitions and strategic investments. For example, in connection with KKR's acquisition of KFN, KKR issued approximately 104.3 million common units of KKR & Co. L.P., in connection with KKR's acquisition of Avoca, we issued securities exchangeable into 4.9 million common units and in connection with KKR's acquisition of Marshall Wace, we issued approximately 7.3 million common units. In addition, in connection with the Prisma and Nephila transactions, we may make certain contingent payments in the form of common units. If our valuations of these transactions are not accurate or if the value of these acquisitions and investments is not realized, our distributions per common unit and the value of our common units may decline.

### **Risks Related to Our Organizational Structure**

***Potential conflicts of interest may arise among our Managing Partner, our affiliates and us. Our Managing Partner and our affiliates have limited fiduciary duties to us and the holders of KKR Group Partnership Units, which may permit them to favor their own interests to our detriment and that of the holders of KKR Group Partnership Units.***

Our Managing Partner, which is our general partner, will manage the business and affairs of our business, and will be governed by a board of directors that is co-chaired by our founders, who also serve as our Co-Chief Executive Officers. Conflicts of interest may arise among our Managing Partner and its affiliates, on the one hand, and us and our unitholders, on the other hand. As a result of these conflicts, our Managing Partner may favor its own interests and the interests of its affiliates over us and our unitholders. These conflicts include, among others, the following:

- Our Managing Partner indirectly through its holding of controlling entities determines the amount and timing of the KKR Group Partnership's investments and dispositions, cash expenditures, including those relating to compensation, indebtedness, issuances of additional partner interests, tax liabilities and amounts of reserves, each of which can affect the amount of cash that is available for distribution to holders of KKR Group Partnership Units;
- Our Managing Partner is allowed to take into account the interests of parties other than us in resolving conflicts of interest, which has the effect of limiting its duties, including fiduciary duties, to us. For example, our affiliates that serve as the general partners of our funds or as broker-dealers have fiduciary and/or contractual obligations to our fund investors or other third parties. Such obligations may cause such affiliates to regularly take actions with respect to the allocation of investments among our investment funds (including funds that have different fee structures), the purchase or sale of investments in our investment funds, the structuring of investment transactions for those funds and the advice and services we provide that comply with these fiduciary and contractual obligations but that might adversely affect our near-term results of operations or cash flow. Our Managing Partner will have no obligation to intervene in, or to notify us of, such actions by such affiliates;
- Because certain of our principals indirectly hold their KKR Group Partnership Units through KKR Holdings L.P. and its subsidiaries, which are not subject to corporate income taxation and we hold some of the KKR Group Partnership Units through one or more wholly-owned subsidiaries that are taxable as a corporation, conflicts may arise between our principals and us relating to the selection and structuring of investments or transactions, declaring distributions and other matters; without limiting the foregoing, certain investments made by us or through our funds may be determined to be held through KKR Management Holdings L.P., which would result in less taxation to our principals who are limited partners in KKR Holdings as compared to our unitholders;
- Our Managing Partner, including its directors and officers, has limited its and their liability and reduced or eliminated its and their duties, including fiduciary duties, under our partnership agreement to the fullest extent permitted by law, while also restricting the remedies available to holders of common units for actions that, without these limitations, might constitute breaches of duty, including fiduciary duties. In addition, we have agreed to indemnify our Managing Partner, including its directors and officers, and our Managing Partner's affiliates to the fullest extent permitted by law, except with respect to conduct involving bad faith, fraud or willful misconduct;
- Our partnership agreement does not restrict our Managing Partner from paying us or our affiliates for any services rendered, or from entering into additional contractual arrangements with any of these entities on our behalf, so long as the terms of any such additional contractual arrangements are fair and reasonable to us as determined under our partnership agreement. Neither our limited partnership agreement nor any of the other agreements, contracts and arrangements between us on the one hand, and our Managing Partner and its affiliates on the other, are or will be the result of arm's-length negotiations. The conflicts committee will be responsible for, among other things, enforcing our rights and those of our unitholders under certain agreements against KKR Holdings and certain of its subsidiaries and designees, a general partner or limited partner of KKR Holdings, or a person who holds a partnership or equity interest in the foregoing entities;

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- Our Managing Partner and its affiliates will have no obligation to permit us to use any facilities or assets of our Managing Partner and its affiliates, except as may be provided in contracts entered into specifically dealing with such use. There will not be any obligation of our Managing Partner and its affiliates to enter into any contracts of this kind.
- Our Managing Partner determines how much debt we incur and that decision may adversely affect any credit ratings we receive;
- Our Managing Partner determines which costs incurred by it and its affiliates are reimbursable by us;
- Other than as set forth in the confidentiality and restrictive covenant agreements, which in certain cases may only be agreements between our principals and KKR Holdings and which may not be enforceable by us or otherwise waived, modified or amended, affiliates of our Managing Partner and existing and former personnel employed by our Managing Partner are not prohibited from engaging in other businesses or activities, including those that might be in direct competition with us;
- Our Managing Partner controls the enforcement of obligations owed to the KKR Group Partnerships by us and our affiliates; and
- Our Managing Partner or our Managing Partner conflicts committee decides whether to retain separate counsel, accountants or others to perform services for us.

See “Certain Relationships and Related Transactions, and Director Independence.”

***Certain actions by our Managing Partner’s board of directors require the approval of the Class A shares of our Managing Partner, all of which are held by our senior employees.***

All of our Managing Partner’s outstanding Class A shares are held by our senior employees. Although the affirmative vote of a majority of the directors of our Managing Partner is required for any action to be taken by our Managing Partner’s board of directors, certain specified actions approved by our Managing Partner’s board of directors will also require the approval of a majority of the Class A shares of our Managing Partner. These actions consist of the following:

- the entry into a debt financing arrangement by us in an amount in excess of 10% of our existing long-term indebtedness (other than the entry into certain intercompany debt financing arrangements);
- the issuance by our partnership or our subsidiaries of any securities that would (i) represent, after such issuance, or upon conversion, exchange or exercise, as the case may be, at least 5% on a fully diluted, as converted, exchanged or exercised basis, of any class of our or their equity securities or (ii) have designations, preferences, rights, priorities or powers that are more favorable than those of KKR Group Partnership Units;
- the adoption by us of a shareholder rights plan;
- the amendment of our limited partnership agreement or the limited partnership agreements of the KKR Group Partnerships;
- the exchange or disposition of all or substantially all of our assets or the assets of any KKR Group Partnership;
- the merger, sale or other combination of the partnership or any KKR Group Partnership with or into any other person;
- the transfer, mortgage, pledge, hypothecation or grant of a security interest in all or substantially all of the assets of the KKR Group Partnerships;
- the appointment or removal of a Chief Executive Officer or a Co-Chief Executive Officer of our Managing Partner or our partnership;
- the termination of the employment of any of our officers or the officers of any of our subsidiaries or the termination of the association of a partner with any of our subsidiaries, in each case, without cause;
- the liquidation or dissolution of the partnership, our Managing Partner or any KKR Group Partnership; and
- the withdrawal, removal or substitution of our Managing Partner as our general partner or any person as the general partner of a KKR Group Partnership, or the transfer of beneficial ownership of all or any part of a general partner interest in our partnership or a KKR Group Partnership to any person other than one of its wholly-owned subsidiaries.

In addition, holders representing a majority of the Class A shares of our Managing Partner have the authority to unilaterally appoint our Managing Partner's directors and also have the ability to appoint the officers of our Managing Partner. Messrs. Kravis and Roberts, as the designated members of our Managing Partner, represent a majority of the total voting power of the outstanding Class A shares, when they act together. However, neither of them controls the voting of the Class A shares, when acting alone.

***Our common unitholders do not elect our Managing Partner or vote on our Managing Partner's directors and have limited ability to influence decisions regarding our business.***

Our common unitholders do not elect our Managing Partner or its board of directors and, unlike the holders of common stock in a corporation, have only limited voting rights on matters affecting our business and therefore limited ability to influence decisions regarding our business. Furthermore, if our common unitholders are dissatisfied with the performance of our Managing Partner, they have no ability to remove our Managing Partner, with or without cause.

***The control of our Managing Partner may be transferred to a third party without our consent.***

Our Managing Partner may transfer its general partner interest to a third party in a merger or consolidation or in a transfer of all or substantially all of its assets without our consent or the consent of our common unitholders. Furthermore, the members of our Managing Partner may sell or transfer all or part of their limited liability company interests in our Managing Partner without our approval, subject to certain restrictions. A new general partner may not be willing or able to form new funds and could form funds that have investment objectives and governing terms that differ materially from those of our current funds. A new owner could also have a different investment philosophy, employ investment professionals who are less experienced, be unsuccessful in identifying investment opportunities or have a track record that is not as successful as our track record. If any of the foregoing were to occur, we could experience difficulty in making new investments, and the value of our existing investments, our business, our results of operations and our financial condition could materially suffer.

***We intend to pay periodic distributions to the holders of our common units, but our ability to do so may be limited by our holding company structure and contractual restrictions.***

We intend to pay cash distributions on a quarterly basis. We are a holding company and have no material assets other than the KKR Group Partnership Units that we hold through wholly-owned subsidiaries and have no independent means of generating income. Accordingly, we intend to cause the KKR Group Partnerships to make distributions on the KKR Group Partnership Units, including KKR Group Partnership Units that we directly or indirectly hold, in order to provide us with sufficient amounts to fund distributions we may declare. If the KKR Group Partnerships make such distributions, other holders of KKR Group Partnership Units, including KKR Holdings, will be entitled to receive equivalent distributions pro rata based on their KKR Group Partnership Units.

The declaration and payment of any future distributions will be at the sole discretion of our Managing Partner, which may change our distribution policy at any time. Our Managing Partner will take into account general economic and business conditions, our strategic plans and prospects, our business and investment opportunities, our financial condition and operating results, compensation expense, working capital requirements and anticipated cash needs, debt and contractual restrictions and obligations (including payment obligations pursuant to the tax receivable agreement), legal, tax and regulatory restrictions, restrictions or other implications on the payment of distributions by us to the holders of KKR Group Partnership Units or by our subsidiaries to us and such other factors as our Managing Partner may deem relevant. Under the Delaware Limited Partnership Act, we may not make a distribution to a partner if after the distribution all our liabilities, other than liabilities to partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specific property of the partnership, would exceed the fair value of our assets. If we were to make such an impermissible distribution, any limited partner who received a distribution and knew at the time of the distribution that the distribution was in violation of the Delaware Limited Partnership Act would be liable to us for the amount of the distribution for three years. Furthermore, by paying cash distributions rather than investing that cash in our businesses, we risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our operations, new investments or unanticipated capital expenditures, should the need arise.

Our ability to characterize such distributions as capital gains or qualified dividend income may be limited, and you should expect that some or all of such distributions may be regarded as ordinary income.



***We will be required to pay our principals for most of the benefits relating to any additional tax depreciation or amortization deductions we may claim as a result of the tax basis step-up we receive in connection with subsequent exchanges of our common units and related transactions.***

We and one or more of our intermediate holding companies are required to acquire KKR Group Partnership Units from time to time pursuant to our exchange agreement with KKR Holdings. To the extent this occurs, the exchanges are expected to result in an increase in one of our intermediate holding company's share of the tax basis of the tangible and intangible assets of KKR Management Holdings L.P., primarily attributable to a portion of the goodwill inherent in our business, that would not otherwise have been available. This increase in tax basis may increase (for tax purposes) depreciation and amortization and therefore reduce the amount of income tax our intermediate holding companies would otherwise be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

We are party to a tax receivable agreement with KKR Holdings requiring our intermediate holding company to pay to KKR Holdings or transferees of its KKR Group Partnership Units 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that the intermediate holding companies actually realize as a result of this increase in tax basis, as well as 85% of the amount of any such savings the intermediate holding companies actually realize as a result of increases in tax basis that arise due to future payments under the agreement. A termination of the agreement or a change of control could give rise to similar payments based on tax savings that we would be deemed to realize in connection with such events. This payment obligation will be an obligation of our intermediate holding companies and not of either KKR Group Partnership. In the event that any of our current or future subsidiaries become taxable as corporations and acquire KKR Group Partnership Units in the future, or if we become taxable as a corporation for U.S. federal income tax purposes, we expect that each such entity will become subject to a tax receivable agreement with substantially similar terms. While the actual increase in tax basis, as well as the amount and timing of any payments under this agreement, will vary depending upon a number of factors, including the timing of exchanges, the price of our common units at the time of the exchange, the extent to which such exchanges are taxable and the amount and timing of our taxable income, we expect that as a result of the size of the increases in the tax basis of the tangible and intangible assets of the KKR Group Partnerships, the payments that we may be required to make to our existing owners will be substantial. The payments under the tax receivable agreement are not conditioned upon our existing owners' continued ownership of us. We may need to incur debt to finance payments under the tax receivable agreement to the extent our cash resources are insufficient to meet our obligations under the tax receivable agreement as a result of timing discrepancies or otherwise. In particular, our intermediate holding companies' obligations under the tax receivable agreement would be effectively accelerated in the event of an early termination of the tax receivable agreement by our intermediate holding companies or in the event of certain mergers, asset sales and other forms of business combinations or other changes of control. In these situations, our obligations under the tax receivable agreement could have a substantial negative impact on our liquidity.

Payments under the tax receivable agreement will be based upon the tax reporting positions that our Managing Partner will determine. We are not aware of any issue that would cause the IRS to challenge a tax basis increase. However, neither KKR Holdings nor its transferees will reimburse us for any payments previously made under the tax receivable agreement if such tax basis increase, or the tax benefits we claim arising from such increase, is successfully challenged by the IRS. As a result, in certain circumstances, payments to KKR Holdings or its transferees under the tax receivable agreement could be in excess of the intermediate holding companies' cash tax savings. The intermediate holding companies' ability to achieve benefits from any tax basis increase, and the payments to be made under this agreement, will depend upon a number of factors, as discussed above, including the timing and amount of our future income.

***If we were deemed to be an "investment company" subject to regulation under the Investment Company Act, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.***

A person will generally be deemed to be an "investment company" for purposes of the Investment Company Act if:

- it is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities; or
- absent an applicable exemption, it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis.

We believe that we are engaged primarily in the business of providing investment management services and not in the business of investing, reinvesting or trading in securities. We regard ourselves as an investment management firm and do not

propose to engage primarily in the business of investing, reinvesting or trading in securities. Accordingly, we do not believe that we are an “orthodox” investment company as defined in Section 3(a)(1)(A) of the Investment Company Act and described in the first bullet point above.

With regard to the provision described in the second bullet point above, we have no material assets other than our equity interests in subsidiaries, which in turn have no material assets other than equity interests, directly or indirectly, in the KKR Group Partnerships. Through these interests, we indirectly are the sole general partners of the KKR Group Partnerships and indirectly are vested with all management and control over the KKR Group Partnerships. We do not believe our equity interests in our subsidiaries are investment securities, and we believe that the capital interests of the general partners of our funds in their respective funds are neither securities nor investment securities. Accordingly, based on our determination, less than 40% of the partnership’s total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis are comprised of assets that could be considered investment securities. However, our subsidiaries have a significant number of investment securities, and we expect to make investments in other investment securities from time to time. We monitor these holdings regularly to confirm our continued compliance with the 40% test described in the second bullet point above. The need to comply with this 40% test may cause us to restrict our business and subsidiaries with respect to the assets in which we can invest and/or the types of securities we may issue, sell investment securities, including on unfavorable terms, acquire assets or businesses that could change the nature of our business or potentially take other actions which may be viewed as adverse by the holders of our common units, in order to ensure conformity with exceptions provided by, and rules and regulations promulgated under, the Investment Company Act.

With respect to our subsidiary KFN, we believe it is not and does not propose to be primarily engaged in the business of investing, reinvesting or trading in securities, and we do not believe that KFN has held itself out as such. KFN conducts its operations primarily through its majority-owned subsidiaries, each of which is either outside of the definition of an investment company as defined in the Investment Company Act or excepted from such definition under the Investment Company Act. KFN monitors its holdings regularly to confirm its continued compliance with the 40% test described in the second bullet point above, and restricts its subsidiaries with respect to the assets in which each of them can invest and/or the types of securities each of them may issue in order to ensure conformity with exceptions provided by, and rules and regulations promulgated under, the Investment Company Act. If the SEC were to disagree with KFN’s treatment of one or more of its subsidiaries as being excepted from the Investment Company Act, with its determination that one or more of its other holdings are not investment securities for purposes of the 40% test, or with its determinations as to the nature of its business or the manner in which it holds itself out, KFN and/or one or more of its subsidiaries could be required either (i) to change substantially the manner in which it conducts its operations to avoid being subject to the Investment Company Act or (ii) to register as an investment company. Either of these would likely have a material adverse effect on KFN, its ability to service its indebtedness and to make distributions on its shares, and on the market price of its shares and securities, and could thereby materially adversely affect our business, financial condition and results of operations.

The Investment Company Act and the rules thereunder contain detailed parameters for the organization and operation of investment companies. Among other things, the Investment Company Act and the rules thereunder limit or prohibit transactions with affiliates, impose limitations on the issuance of debt and equity securities, generally prohibit the issuance of options and impose certain governance requirements. We intend to conduct our operations so that we will not be deemed to be an investment company under the Investment Company Act. If anything were to happen which would cause the partnership to be deemed to be an investment company under the Investment Company Act, requirements imposed by the Investment Company Act, including limitations on our capital structure, ability to transact business with affiliates and ability to compensate key employees, would make it impractical for us to continue our business as currently conducted, impair the agreements and arrangements between and among the partnership, the KKR Group Partnerships and KKR Holdings, or any combination thereof, and materially adversely affect our business, financial condition and results of operations. In addition, we may be required to limit the amount of investments that we make as a principal, potentially divest of our investments or otherwise conduct our business in a manner that does not subject us to the registration and other requirements of the Investment Company Act.

On August 31, 2011 the SEC published an advance notice of proposed rulemaking regarding Rule 3a-7 and a concept release seeking information on Section 3(c)(5)(C), two provisions with which KKR’s subsidiaries, including KFN, must comply under the 40% test described above. Among the issues for which the SEC has requested comment is whether Rule 3a-7 should be modified so that parent companies of subsidiaries that rely on Rule 3a-7 should treat their interests in such subsidiaries as investment securities for purposes of the 40% test. The SEC is also seeking information about the nature of entities that invest in mortgages and mortgage-related pools and how the SEC staff’s interpretive positions in connection with Section 3(c)(5)(C) affect these entities. Any guidance or action from the SEC or its staff, including changes that the SEC may ultimately propose and adopt to the way Rule 3a-7 applies to entities or new or modified interpretive positions related to

Section 3(c)(5)(C), could further inhibit KKR's ability, or the ability of any of its subsidiaries, including KFN, to pursue its current or future operating strategies, which could have a material adverse effect on us.

***We are a Delaware limited partnership, and there are certain provisions in our limited partnership agreement regarding exculpation and indemnification of our officers and directors that differ from the Delaware General Corporation Law (DGCL) in a manner that may be less protective of the interests of our common unitholders.***

Our limited partnership agreement provides that to the fullest extent permitted by applicable law our directors or officers will not be liable to us. However, under the DGCL, a director or officer would be liable to us for (i) breach of duty of loyalty to us or our shareholders, (ii) intentional misconduct or knowing violations of the law that are not done in good faith, (iii) improper redemption of shares or declaration of dividend, or (iv) a transaction from which the director derived an improper personal benefit. In addition, our limited partnership agreement provides that we indemnify our directors and officers for acts or omissions to the fullest extent provided by law. However, under the DGCL, a corporation can only indemnify directors and officers for acts or omissions if the director or officer acted in good faith, in a manner he reasonably believed to be in the best interests of the corporation, and, in criminal action, if the officer or director had no reasonable cause to believe his conduct was unlawful. Accordingly, our limited partnership agreement may be less protective of the interests of our common unitholders, when compared to the DGCL, insofar as it relates to the exculpation and indemnification of our officers and directors. See also “-Our limited partnership agreement contains provisions that reduce or eliminate duties (including fiduciary duties) of our limited partner and limit remedies available for unitholders for actions that might otherwise constitute a breach of duty. It will be difficult for unitholders to successfully challenge a resolution of a conflict of interest by our Managing Partner or by its conflicts committee.”

### **Risks Related to U.S. Taxation**

***If we were treated as a corporation for U.S. federal income tax or state tax purposes, then our distributions to you would be substantially reduced and the value of our common units could be adversely affected.***

The value of your investment in us depends in part on our being treated as a partnership for U.S. federal income tax purposes, which requires that 90% or more of our gross income for every taxable year consist of qualifying income, as defined in Section 7704 of the Internal Revenue Code of 1986, as amended (the “Code”), and that our partnership not be registered under the Investment Company Act. Qualifying income generally includes dividends, interest, capital gains from the sale or other disposition of stocks and securities, gain from the sale or other disposition of real property, real property rents, income and gains from energy and oil and gas investments and certain other forms of investment income. We intend to structure our investments so as to satisfy these requirements, including by generally holding investments that generate non-qualifying income through one or more subsidiaries that are treated as corporations for U.S. federal income tax purposes. Nonetheless, we may not meet these requirements, may not correctly identify investments that should be owned through corporate subsidiaries, or current law may change so as to cause, in any of these events, us to be treated as a corporation for U.S. federal income tax purposes or otherwise subject us to U.S. federal income tax. We have not requested, and do not plan to request, a ruling from the IRS, on this or any other matter affecting us.

If we were treated as a corporation for U.S. federal income tax purposes, we would pay U.S. federal, state and local income tax on our taxable income at the applicable tax rates. Distributions to you would generally be taxed again as corporate distributions, and no income, gains, losses, deductions or credits would otherwise flow through to you. Because a tax would be imposed upon us as a corporation, our distributions to you would be substantially reduced which could cause a reduction in the value of our common units.

***Our unitholders may be subject to U.S. federal income tax on their share of our taxable income, regardless of whether they receive any cash distributions, and they may recognize income in excess of cash distributions.***

As long as 90% of our gross income for each taxable year constitutes qualifying income as defined in Section 7704 of the Code and we are not registered as an investment company under the Investment Company Act on a continuing basis, and assuming there is no change in law, we will be treated, for U.S. federal income tax purposes, as a partnership and not as an association or a publicly traded partnership taxable as a corporation. Accordingly, each unitholder will be required to take into account its allocable share of our items of income, gain, loss and deduction. Distributions to a unitholder will generally be taxable to the unitholder for U.S. federal income tax purposes only to the extent the amount distributed exceeds the unitholder's tax basis in the unit. That treatment contrasts with the treatment of a shareholder in a corporation. For example, a shareholder in a corporation who receives a distribution of earnings from the corporation will generally report the distribution as dividend income for U.S. federal income tax purposes. In contrast, a holder of our units who receives a distribution of earnings from us will not report the distribution as dividend income (and will treat the distribution as taxable only to the extent the amount

distributed exceeds the unitholder's tax basis in the units), but will instead report the holder's allocable share of items of our income for U.S. federal income tax purposes. As a result, a unitholder may be subject to U.S. federal, state, local and possibly, in some cases, foreign income taxation on its allocable share of our items of income, gain, loss, deduction and credit (including its allocable share of those items of any entity in which we invest that is treated as a partnership or is otherwise subject to tax on a flow through basis) for each of our taxable years ending with or within the unitholder's taxable year, regardless of whether or not such unitholder receives cash distributions. See “-Risks Related to Our Business-The U.S. Congress has considered legislation that would have (i) in some cases after a ten-year period, precluded us from qualifying as a partnership or required us to hold carried interest through taxable subsidiary corporations and (ii) taxed certain income and gains at increased rates. If any similar legislation were to be enacted and apply to us, the after-tax income and gain related to our business, as well as the market price of our units, could be reduced.”

You should not expect to receive cash distributions equal to your allocable share of our net taxable income, because, among other things, we currently have a fixed distribution policy. In addition, certain of our holdings, including holdings, if any, in controlled foreign corporations, or a CFCs, passive foreign investment companies, or a PFICs, or entities treated as partnerships for U.S. federal income tax purposes, may produce taxable income prior to the receipt of cash relating to such income, and holders of our common units that are U.S. taxpayers may be required to take such income into account in determining their taxable income. In the event of an inadvertent termination of the partnership status for which the IRS has granted limited relief, each holder of our common units may be obligated to make such adjustments as the IRS may require to maintain our status as a partnership. Such adjustments may require the holders of our common units to recognize additional amounts in income during the years in which they hold such units. In addition, because of our methods of allocating income and gain among holders of our common units, you may be taxed on amounts that accrued economically before you became a unitholder.

We can make no assurances that our cash distributions to you will be sufficient to cover your tax liability arising from your investment in us in any given year, quarter or other period. We are under no obligation to make any distribution, and we generally do not make annual tax distributions. In addition, in certain circumstances, we may not be able to make any distributions or will only be making distributions in amounts less than your tax liability attributable to your investment in us. To the extent taxable income is allocated to you in excess of the cash distributions made, the excess amount would typically be applied to increase the tax basis of your investment in us under applicable U.S. federal tax laws. Furthermore, when we make cash distributions, we anticipate making cash distributions on a quarterly basis while allocating taxable income on a monthly basis. As a result, if you dispose of your common units, you may be allocated taxable income during the time you held your common units without receiving any cash distributions corresponding to that period. Moreover, when an investment is realized at the end of a fiscal quarter, taxable income allocable to such realization is generally made during the same taxable period, but the distribution, if any, generated by such realization may not be paid until a later period. Accordingly, you should ensure that you have sufficient cash flow from sources other than our cash distributions to pay for all of your tax liabilities.

***Our interests in certain of our businesses will be held through intermediate holding companies, which will be treated as corporations for U.S. federal income tax purposes; such corporations may be liable for significant taxes and may create other adverse tax consequences, which could potentially adversely affect the value of our common units.***

In light of the publicly traded partnership rules under U.S. federal income tax laws and other requirements, we will hold our interest in certain of our businesses through intermediate holding companies, which will be treated as corporations for U.S. federal income tax purposes. The intermediate holding companies organized in the United States or otherwise subject to regular U.S. federal income taxation will be liable for U.S. federal income taxes at regular rates on all of their taxable income as well as applicable state, local and other taxes. These taxes would reduce the amount of distributions available to be made on our common units. In addition, these taxes could be increased if the IRS were to successfully reallocate deductions or income of the related entities conducting our business.

***Changes in U.S. tax law could adversely affect our ability to raise funds from certain foreign investors.***

Under legislation known as the U.S. Foreign Account Tax Compliance Act, or FATCA, U.S. withholding agents and all entities in a broadly defined class of foreign financial institutions, or FFIs, are required to comply with a complicated and expansive reporting regime or be subject to a 30% United States withholding tax on certain U.S. payments (and beginning in 2019, a 30% withholding tax on gross proceeds from the sale of U.S. stocks and securities) and non-U.S. entities which are not FFIs are required to either certify they have no substantial U.S. beneficial ownership or to report certain information with respect to their substantial U.S. beneficial ownership or be subject to a 30% U.S. withholding tax on certain U.S. payments (and beginning in 2019, a 30% withholding tax on gross proceeds from the sale of U.S. stocks and securities). The reporting

obligations imposed under FATCA and related intergovernmental require FFIs to enter into agreements with the IRS and other jurisdictions to obtain and disclose information about certain fund investors to the IRS. In addition, the administrative and economic costs of compliance with FATCA may discourage some foreign investors from investing in U.S. funds, which could adversely affect our ability to raise funds from these investors.

***We may hold or acquire certain investments through an entity classified as a PFIC or CFC for U.S. federal income tax purposes.***

Certain of our investments may be in foreign corporations or may be acquired through a foreign subsidiary that would be classified as a corporation for U.S. federal income tax purposes. Such an entity may be PFIC for U.S. federal income tax purposes. In addition, we may hold certain investments in foreign corporations that are treated as CFCs. Unitholders may experience adverse U.S. tax consequences as a result of holding an indirect interest in a PFIC or CFC. These investments may produce taxable income prior to the receipt of cash relating to such income, and unitholders that are U.S. taxpayers will be required to take such income into account in determining their gross income subject to tax. In addition, all or a portion of gain on the sale of a CFC may be taxable at ordinary income rates. Further, with respect to gain on the sale of and excess distributions from a PFIC for which an election for current inclusions is not made, such income would be taxable at ordinary income rates and be subject to an additional tax charge equivalent to an interest charge on the deferral of income inclusions from that PFIC.

***Tax gain or loss on disposition of our common units could be more or less than expected.***

If you sell your common units, you will recognize a gain or loss equal to the difference between the amount realized and your adjusted tax basis allocated to those common units. Prior distributions to you in excess of the total net taxable income allocated to you will have decreased the tax basis in your common units. Therefore, such excess distributions will increase your taxable gain, or decrease your taxable loss, when the common units are sold and may result in a taxable gain even if the sale price is less than the original cost. A portion of the amount realized, whether or not representing gain, may be ordinary income to you.

***Unitholders may be allocated taxable gain on the disposition of certain assets, even if they did not share in the economic appreciation inherent in such assets.***

We and our intermediate holding companies will be allocated taxable gains and losses recognized by the KKR Group Partnerships based upon our percentage ownership in each KKR Group Partnership. Our share of such taxable gains and losses generally will be allocated pro rata to our unitholders. In some circumstances, under the U.S. federal income tax rules affecting partners and partnerships, the taxable gain or loss allocated to a unitholder may not correspond to that unitholder's share of the economic appreciation or depreciation in the particular asset. This is primarily an issue of the timing of the payment of tax, rather than a net increase in tax liability, because the gain or loss allocation would generally be expected to be offset as a unitholder sells units.

***Non-U.S. persons face unique U.S. tax issues from owning our common units that may result in adverse tax consequences to them.***

We expect that a portion of our income will be treated as income effectively connected with a U.S. trade or business for U.S. federal income tax purposes, or ECI, with respect to non-U.S. unitholders, including by reason of investments in certain U.S. real property holding corporations, real estate investment trusts (or REITs), real estate assets and energy assets. To the extent our income is treated as ECI, non-U.S. unitholders generally would be subject to withholding tax on their allocable share of such income, would be required to file a U.S. federal income tax return for such year reporting their allocable share of income effectively connected with such trade or business and any other income treated as ECI, and would be subject to U.S. federal income tax at regular U.S. tax rates on any such income (state and local income taxes and filings may also apply in that event). Non-U.S. unitholders that are corporations may also be subject to a 30% branch profits tax (potentially reduced under an applicable treaty) on their actual or deemed distributions of such income. In addition, distributions to non-U.S. unitholders that are attributable to profits on the sale of a U.S. real property interest may also be subject to 30% withholding tax. Also, non-U.S. unitholders may be subject to 30% withholding on allocations of our income that are U.S. source fixed or determinable annual or periodic income under the Code, unless an exemption from or a reduced rate of such withholding applies (under an applicable treaty of the Code) and certain tax status information is provided. Finally, if we are treated as being engaged in a U.S. trade or business, a portion of any gain recognized by non-U.S. unitholders on the sale or exchange of common units may be treated for U.S. federal income tax purposes as ECI, and hence such non-U.S. unitholders could be subject to U.S. federal income tax on the sale or exchange of common units.

***Tax-exempt entities and tax-exempt or tax-deferred accounts face unique tax issues from owning common units that may result in adverse tax consequences to them.***

Generally, a tax-exempt partner of a partnership would be treated as earning unrelated business taxable income, or UBTI, if the partnership regularly engages in a trade or business that is unrelated to the exempt function of the tax-exempt partner, if the partnership derives income from debt financed property or if the partner interest itself is debt-financed. As a result of our ownership of real estate assets and energy assets and incurrence of acquisition indebtedness we will derive income that constitutes UBTI. Consequently, a holder of common units that is a tax-exempt entity (including an individual retirement account, or IRA, or a 401(k) plan participant) will likely be subject to unrelated business income tax to the extent that its allocable share of our income consists of UBTI and thus may be subject to U.S. federal income taxes and U.S. federal income tax reporting with respect to such income. In addition, a tax-exempt investor may be subject to unrelated business income tax on a sale of their common units.

***We cannot match transferors and transferees of common units, and we will therefore adopt certain income tax accounting conventions that may not conform with all aspects of applicable tax requirements. The IRS may challenge this treatment, which could adversely affect the value of our common units.***

Because we cannot match transferors and transferees of common units, we have adopted depreciation, amortization and other tax accounting positions that may not conform with all aspects of existing Treasury regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to our unitholders. It also could affect the timing of these tax benefits or the amount of gain on the sale of common units and could have a negative impact on the value of our common units or result in audits of and adjustments to our unitholders' tax returns.

In addition, our taxable income and losses are determined and apportioned among unitholders using conventions we regard as consistent with applicable law. As a result, if you transfer your common units, you may be allocated income, gain, loss and deduction realized by us after the date of transfer. Similarly, a transferee may be allocated income, gain, loss and deduction realized by us prior to the date of the transferee's acquisition of our common units. A transferee may also bear the cost of withholding tax imposed with respect to income allocated to a transferor through a reduction in the cash distributed to the transferee.

***The sale or exchange of 50% or more of our capital and profit interests will result in the termination of our partnership for U.S. federal income tax purposes.***

We will be considered to have been terminated for U.S. federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a 12-month period. A termination of our partnership would, among other things, result in the closing of our taxable year for all unitholders and may make it more likely that we are unable to meet the qualifying income requirements necessary to maintain our status as a partnership for U.S. federal income tax purposes.

***Holders of our common units may be subject to state, local and foreign taxes and return filing requirements as a result of owning such units.***

In addition to U.S. federal income taxes, holders of our common units may be subject to other taxes, including state, local and foreign taxes, and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we do business or own property now or in the future, even if the holders of our common units do not reside in any of those jurisdictions. Holders of our common units may be required to file state and local income tax returns and pay state and local income taxes in some or all of these jurisdictions in the U.S. and abroad. Further, holders of our common units may be subject to penalties for failure to comply with those requirements. It is the responsibility of each unitholder to file all U.S. federal, state, local and foreign tax returns that may be required of such unitholder. In addition our investments in real assets may expose unitholders to additional adverse tax consequences. See “-Our investments in real assets such as real estate and energy may expose us to increased risks and liabilities and may expose our unitholders to adverse tax consequences.”

***Certain U.S. holders of common units are subject to additional tax on “net investment income.”***

U.S. holders that are individuals, estates or trusts are subject to a Medicare tax of 3.8% on “net investment income” (or undistributed “net investment income,” in the case of estates and trusts) for each taxable year, with such tax applying to the lesser of such income or the excess of such person's adjusted gross income (with certain adjustments) over a specified amount. Net investment income includes net income from interest, dividends, annuities, royalties and rents and net gain attributable to the disposition of investment property. It is anticipated that net income and gain attributable to an investment in our common units will be included in a U.S. holder's “net investment income” subject to this Medicare tax.

*We may not be able to furnish to each unitholder specific tax information within 90 days after the close of each calendar year, which means that holders of common units who are U.S. taxpayers should anticipate the need to file annually a request for an extension of the due date of their income tax return.*

As a publicly traded partnership, our operating results, including distributions of income, dividends, gains, losses or deductions, and adjustments to carrying basis, will be reported on Schedule K-1 and distributed to each unitholder annually. It may require longer than 90 days after the end of our fiscal year to obtain the requisite information from all lower-tier entities so that Schedule K-1s may be prepared for the unitholders. For this reason, holders of common units who are U.S. taxpayers should anticipate the need to file annually with the IRS (and certain states) a request for an extension past April 15 or the otherwise applicable due date of their income tax return for the taxable year.

*We may be liable for adjustments to our tax returns as a result of recently enacted legislation.*

Legislation was recently enacted that significantly changes the rules for U.S. federal income tax audits of partnerships. Such audits will continue to be conducted at a partnership level, but with respect to tax returns for taxable years beginning after December 31, 2017, unless a partnership qualifies for and affirmatively elects an alternative procedure, any adjustments to the amount of tax due (including interest and penalties) will be payable by the partnership. Under the elective alternative procedure, a partnership would issue information returns to persons who were partners in the audited year, who would then be required to take the adjustments into account in calculating their own tax liability, and the partnership would not be liable for the adjustments. If a partnership elects the alternative procedure for a given adjustment, the amount of taxes for which its partners would be liable would be increased by any applicable penalties and a special interest charge. There can be no assurance that we will be eligible to make such an election or that we will, in fact, make such an election for any given adjustment. If we do not or are not able to make such an election, then (1) our then-current unitholders, in the aggregate, could indirectly bear income tax liabilities in excess of the aggregate amount of taxes that would have been due had we elected the alternative procedure, and (2) a given unitholder may indirectly bear taxes attributable to income allocable to other unitholders or former unitholders, including taxes (as well as interest and penalties) with respect to periods prior to such holder's ownership of common units. Amounts available for distribution to our unitholders may be reduced as a result of our obligation to pay any taxes associated with an adjustment. Many issues and overall effect of this new legislation on us are uncertain, and unitholders should consult their own tax advisors regarding all aspects of this legislation as it affects their particular circumstances.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

Our principal executive offices are located in leased office space at 9 West 57th Street, New York, New York. We also lease the space for our other offices. We do not own any real property as of December 31, 2015. We consider these facilities to be suitable and adequate for the management and operations of our business.

On October 29, 2015, we entered into agreements relating to the construction and development of office space at 30 Hudson Yards in New York, New York to serve as our new corporate headquarters beginning in 2020.

**ITEM 3. LEGAL PROCEEDINGS**

The section entitled "Litigation" appearing in Note 17 "Commitments and Contingencies" of our financial statements included elsewhere in this report is incorporated herein by reference.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.



**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common units representing limited partner interests began trading on the New York Stock Exchange, or NYSE, on July 15, 2010 and are traded under the symbol "KKR." The following table sets forth the high and low intra-day sales prices per unit of our common units, for the periods indicated, as reported by the NYSE.

	Sales price			
	2015		2014	
	High	Low	High	High
First Quarter	\$ 25.04	\$ 22.36	\$ 26.50	\$ 22.07
Second Quarter	\$ 23.79	\$ 22.35	\$ 24.69	\$ 21.20
Third Quarter	\$ 24.79	\$ 8.00	\$ 25.58	\$ 21.51
Fourth Quarter	\$ 19.20	\$ 14.33	\$ 23.59	\$ 18.84

The number of holders of record of our common units as of February 22, 2016 was 74. This does not include the number of unitholders that hold shares in "street-name" through banks or broker-dealers.

**Distribution Policy**

The following table presents the distributions paid to holders of our common units at the close of business on the specified record date during fiscal 2014 and 2015 :

Payment Date	Record Date	Distribution per unit
March 4, 2014	February 18, 2014	\$0.48
May 23, 2014	May 9, 2014	\$0.43
August 19, 2014	August 4, 2014	\$0.67
November 18, 2014	November 3, 2014	\$0.45
March 6, 2015	February 20, 2015	\$0.35
May 18, 2015	May 4, 2015	\$0.46
August 18, 2015	August 3, 2015	\$0.42
November 24, 2015	November 6, 2015	\$0.35

Our distribution policy for 2014 through the nine months ended September 30, 2015 was to make quarterly cash distributions in amounts that in the aggregate constituted substantially all of the cash earnings of our investment management business, 40% of the net realized investment income of KKR (other than KFN), and 100% of the net realized investment income of KFN, in each case in excess of amounts determined by us to be necessary or appropriate to provide for the conduct of our business, to make appropriate investments in our business and our investment funds and to comply with applicable law and any of our debt instruments or other obligations.

On October 27, 2015, KKR announced a change to its distribution policy effective beginning with the distribution declared on February 11, 2016 with respect to the quarter ending December 31, 2015. Under the new distribution policy, KKR intends to make equal quarterly distributions to holders of its common units in an amount of \$0.16 per common unit per quarter. KKR's regular distribution per common unit of \$0.16 was declared on February 11, 2016 for the quarter ended December 31, 2015.

Because we make our investment in our business through a holding company structure and the applicable holding companies do not own any material cash-generating assets other than their direct and indirect holdings in KKR Group Partnership Units, distributions are expected to be funded in the following manner:

- First, the KKR Group Partnerships will make distributions to holders of KKR Group Partnership Units, including the holding companies through which we invest, in proportion to their percentage interests in the KKR Group Partnerships;
- Second, the holding companies through which we invest will distribute to us the amount of any distributions that they receive from the KKR Group Partnerships, after deducting any applicable taxes, and
- Third, we will distribute to holders of our units the amount of any distributions that we receive from our holding companies through which we invest.

The partnership agreements of the KKR Group Partnerships provide for cash distributions, which are referred to as tax distributions, to the partners of such partnerships if we determine that the taxable income of the relevant partnership will give rise to taxable income for its partners. However, holders should not expect the KKR Group Partnerships will make any tax distributions, and there can be no assurance that, for any particular holder, our distributions will be sufficient to pay such holder's actual U.S. or non-U.S. tax liability.

The declaration and payment of any distributions are subject to the discretion of the board of directors of the general partner of KKR & Co. L.P., which may change the distribution policy at any time, and the terms of its limited partnership agreement. There can be no assurance that distributions will be made as intended or at all, that unitholders will receive sufficient distributions to satisfy payment of their tax liabilities as limited partners of KKR & Co. L.P. or that any particular distribution policy will be maintained. When KKR & Co. L.P. receives distributions from the KKR Group Partnerships (the holding companies of the KKR business), KKR Holdings receives its pro rata share of such distributions from the KKR Group Partnerships. Furthermore, the declaration and payment of distributions is subject to legal, contractual and regulatory restrictions on the payment of distributions by us or our subsidiaries, including restrictions contained in our debt agreements, and such other factors as the board of directors of our Managing Partner considers relevant including, among others, our available cash and current and anticipated cash needs, including funding of investment commitments and debt service and future debt repayment obligations; general economic and business conditions; our strategic plans and prospects; our results of operations and financial condition; and our capital requirements.

The board of directors of the general partner of KKR & Co. L.P. may change the distribution policy at any time and from time to time. We are not currently restricted by any contract from making distributions to our unitholders, although certain of our subsidiaries are bound by credit agreements that contain certain restricted payment and/or other covenants, which may have the effect of limiting the amount of distributions that we receive from our subsidiaries. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity—Sources of Cash". In addition, under Section 17-607 of the Delaware Limited Partnership Act, we will not be permitted to make a distribution if, after giving effect to the distribution, our liabilities would exceed the fair value of our assets.

**Common Unit Repurchases in the Fourth Quarter of 2015**

The table below sets forth the information with respect to purchases made by or on behalf of KKR & Co. L.P. or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934) of our common units during the fourth quarter of the year ended December 31, 2015 .

**Issuer Purchases of Common Units**  
(amounts in thousands, except per unit amounts)

	Total Number of Units Purchased	Average Price Paid Per Units	Cumulative Number of Units Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Units that May Yet Be Purchased Under the Plans or Programs
Month #1 (October 1, 2015 to October 31, 2015)	—	N/A	—	\$ 500,000
Month #2 (November 1, 2015 to November 30, 2015)	2,108,800	\$ 17.85	2,108,800	\$ 462,349
Month #3 (December 1, 2015 to December 31, 2015)	7,811,092	\$ 15.91	9,919,892	\$ 338,071
<b>Total through December 31, 2015</b>	<b>9,919,892</b>			
<b>Purchases subsequent to December 31, 2015:</b>				
(January 1, 2016 to February 11, 2016)	7,535,292	\$ 14.34	17,455,184	\$ 230,000
<b>Total through February 11, 2016 (date of Earnings Release)</b>	<b>17,455,184</b>			

(1) On October 27, 2015, KKR announced the authorization of a program providing for the repurchase by KKR of up to \$500 million in the aggregate of its outstanding common units. Under this unit repurchase program, units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing, manner, price and amount of any unit repurchases will be determined by KKR in its discretion and will depend on a variety of factors, including legal requirements, price and economic and market conditions. KKR expects that the program, which has no expiration date, will be in effect until the maximum approved dollar amount has been used to repurchase common units. The program does not require KKR to repurchase any specific number of common units, and the program may be suspended, extended, modified or discontinued at any time.

During the fourth quarter of 2015 in addition to the units repurchased as described in the table above, (1) cash was used to pay the amount of withholding taxes, social benefit payments or similar payments payable by us in respect of awards granted pursuant to the Equity Incentive Plan and (2) cash was delivered in respect of certain awards granted pursuant to the Equity Incentive Plan. These payments represented the equivalent of equity awards representing 1,660,645 KKR common units. Since cash was used to settle the amounts in (1) and (2) above, 1,660,645 KKR common units were canceled, and accordingly, such units are no longer included in KKR’s common unit count on a fully diluted basis.

Additionally, during the fourth quarter of 2015, 3,284,253 KKR Group Partnership Units were exchanged by KKR Holdings and its principals for an equal number of our common units, resulting in an increase in our ownership of the KKR Group Partnerships and a corresponding decrease in the ownership of the KKR Group Partnerships by KKR Holdings.

**Unregistered Sales of Equity Securities**

On September 9, 2015, a subsidiary of KKR & Co. L.P. agreed to acquire a 24.9% equity interest in Marshall Wace for a combination of cash and KKR & Co. L.P. common units. On November 2, 2015, the transaction closed, and KKR & Co. L.P. delivered 7,364,545 common units to the sellers of the Marshall Wace business in partial satisfaction of its obligations under the acquisition agreement. These common units were issued in reliance on Section 4(a)(2) of the Securities Act of 1933, as a transaction by the issuer not involving a public offering. Each of the unit recipients represented that it was an accredited investor. KKR & Co. L.P. also entered into a registration rights agreement with the selling shareholders of Marshall Wace.

**ITEM 6. SELECTED FINANCIAL DATA**

The following tables set forth our selected historical consolidated financial data as of and for the years ended December 31, 2015, 2014, 2013, 2012 and 2011. We derived the selected historical consolidated financial data as of December 31, 2015 and 2014 and for the years ending December 31, 2015, 2014 and 2013 from the audited consolidated financial statements included elsewhere in this report. We derived the selected historical consolidated financial data as of December 31, 2013, 2012 and 2011 and for the years ended December 31, 2012 and 2011 from our audited consolidated financial statements which are not included in this report. You should read the following data together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this report.

	Year Ended December 31,				
	2015	2014	2013	2012	2011
(all dollars are in thousands, except unit and per unit data)					
<b>Statement of Operations Data:</b>					
Fees and Other	\$ 1,043,768	\$ 1,110,008	\$ 762,546	\$ 568,442	\$ 723,620
Less: Total Expenses	1,871,225	2,196,067	1,767,138	1,598,788	1,214,005
Total Investment Income (Loss)	6,169,125	6,544,748	8,896,746	9,101,995	1,456,116
Income (Loss) Before Taxes	5,341,668	5,458,689	7,892,154	8,071,649	965,731
Income Taxes	66,636	63,669	37,926	43,405	89,245
Net Income (Loss)	5,275,032	5,395,020	7,854,228	8,028,244	876,486
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	(4,512)	(3,341)	62,255	34,963	4,318
Net Income (Loss) Attributable to Noncontrolling Interests and Appropriated Capital	4,791,062	4,920,750	7,100,747	7,432,445	870,247
Net Income (Loss) Attributable to KKR & Co. L.P.	\$ 488,482	\$ 477,611	\$ 691,226	\$ 560,836	\$ 1,921
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P. Per Common Unit</b>					
Basic	\$ 1.09	\$ 1.25	\$ 2.51	\$ 2.35	\$ 0.01
Diluted	\$ 1.01	\$ 1.16	\$ 2.30	\$ 2.21	\$ 0.01
<b>Weighted Average Common Units Outstanding</b>					
Basic	448,884,185	381,092,394	274,910,628	238,503,257	220,235,469
Diluted	482,699,194	412,049,275	300,254,090	254,093,160	222,519,174
<b>Statement of Financial Condition Data (period end):</b>					
Total Assets	\$ 71,057,759	\$ 65,872,745	\$ 51,427,201	\$ 44,426,353	\$ 40,377,645
Total Liabilities	\$ 21,590,174	\$ 14,168,684	\$ 4,842,383	\$ 3,020,899	\$ 2,692,995
Redeemable Noncontrolling Interests	\$ 188,629	\$ 300,098	\$ 627,807	\$ 462,564	\$ 275,507
Noncontrolling Interests	\$ 43,731,774	\$ 46,004,377	\$ 43,235,001	\$ 38,938,531	\$ 36,080,445
Appropriated Capital	\$ —	\$ 16,895	\$ —	\$ —	\$ —
Total KKR & Co. L.P. Partners' Capital (1)	\$ 5,547,182	\$ 5,382,691	\$ 2,722,010	\$ 2,004,359	\$ 1,328,698

- (1) Total KKR & Co. L.P. partners' capital reflects only the portion of equity attributable to KKR & Co. L.P. (56% interest in the KKR Group Partnerships as of December 31, 2015) and differs from book value reported on a segment basis primarily as a result of the exclusion of the equity impact of KKR Management Holdings Corp. and allocations of equity to KKR Holdings. KKR Holdings' 44% interest in the KKR Group Partnerships as of December 31, 2015 is reflected as noncontrolling interests and is not included in total KKR & Co. L.P. partners' capital.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis should be read in conjunction with the consolidated financial statements of KKR and the related notes included elsewhere in this report. The historical consolidated financial data discussed below reflects the historical results and financial position of KKR. In addition, this discussion and analysis contains forward looking statements and involves numerous risks and uncertainties, including those described under "Cautionary Note Regarding Forward-looking Statements" and "Risk Factors." Actual results may differ materially from those contained in any forward looking statements.*

### Overview of Business

For a detailed discussion about our businesses, business segments and our firm, see "Item 1--Business."

### Business Environment

#### *Market Conditions*

**Global Economic Conditions** . As a global investment firm, we are affected by financial and economic conditions globally. Global and regional economic conditions have a substantial impact on our financial condition and results of operations, impacting the values of the investments we make, our ability to exit these investments profitably and our ability to make new investments. According to the Bureau of Economic Analysis as of January 2016, real GDP in the U.S. increased at a seasonally adjusted annualized rate of 2.4% for the full year ended December 31, 2015. According to the Bureau of Labor Statistics, the U.S. unemployment rate decreased to 5.0% as of December 31, 2015 compared to 5.6% as of December 31, 2014. As of January 2016, Eurostat projects GDP growth for the full year ended December 31, 2015 in the Euro Area of 1.5% relative to the prior year. Continuing controversy and uncertainty surrounding key issues such as immigration, austerity, and globalization and European Union exit risk surrounding Greece and the United Kingdom may continue to impair growth and lead to volatility. In the event of an exit, losses incurred by U.K. and Greek counterparties could have adverse repercussions across financial markets, which could adversely affect valuations within our European investments. As of January 2016, the IMF estimates that China's economy will expand at a rate of 6.9% for 2015, lower than the 7.3% rate in 2014 but higher than its 6.3% estimate for 2016. This slowdown could adversely impact the value of our investments in China and the global economy generally, and other emerging markets, in particular, could also suffer from weaker Chinese imports of both their commodities and finished goods. In addition, the sharp correction and high volatility in China's stock market coupled with the devaluation of the Chinese yuan may adversely impact the value of our investments in China and make it more difficult to access capital in those markets. For a further discussion of how market conditions may affect our businesses, see "Risk Factors-Risks Related to Our Business - Difficult market conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial condition."

**Global Equity and Credit Markets** . Global equity and debt markets have a substantial effect on our financial condition and results of operations. In general, a climate of reasonable interest rates and high levels of liquidity in the debt and equity capital markets provide a positive environment for us to generate attractive investment returns in our funds that generate carry. Periods of volatility and dislocation in the capital markets present substantial risks, but also can present us with opportunities to invest at reduced valuations that position us for future growth.

Most of our investments are in equities, so a change in global equity prices or in market volatility directly impacts the value of our investments and our profitability as well as our ability to realize investment gains and the receptiveness of fund investors to our investment products. For the year ended December 31, 2015, global equity markets were mixed, with the S&P 500 Index up 1.4% and the MSCI World Index down 0.3% on a total return basis including dividends. However, since December 31, 2015, equity markets have fallen significantly, with the S&P 500 Index down 4.5% and the MSCI World Index down 6.0% on a total return basis including dividends as of February 22, 2016, adversely impacting, at least for the time being, the overall value of our equity investments, in particular our publicly traded securities, including our sizable holding of First Data Corporation (NYSE:FDC). As of February 22, 2016, the market prices of publicly held equity securities held through our private equity funds and in our Principal Activities segment have declined, which we estimate would result in a decrease of at least approximately \$550 million to our economic net income in the first quarter of 2016 if the market prices of these securities do not appreciate or if the declines are not offset by gains in other investments or income elsewhere in our business. Of this amount, First Data Corporation accounts for approximately \$350 million of the decrease. With respect to the total decrease to our economic net income, approximately 55.9% would be allocable to KKR & Co. L.P. The foregoing amounts do not reflect changes in value of any of our investments other than our publicly held equity securities and may not, therefore be reflective of

our business as a whole. Equity market volatility as evidenced by the Chicago Board Options Exchange Market Volatility Index, or the VIX, a measure of volatility, ended at 18.2 as of December 31, 2015, remaining relatively unchanged from 19.2 as of December 31, 2014. However, since December 31, 2015, equity market volatility has increased meaningfully, rising from 18.2 as at December 31, 2015 to 28.1 as at February 11, 2016. For a further discussion of our valuation methods, see “Risk Factors-Risks Related to the Assets We Manage - Our investments are impacted by various economic conditions that are difficult to quantify or predict, and may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our financial condition and results of operations” in our Annual Report and “-Critical Accounting Policies-Fair Value Measurements-Level III Valuation Methodologies” in this report.

Many of our investments are in credit instruments, and our funds and their portfolio companies also rely on credit financing and the ability to refinance existing debt. Consequently, any decrease in the value of credit instruments that we have invested in or any increase in the cost of credit financing reduces our returns and decreases our net income. In particular due in part to holdings of credit assets such as CLOs on our balance sheet, the performance of the credit markets has had an amplified impact on our financial results, as we directly bear the full extent of such losses. Credit markets can also impact valuations because a discounted cash flow analysis is generally used as one of the methodologies used to ascertain the fair value of our investments that do not have readily observable market prices. In addition, with respect to our credit investments, increased credit spreads lead to a reduction in the value of these investments, if not offset by hedging or other factors. Within credit markets, spreads have widened during the fiscal year ended December 31, 2015 with significant increases in spreads in the third and fourth quarters of the year. Low interest rates related to monetary stimulus and economic stagnation also has negatively impact expected returns on all investments, as the demand for relatively higher return assets increases and supply decreases. Higher interest rates in conjunction with slower growth or weaker currencies in some emerging market economies may cause the default risk of these countries to increase, and this could impact the operations or value of our investments that operate in these regions. Areas such as the Eurozone and Japan, which have ongoing central bank quantitative easing campaigns and comparatively low interest rates relative to the United States, could potentially endure further currency volatility and weakness relative to the U.S. dollar.

The subinvestment grade credit indices fell during the year ended December 31, 2015, with the S&P/LSTA Leveraged Loan Index down 0.7% and the BoAML HY Master II Index down 4.6%. In the quarter ended December 31, 2015, government bond yields rose as the U.S. Federal Reserve increased the target range for the Fed Funds rate by 25 basis points, raising rates for the first time since December 2008. For the year ended December 31, 2015, 10-year government bond yields rose 10 basis points in the United States and 9 basis points in Germany and fell 6 basis points in Japan and 80 basis points in China. For further discussion of the impact of global credit markets on our financial condition and results of operations, see “Risk Factors - Risks Related to the Assets We Manage -Changes in the debt financing markets may negatively impact the ability of our investment funds, their portfolio companies and strategies pursued with our balance sheet assets to obtain attractive financing for their investments or refinance existing debt and may increase the cost of such financing if it is obtained, which could lead to lower-yielding investments and potentially decrease our net income,” “-Risks Related to the Assets We Manage - Our investments are impacted by various economic conditions that are difficult to quantify or predict, and may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our financial condition and results of operations” and “- Because we hold interests in some of our portfolio companies both through our management of private equity funds as well as through separate investments in those funds and direct co-investments, fluctuation in the fair values of these portfolio companies may have a disproportionate impact on the investment income earned by us” and “-Critical Accounting Policies-Fair Value Measurements-Level III Valuation Methodologies” in this report.

**Foreign Exchange Rates** . Foreign exchange rates have a substantial impact on the valuations of our investments that are denominated in currencies other than the U.S. dollar. Currency volatility, which has become more pronounced in recent quarters, can also affect our businesses which deal in cross-border trade. The U.S. dollar has appreciated against a number of currencies over recent periods, which is likely to cause a decrease in the U.S. dollar value of our non-U.S. investments to the extent unhedged, contributing to portfolio companies that export to the U.S. suffering a decline in revenues, and making the exports of U.S. based companies less competitive. While this may cause a decrease in the U.S. dollar values of our assets and portfolio companies outside the United States, we also expect it to create opportunities to invest at more attractive U.S. dollar prices in certain countries. For the year ended December 31, 2015, the euro and the British pound both fell 10.2% and 5.4%, respectively, relative to the U.S. dollar. In China, the potential for greater CNY depreciation remains a large source of uncertainty. The cumulative devaluation of the yuan since August 2015, which effectively makes Chinese exports cheaper and imports more expensive, may impact global trade substantially for the reasons discussed above. For additional information regarding our foreign exchange rate risk, see “Quantitative and Qualitative Disclosure About Market Risk - Exchange Rate Risk” in this report.

**Commodity Markets** . Our Private Markets portfolio contains energy real asset investments and certain of our Public Markets strategies and products, including direct lending, special situations and CLOs, have meaningful investments in energy sector. The value of these investments are heavily influenced by the price of natural gas and oil, which have declined meaningfully over the course of the year. The long-term price of WTI crude oil declined from approximately \$67 per barrel to \$50 per barrel and the long-term price of natural gas declined from approximately \$3.77 per mcf to \$2.90 per mcf as of December 31, 2014 and December 31, 2015, respectively. Since December 31, 2015 the long-term price of WTI crude oil and natural gas has continued to decline with the long-term price of WTI crude oil at \$45 per barrel and the long-term price of natural gas at \$2.56 per mcf, in each case as of February 22, 2016. If such decline in prices persists or worsens or if it is not offset by other factors, we would expect the value of our energy real asset investments to be adversely impacted. In addition, due in part to holdings of direct energy assets on our balance sheet, which had a fair value of \$0.6 billion as of December 31, 2015, these price movements have had an amplified impact on our financial results, as we directly bear the full extent of such losses. For additional information regarding our energy real assets, see “-Critical Accounting Policies-Fair Value Measurements-Level III Valuation Methodologies-Real Asset Investments” in this report and “Risk Factors - Risks Related to the Assets We Manage - Because we hold interests in some of our portfolio companies both through our management of private equity funds as well as through separate investments in those funds and direct co-investments, fluctuation in the fair values of these portfolio companies may have a disproportionate impact on the investment income earned by us” in this report.

#### *Business Conditions*

Our segment revenues consist of fees, performance income and investment income. Our ability to grow our revenues depends in part on our ability to attract new capital and investors, our successful deployment of capital including from our balance sheet and our ability to realize investments.

- **Our ability to attract new capital and investors.** Our ability to attract new capital and investors in our funds is driven, in part, by the extent to which they continue to see the alternative asset management industry generally, and our investment products specifically, as an attractive vehicle for capital appreciation or income. Since 2010, we have expanded into strategies such as energy, infrastructure, real estate, alternative credit and hedge funds. In several of these strategies, our first time funds have begun raising successor funds, and we expect the cost of raising such successor funds to be lower. We have also reached out to a new investor base of retail and high net worth clients. However, fundraising continues to be competitive. While we had several successful fundraises in 2015 for newer strategies such as real estate, European real estate, infrastructure, direct lending, mezzanine and special situations , there is no assurance that fundraises for other new strategies or successor funds will experience similar success in the future. While our flagship Americas fund has begun fundraising, our other flagship private equity funds have completed fundraising or are not expected to commence fundraising in early 2016. Consequently, our AUM, FPAUM and associated fees attributable to new capital raised may be lower than in prior years. New capital raised for the fiscal years ended December 31, 2013, 2014 and 2015 was \$21.2 billion, \$13.3 billion and \$19.8 billion, which in the case of new capital raised in the fiscal year ended December 31, 2015, includes our pro-rata portion of new capital of other asset managers in which we have a minority interest and the inclusion of new capital commitments for which KKR is eligible to receive fees or carried interest upon deployment of capital.
- **Our successful deployment of capital including from our balance sheet.** Our ability to maintain and grow our revenue base is dependent upon our ability to successfully deploy the capital from our funds and our balance sheet. Greater competition, high valuations, increased overall cost of credit and other general market conditions may impact our ability to identify and execute attractive investments. Additionally, because we seek to make investments which have an ability to achieve our targeted returns while taking on a reasonable level of risk, we may experience periods of reduced investment activity. We have a long-term investment horizon and the capital deployed in any one quarter may vary significantly from the capital deployed in any other quarter or the quarterly average of capital deployed in any given year. Reduced levels of transaction activity also tends to result in a reduced potential future investment gains, lower transaction fees and lower fees for our capital markets business, which may earn fees in the syndication of equity or debt. Equity invested for the fiscal years ended December 31, 2013, 2014 and 2015 were \$7.4 billion, \$10.2 billion and \$7.7 billion, and syndicated capital for the fiscal years ended December 31, 2013, 2014 and 2015 were \$1.1 billion, \$2.6 billion and \$0.9 billion, such that 2014 reflects unusually high levels of activity for us on a historical basis.
- **Our ability to sell investments.** The strength and liquidity of the U.S. and relevant global equity markets generally, and the initial public offering market specifically affects the value of, and our ability to successfully exit, our equity positions in our private equity portfolio companies in a timely manner. We may also realize investments through strategic sales. For the fiscal years ended December 31 2013, 2014 and 2015, through exit activity in our investments, we realized carried interest of \$0.7 billion, \$1.2 billion and \$1.0 billion. Since December 31, 2015, we have closed the

strategic sales of Dalmia Cement (manufacturing sector), Masan Consumer Corporation (consumer products sector) and Legends Outlets Kansas City (real estate asset). We have also completed a dividend recapitalization at US Foods (retail sector). Such sales, however, are episodic and reduced levels of sale activity in future quarters would reduce transaction fees, realized carry and distributions.

## **Basis of Accounting**

We consolidate the financial results of the KKR Group Partnerships and their consolidated subsidiaries, which include the accounts of our investment management and capital markets companies, the general partners of certain unconsolidated funds and vehicles, general partners of consolidated funds and their respective consolidated funds and certain other entities including certain consolidated CLOs and commercial real estate mortgage-backed securities ("CMBS", and together with CLOs, referred to hereafter as collateralized financing entities "CFEs").

In accordance with accounting principles generally accepted in the United States of America, or GAAP, certain entities, including a substantial number of our funds and CFEs, are consolidated notwithstanding the fact that we may hold only a minority economic interest in those entities. In particular, in the majority of our consolidated funds and other investment vehicles, we hold a general partner interest that gives us substantive controlling rights over such funds and vehicles. With respect to our consolidated funds and vehicles, we generally have operational discretion and control, and fund investors have no substantive rights to impact ongoing governance and operating activities of the fund, including the ability to remove the general partner, also known as kick-out rights. As of December 31, 2015, our AUM in our Private Markets segment included 21 consolidated investment funds and 21 unconsolidated investment vehicles. Our AUM in our Public Markets segment included 32 consolidated investment vehicles, including CLOs, and 69 unconsolidated vehicles.

When an entity is consolidated, we reflect the assets, liabilities, fees, expenses, investment income and cash flows of the consolidated entity on a gross basis. While the consolidation of a consolidated fund or entity does not have an effect on the amounts of net income attributable to KKR or KKR's partners' capital that KKR reports, the consolidation does significantly impact the financial statement presentation. This is due to the fact that the assets, liabilities, fees, expenses and investment income of the consolidated funds and entities are reflected on a gross basis while the allocable share of those amounts that are attributable to third parties are reflected as single line items. The single line items in which the assets, liabilities, fees, expenses and investment income attributable to third parties are recorded are presented as noncontrolling interests on the consolidated statements of financial condition and net income attributable to noncontrolling interests on the consolidated statements of operations. For a further discussion of our consolidation policies, see "Item 8. Financial Statements and Supplementary Data--Summary of Significant Accounting Policies."

## **Key Financial Measures Under GAAP**

### ***Fees and Other***

Fees and other consist primarily of (i) transaction fees earned in connection with successful investment transactions and from capital markets activities, (ii) management and incentive fees from providing investment management services to unconsolidated funds, CLOs, other vehicles and separately managed accounts, (iii) monitoring fees from providing services to portfolio companies, (iv) revenue earned by oil and gas-producing entities that are consolidated and (v) consulting fees earned by entities that employ non-employee operating consultants. These fees are based on the contractual terms of the governing agreements and are recognized when earned, which coincides with the period during which the related services are performed and in the case of transaction fees, upon closing of the transaction. Monitoring fees may provide for a termination payment following an initial public offering or change of control. These termination payments are recognized in the period when the related transaction closes.

Fees and other reported in our consolidated financial statements do not include the management or incentive fees that we earn from consolidated funds and other entities, because those fees are eliminated in consolidation. However, because those management and incentive fees are earned from, and funded by, third-party investors who hold noncontrolling interests in the consolidated funds and entities, net income attributable to KKR is increased by the amount of the management fees that are eliminated in consolidation. Accordingly, while the consolidation of funds and other entities impacts the amount of fees that are recognized in our financial statements, it does not affect the ultimate amount of net income attributable to KKR or KKR's partners' capital.

For a further discussion of our fee policies, see "Item 8. Financial Statements and Supplementary Data--Summary of Significant Accounting Policies."



## **Expenses**

### *Compensation and Benefits*

Compensation and benefits expense includes cash compensation consisting of salaries, bonuses, and benefits, as well as equity-based compensation consisting of charges associated with the vesting of equity-based awards and carry pool allocations. All employees and employees of certain consolidated entities receive a base salary that is paid by KKR or its consolidated entities, and is accounted for as compensation and benefits expense. These employees are also eligible to receive discretionary cash bonuses based on performance, overall profitability and other matters. While cash bonuses paid to most employees are borne by KKR and certain consolidated entities and result in customary compensation and benefits expense, cash bonuses that are paid to certain employees are currently borne by KKR Holdings. These bonuses are funded with distributions that KKR Holdings receives on KKR Group Partnership Units held by KKR Holdings but are not then passed on to holders of unvested units of KKR Holdings. The distributions to be paid by KKR are expected to decrease in 2016 and subsequent years as a result of the change in distribution policy announced on October 27, 2015. Because employees are not entitled to receive distributions on units that are unvested, any amounts allocated to employees in excess of an employee's vested equity interests are reflected as employee compensation and benefits expense. These compensation charges are recorded based on the unvested portion of quarterly earnings distributions received by KKR Holdings at the time of the distribution. See "Risks Related to Our Business - If we cannot retain and motivate our principals and other key personnel and recruit, retain and motivate new principals and other key personnel, our business, results and financial condition could be adversely affected" regarding the adequacy of such distributions to fund future discretionary cash bonuses.

With respect to KKR's active and future funds and co-investment vehicles that provide for carried interest, KKR allocates to its employees and other personnel a portion of the carried interest earned as part of its carry pool. KKR currently allocates approximately 40% of the carry it earns from these funds and vehicles to its carry pool. These amounts are accounted for as compensatory profit-sharing arrangements in conjunction with the related carried interest income and recorded as compensation and benefits expense for KKR employees and general, administrative and other expense for certain non-employee consultants and service providers in the consolidated statements of operations.

### *General, Administrative and Other*

General, administrative and other expense consists primarily of professional fees paid to legal advisors, accountants, advisors and consultants, insurance costs, travel and related expenses, communications and information services, depreciation and amortization charges, changes in fair value of contingent consideration, expenses incurred by oil and gas-producing entities (including impairment charges) that are consolidated and other general and operating expenses which are not borne by fund investors and are not offset by credits attributable to fund investors' noncontrolling interests in consolidated funds. General, administrative and other expense also consists of costs incurred in connection with pursuing potential investments that do not result in completed transactions, a substantial portion of which are borne by fund investors.

## **Investment Income (Loss)**

### *Net Gains (Losses) from Investment Activities*

Net gains (losses) from investment activities consist of realized and unrealized gains and losses arising from our investment activities. The majority of our net gains (losses) from investment activities are related to our private equity investments. Fluctuations in net gains (losses) from investment activities between reporting periods is driven primarily by changes in the fair value of our investment portfolio as well as the realization of investments. The fair value of, as well as the ability to recognize gains from, our private equity investments is significantly impacted by the global financial markets, which, in turn, affects the net gains (losses) from investment activities recognized in any given period. Upon the disposition of an investment, previously recognized unrealized gains and losses are reversed and an offsetting realized gain or loss is recognized in the current period. Since our investments are carried at fair value, fluctuations between periods could be significant due to changes to the inputs to our valuation process over time. For a further discussion of our fair value measurements and fair value of investments, see "—Critical Accounting Policies—Fair Value Measurements."

### *Dividend Income*

Dividend income consists primarily of distributions that investment funds receive from portfolio companies in which they invest. Dividend income is recognized primarily in connection with (i) dispositions of operations by portfolio companies, (ii) distributions of excess cash generated from operations from portfolio companies and (iii) other significant refinancings undertaken by portfolio companies.

*Interest Income*

Interest income consists primarily of interest that is received on our cash balances and other investments including credit instruments in which our consolidated funds and other entities invest.

*Interest Expense*

Interest expense is incurred from debt issued by KKR, including debt issued by KFN which was consolidated upon completion of the acquisition of KFN, credit facilities entered into by KKR, debt securities issued by consolidated CFEs and financing arrangements at our consolidated funds entered into primarily with the objective of managing cash flow. KFN's debt obligations are non-recourse to KKR beyond the assets of KFN. Debt securities issued by consolidated CFEs are supported solely by the investments held at the CFE and are not collateralized by assets of any other KKR entity. Our obligations under financing arrangements at our consolidated funds are generally limited to our pro-rata equity interest in such funds. Our management companies bear no obligations with respect to financing arrangements at our consolidated funds. We also capitalize debt financing costs incurred in connection with new debt arrangements. Such costs are amortized into interest expense using either the interest method or the straight-line method, as appropriate. See "—Liquidity".

*Income Taxes*

The KKR Group Partnerships and certain of their subsidiaries operate in the United States as partnerships for U.S. federal income tax purposes and as corporate entities in non-U.S. jurisdictions. Accordingly, these entities, in some cases, are subject to New York City unincorporated business taxes, or non-U.S. income taxes. Furthermore, we hold our interest in one of the KKR Group Partnerships through KKR Management Holdings Corp., which is treated as a corporation for U.S. federal income tax purposes, and certain other subsidiaries of the KKR Group Partnerships are treated as corporations for U.S. federal income tax purposes. Accordingly, such subsidiaries of KKR, including KKR Management Holdings Corp., and of the KKR Group Partnerships are subject to U.S. federal, state and local corporate income taxes at the entity level and the related tax provision attributable to KKR's share of this income is reflected in the financial statements. We also generate certain interest income to our unitholders and interest deductions to KKR Management Holdings Corp.

We use the asset and liability method to account for income taxes in accordance with GAAP. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that all or a portion of the deferred tax assets will not be realized.

Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining tax expense and in evaluating tax positions including evaluating uncertainties. We review our tax positions quarterly and adjust our tax balances as new information becomes available.

*Net Income (Loss) Attributable to Noncontrolling Interests*

Net income (loss) attributable to noncontrolling interests represents the ownership interests that certain third parties hold in entities that are consolidated in the financial statements as well as the ownership interests in our KKR Group Partnerships that are held by KKR Holdings. The allocable share of income and expense attributable to these interests is accounted for as net income (loss) attributable to noncontrolling interests. Historically, the amount of net income (loss) attributable to noncontrolling interests has been substantial and has resulted in significant charges and credits in the statements of operations. Given the consolidation of certain of our investment funds and the significant ownership interests in our KKR Group Partnerships held by KKR Holdings, we expect this activity to continue.

## Segment Operating and Performance Measures

The segment key performance measures that follow are used by management in making operating and resource deployment decisions as well as assessing the overall performance of each of KKR's reportable business segments. The reportable segments for KKR's business are presented prior to giving effect to the allocation of income (loss) between KKR & Co. L.P. and KKR Holdings L.P. and as such represent the business in total. In addition, KKR's reportable segments are presented without giving effect to the consolidation of the funds or CFEs that KKR manages.

We disclose the following financial measures in this report that are calculated and presented using methodologies other than in accordance with GAAP. We believe that providing these performance measures on a supplemental basis to our GAAP results is helpful to unitholders in assessing the overall performance of KKR's businesses. These financial measures should not be considered as a substitute for similar financial measures calculated in accordance with GAAP, if available. We caution readers that these non-GAAP financial measures may differ from the calculations of other investment managers, and as a result, may not be comparable to similar measures presented by other investment managers. Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP, where applicable, are included within "Financial Statements and Supplementary Data — Note 13. Segment Reporting" and later in this report under "—Segment Balance Sheet."

### *Adjusted Units*

Adjusted units are used as a measure of the total equity ownership of KKR that is held by KKR & Co. L.P. (including equity awards issued under the Equity Incentive Plan), KKR Holdings and other holders of securities exchangeable into common units of KKR & Co. L.P. and represent the fully diluted unit count using the if-converted method. We believe this measure is useful to unitholders as it provides an indication of the total equity ownership of KKR as if all outstanding KKR Holdings units, equity awards issued under the Equity Incentive Plan and other exchangeable securities had been exchanged for common units of KKR & Co. L.P.

### *After-Tax Cash Earnings*

After-tax cash earnings is used by management as a measure of the cash earnings of KKR. KKR believes this measure, which was formerly referred to as total distributable earnings, is useful to unitholders as it provides a supplemental measure to assess performance, excluding the impact of mark-to-market gains (losses). After-tax cash earnings excludes certain realized investment losses to the extent unrealized losses on these investments were recognized prior to the combination with KPE on October 1, 2009.

### *Assets Under Management ("AUM")*

Assets under management represent the assets managed by KKR or by its strategic partners from which KKR is entitled to receive fees or a carried interest (either currently or upon deployment of capital) and general partner capital. We believe this measure is useful to unitholders as it provides additional insight into KKR's capital raising activities and the overall activity in its investment funds and strategic partnerships. As of December 31, 2014, AUM has been adjusted to include (i) capital commitments for which we are eligible to receive fees or carried interest upon deployment of capital and (ii) KKR's pro-rata portion of AUM managed by other asset managers in which KKR holds a minority stake. Our reported AUM for periods prior to December 31, 2014 does not include these two items.

As of and subsequent to December 31, 2014, KKR calculates the amount of AUM as the sum of: (i) the fair value of the investments of KKR's investment funds; (ii) uncalled capital commitments from these funds, including uncalled capital commitments from which KKR is currently not earning management fees or carried interest; (iii) the fair value of investments in KKR's co-investment vehicles; (iv) the par value of outstanding CLOs (excluding CLOs wholly-owned by KKR); (v) KKR's pro-rata portion of the AUM managed by strategic partnerships in which KKR holds a minority ownership interest and (vi) the fair value of other assets managed by KKR. The pro-rata portion of the AUM managed by strategic partnerships is calculated based on KKR's percentage ownership interest in such entities multiplied by such entity's respective AUM. KKR's definition of AUM is not based on any definition of AUM that may be set forth in the agreements governing the investment funds, vehicles or accounts that it manages or calculated pursuant to any regulatory definitions.

### *Fee Paying AUM ("FPAUM")*

Fee paying AUM ("FPAUM") represents only those assets under management of KKR or its strategic partners from which KKR receives management fees. We believe this measure is useful to unitholders as it provides additional insight into the capital base upon which KKR earns management fees. As of December 31, 2014, FPAUM has been adjusted to include KKR's

pro-rata portion of FPAUM managed by other asset managers in which KKR holds a minority stake. Our reported FPAUM for periods prior to December 31, 2014 does not include this item.

FPAUM is the sum of all of the individual fee bases that are used to calculate KKR's fees and differs from AUM in the following respects: (i) assets and commitments from which KKR does not receive a fee are excluded (i.e., assets and commitments with respect to which it receives only carried interest or is otherwise not currently receiving a fee) and (ii) certain assets, primarily in its private equity funds, are reflected based on capital commitments and invested capital as opposed to fair value because fees are not impacted by changes in the fair value of underlying investments.

#### *Book Value*

Book value is a measure of the net assets of KKR's reportable segments and is used by management primarily in assessing the unrealized value of KKR's investment portfolio, including carried interest, as well as KKR's overall liquidity position. We believe this measure is useful to unitholders as it provides additional insight into the assets and liabilities of KKR excluding the assets and liabilities that are allocated to noncontrolling interest holders. Book value differs from KKR & Co. L.P. partners' capital on a GAAP basis primarily as a result of the exclusion of ownership interests attributable to KKR Holdings.

#### *Economic net income (loss) ("ENI")*

Economic net income (loss) is a measure of profitability for KKR's reportable segments and is used by management as an alternative measurement of the operating and investment earnings of KKR and its business segments. We believe this measure is useful to unitholders as it provides additional insight into the overall profitability of KKR's businesses inclusive of carried interest and related carry pool allocations and investment income. ENI is comprised of total segment revenues less total segment expenses and certain economic interests in KKR's segments held by third parties. ENI differs from net income (loss) on a GAAP basis as a result of: (i) the inclusion of management fees earned from consolidated funds that were eliminated in consolidation; (ii) the exclusion of fees and expenses of certain consolidated entities; (iii) the exclusion of charges relating to the amortization of intangible assets; (iv) the exclusion of non-cash equity-based charges and other non-cash compensation charges borne by KKR Holdings or incurred under the Equity Incentive Plan and other securities that are exchangeable for common units of KKR & Co. L.P.; (v) the exclusion of certain non-recurring items; (vi) the exclusion of investment income (loss) relating to noncontrolling interests; and (vii) the exclusion of income taxes.

#### *Equity Invested*

Equity invested is the aggregate amount of equity capital that has been invested by KKR's investment funds and carry-yielding co-investment vehicles and is used as a measure of investment activity for KKR and its business segments during a given period. We believe this measure is useful to unitholders as it provides additional insight into KKR's investments among its investment funds and carry-yielding co-investment vehicles. Such amounts include: (i) capital invested by fund investors and co-investors with respect to which KKR is entitled to a carried interest and (ii) capital invested by KKR's investment funds, including investments made using investment financing arrangements.

#### *Gross Dollars Invested*

Gross dollars invested is the aggregate amount of capital that has been invested by all of KKR's Public Markets investment vehicles in our private credit non-liquid strategies and is used as a measure of investment activity for a portion of KKR's Public Markets segment in a given period. We believe this measure is useful to unitholders as it provides additional insight into KKR's investment of capital across private credit non-liquid strategies for all the investment vehicles in the Public Markets segment. Such amounts include capital invested by fund investors and co-investors with respect to which KKR's Public Markets business is entitled to a fee or carried interest.

#### *Syndicated Capital*

Syndicated capital is generally the aggregate amount of capital in transactions originated by KKR and its investment funds and carry-yielding co-investment vehicles, which has been distributed to third parties in exchange for a fee. It does not include (i) capital invested in such transactions by KKR investment funds and carry-yielding co-investment vehicles, which is instead reported in equity invested and (ii) debt capital that is arranged as part of the acquisition financing of transactions originated by KKR investment funds. Syndicated capital is used as a measure of investment activity for KKR and its business segments during a given period, and we believe that this measure is useful to unitholders as it provides additional insight into levels of syndication activity in KKR's Capital Markets segment and across its investment platform.

#### *Uncalled Commitments*

Uncalled commitments are used as a measure of unfunded capital commitments that KKR's investment funds and carry-paying co-investment vehicles have received from partners to contribute capital to fund future investments. We believe this

measure is useful to unitholders as it provides additional insight into the amount of capital that is available to KKR's investment funds to make future investments. Uncalled commitments are not reduced for investments completed using fund-level investment financing arrangements.

## Consolidated Results of Operations

The following is a discussion of our consolidated results of operations for the years ended December 31, 2015 and 2014. You should read this discussion in conjunction with the consolidated financial statements and related notes included elsewhere in this report. For a more detailed discussion of the factors that affected the results of operations of our three business segments in these periods, see "—Segment Analysis."

### Year ended December 31, 2015 compared to year ended December 31, 2014

	Year Ended		
	December 31, 2015	December 31, 2014	Change
	(\$ in thousands)		
<b>Revenues</b>			
Fees and Other	\$ 1,043,768	\$ 1,110,008	\$ (66,240)
<b>Expenses</b>			
Compensation and Benefits	1,180,591	1,263,852	(83,261)
Occupancy and Related Charges	65,683	62,564	3,119
General, Administrative and Other	624,951	869,651	(244,700)
<b>Total Expenses</b>	<b>1,871,225</b>	<b>2,196,067</b>	<b>(324,842)</b>
<b>Investment Income (Loss)</b>			
Net Gains (Losses) from Investment Activities	4,672,627	4,778,232	(105,605)
Dividend Income	850,527	1,174,501	(323,974)
Interest Income	1,219,197	909,207	309,990
Interest Expense	(573,226)	(317,192)	(256,034)
<b>Total Investment Income (Loss)</b>	<b>6,169,125</b>	<b>6,544,748</b>	<b>(375,623)</b>
<b>Income (Loss) Before Taxes</b>	<b>5,341,668</b>	<b>5,458,689</b>	<b>(117,021)</b>
<b>Income Tax / (Benefit)</b>	<b>66,636</b>	<b>63,669</b>	<b>2,967</b>
<b>Net Income (Loss)</b>	<b>5,275,032</b>	<b>5,395,020</b>	<b>(119,988)</b>
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	(4,512)	(3,341)	(1,171)
Net Income (Loss) Attributable to Noncontrolling Interests and Appropriated Capital	4,791,062	4,920,750	(129,688)
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P.</b>	<b>\$ 488,482</b>	<b>\$ 477,611</b>	<b>\$ 10,871</b>

### Fees and Other

The net decrease was primarily due to (i) an \$87.5 million decrease in transaction fees, (ii) a \$74.5 million decrease in revenues earned by consolidated oil and gas producing entities and (iii) a \$34.3 million decrease in incentive fees. These decreases were partially offset by a \$145.6 million increase in monitoring fees. The decrease in transaction fees was primarily attributable to a decrease in both our Private Markets segment and Capital Markets segment. In our Private Markets segment the decreases were primarily attributable to a decrease in the average fee earned on completed investments. During the year ended December 31, 2015, in our Private Markets segment there were 37 transaction fee-generating investments paying an

average fee of \$3.9 million compared to 33 transaction fee-generating investments paying an average fee of \$6.5 million during the year ended December 31, 2014. Transaction fees vary by investment based upon a number of factors, the most significant of which are transaction size, the particular discussions as to the amount of the fees, the complexity of the transaction and KKR's role in the transaction. In our Capital Markets Segment transaction fees decreased primarily due to a decrease in the number and size of capital markets transactions for the year ended December 31, 2015 compared to the year ended December 31, 2014. We completed 116 capital markets transactions for the year ended December 31, 2015 of which 16 represented equity offerings and 100 represented debt offerings, as compared to 139 transactions for the year ended December 31, 2014 of which 15 represented equity offerings and 124 represented debt offerings. The decrease in revenue earned by consolidated oil and gas producing entities was primarily the result of a decrease in oil prices for the year ended December 31, 2015 as compared to the prior period, and to a lesser extent, reduced production volumes that resulted from assets sold in the third and fourth quarters of 2014, partially offset by revenues of oil and gas producing entities of KFN, which was acquired on April 30, 2014. The decrease in incentive fees was due primarily to a decrease in incentive fees received from KFN as a result of our acquisition of it on April 30, 2014, as incentive fees from KFN after that date were eliminated from segment results, as well as lower incentive fees in our hedge fund-of-funds platform and European credit platform driven by less favorable financial performance in the current year. The increase in monitoring fees was primarily the result of \$198.8 million of monitoring fees received during 2015 from the termination of monitoring fee arrangements in connection with the initial public offering (IPO) or partial exits of First Data Corporation (NYSE: FDC), Walgreens Boots Alliance, Inc. (NASDAQ: WBA), J.M. Smucker Company (NYSE: SJM), Zimmer Biomet Holdings, Inc. (NYSE: ZBH) and GoDaddy, Inc. (NYSE: GDDY) compared to approximately \$23.2 million of such fees received during the year ended December 31, 2014. These types of termination payments may occur in the future; however, they are infrequent in nature and are generally correlated with IPO and other realization activity in our private equity portfolio. This increase in monitoring fees from termination payments was partially offset by a decrease in recurring monitoring fees of \$46.1 million. The decrease in recurring monitoring fees was primarily the result of a decrease in the number of portfolio companies paying a monitoring fee and a decrease in the average size of the fee. For the year ended December 31, 2015, we had 43 portfolio companies that were paying an average monitoring fee of \$1.5 million compared with 50 portfolio companies that were paying an average monitoring fee of \$2.2 million for the year ended December 31, 2014. In future periods, we anticipate that recurring monitoring fees will continue to decrease as a result of realizations and other transactions such as initial public offerings, if not offset by additional portfolio companies paying recurring monitoring fees.

#### *Expenses*

The decrease was primarily due to a decrease in general administrative and other expense of \$244.7 million and a decrease in compensation and benefits of \$83.3 million. The decrease in general administrative and other expense was primarily attributable to (i) a lower level of impairment charges relating to long-lived assets at our consolidated oil and gas producing entities during the year ended December 31, 2015 as compared to the year ended December 31, 2014, (ii) a decrease in operating expenses of our consolidated oil and gas producing entities that resulted primarily from assets sold in the third and fourth quarters of 2014 and a reduction in depreciation in 2015 as a result of an impairment of the long-lived assets of these entities in the fourth quarter of 2014 and (iii) non-recurring amounts accrued for litigation in 2014. The decrease in compensation and benefits is due primarily to (i) lower carry pool allocations as a result of the recognition of a lower level of carried interest during the year ended December 31, 2015 as compared to the year ended December 31, 2014, (ii) lower equity-based compensation related to KKR Holdings reflecting fewer KKR Holdings units vesting for expense recognition purposes and a lower level of amounts allocated to principals in excess of such principal's vested equity interests. These decreases were partially offset by (i) an increase in cash compensation reflecting a higher level of fees which generally results in higher compensation expense and (ii) higher equity-based compensation relating primarily to additional equity grants under the Equity Incentive Plan.

*Net Gains (Losses) from Investment Activities*

The following is a summary of net gains (losses) from investment activities:

	Year Ended December 31,	
	2015	2014
	(\$ in thousands)	
Net Gains (Losses) from Private Equity Investments	\$ 5,592,970	\$ 4,586,193
Other Net Gains (Losses) from Investment Activities (1)	(920,343)	192,039
Net Gains (Losses) from Investment Activities	\$ 4,672,627	\$ 4,778,232

(1) The 2015 amount includes a realized loss of approximately \$2 billion on a consolidated basis relating to the write off of Energy Future Holdings (energy sector) which had previously been marked at zero on an unrealized basis. Accordingly, this write off had no impact on our Net Gains (Losses) from Investment Activities during the year ended December 31, 2015.

The majority of our net gains (losses) from investment activities relate to our private equity portfolio. The following is a summary of the components of net gains (losses) from investment activities for private equity investments which illustrates the variances from the prior period. See “—Segment Analysis—Private Markets Segment” for further information regarding gains and losses in our private equity portfolio.

	Year Ended December 31,	
	2015	2014
	(\$ in thousands)	
Realized Gains	\$ 4,701,511	\$ 6,224,683
Unrealized Losses from Sales of Investments and Realization of Gains (a)	(4,024,214)	(6,278,529)
Realized Losses	(248,918)	(1,238,897)
Unrealized Gains from Sales of Investments and Realization of Losses (b)	239,587	1,233,070
Unrealized Gains from Changes in Fair Value	9,669,247	9,218,981
Unrealized Losses from Changes in Fair Value	(4,744,243)	(4,573,115)
Net Gains (Losses) from Investment Activities - Private Equity Investments	\$ 5,592,970	\$ 4,586,193

(a) Amounts represent the reversal of previously recognized unrealized gains in connection with realization events where such gains become realized.

(b) Amounts represent the reversal of previously recognized unrealized losses in connection with realization events where such losses become realized.

A significant driver of net gains (losses) from investment activities for the year ended December 31, 2015 was related to unrealized gains and losses from changes in fair value in our private equity investments. The net increase in the value of our private markets portfolio was driven primarily by net unrealized gains of \$1.8 billion, \$1.5 billion and \$0.9 billion in our 2006 Fund, North America Fund XI and Asian Fund II, respectively. For the year ended December 31, 2015, the value of our private equity investment portfolio increased 14.2%. This was comprised of a 19.5% increase in the share prices of various publicly held or publicly indexed investments and a 9.3% increase in value of our privately held investments. The most significant increases in share prices of various publicly held or publicly indexed investments were gains in Walgreens Boots Alliance, Inc., PRA Health Sciences, Inc. (NASDAQ: PRAH) and GoDaddy, Inc. These increases were partially offset by decreased share prices of various publicly held investments, the most significant of which were RigNet (NASDAQ: RNET), HCA Holdings, Inc. (NYSE: HCA) and CITIC Envirotech Ltd. (SES: U19.SI). Subsequent to December 31, 2015, world equity markets declined sharply with both the S&P 500 and the MSCI World Index down on a total return basis, including dividends, as of February 22, 2016. See “--Business Environment”. Our privately held investments contributed the remainder of the change in value, the most significant of which were gains relating to Panasonic Healthcare Co. Ltd (healthcare sector), Capital Safety Group (industrial sector) and Alliant Insurance Services (financial services sector). The unrealized gains on our privately held investments were partially offset by unrealized losses relating primarily to BIS Industries Ltd. (industrial sector), Acteon Group Ltd (energy sector) and Aceco TI S.A (technology sector). The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) in the case of Capital Safety Group and Alliant Insurance Services, valuations that reflect agreements to sell these investments in whole or in part, (ii) an increase in the value of market comparables and (iii) individual company performance. The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) individual company performance or, in certain cases, an unfavorable business outlook and (ii) a decrease in the value of market comparables.

A significant driver of net gains (losses) from investment activities for the year ended December 31, 2014 was related to unrealized gains and losses from changes in fair value in our private equity investments. The net unrealized investment gains in our private equity portfolio were driven primarily by net unrealized gains of \$2.2 billion, \$1.2 billion and \$1.1 billion in our 2006 Fund, European Fund III and North America Fund XI, respectively. Approximately 23% of the net change in value for the year ended December 31, 2014 was attributable to changes in share prices of various publicly-listed investments, the most significant of which were gains on PRA Health Sciences, Inc., HCA, Inc., NXP Semiconductors N.V. (NASDAQ: NXPI) and Yageo Corporation (TW: 2327). These increases were partially offset by decreased share prices of various publicly held investments, the most significant of which were Tarkett S.A. (PA:TKTT), ProSiebenSat.1 Media AG (XETRA: PSM) and China Greenland Rundong Auto Group Ltd (HK: 1365). Our privately-held investments contributed the remainder of the change in value, the most significant of which were gains relating to Alliance Boots GmbH (healthcare sector), Biomet, Inc. (healthcare sector) and WILD Flavors GmbH (consumer products sector). The unrealized gains on our privately-held investments were partially offset by unrealized losses relating primarily to Northgate Information Solutions (technology sector), Samson Resources (energy sector) and Toys R Us (retail sector). The unrealized gains were also offset by unrealized losses in our energy assets from our Natural Resources Fund and Energy Income and Growth Fund of approximately \$352 million. The increased valuations of individual companies in our privately-held investments, in the aggregate, generally related to (i) an increase in the value of market comparables and individual company performance, (ii) in the case of WILD Flavors GmbH and Biomet, Inc., an increase that primarily reflected agreements to sell these investments, with the sale of WILD Flavors GmbH completed in October 2014, and (iii) in the case of Alliance Boots GmbH, primarily due to an agreement to exit the investment and to a lesser extent an increase in the value of a publicly traded stock that was expected to be delivered pursuant to this agreement, which was completed on December 31, 2014. The decreased valuations of individual companies in our privately-held investments, in the aggregate, generally related to individual company performance or, in certain cases, an unfavorable business outlook. The decreased valuation of energy assets are generally related to decreases in commodity prices.

#### *Dividend Income*

During the year ended December 31, 2015 we received dividends of \$123.7 million from WMF (consumer products sector), \$114.9 million from CITIC Envirotech Ltd., \$86.2 million from MMI Holdings Limited (technology sector), \$80.5 million from Academy Sports and Outdoors (retail sector), \$65.9 million from Aricent Inc. (technology sector) and an aggregate of \$379.3 million of dividends from other investments. During the year ended December 31, 2014, we received dividends of \$178.6 million from Visma (technology sector), \$171.6 million from Capsugel (manufacturing sector), \$162.1 million from Capital Safety Group, \$87.7 million from WMF and an aggregate of \$574.5 million of dividends from other investments. Significant dividends from portfolio companies are generally not recurring quarterly dividends, and while they may occur in the future, their size and frequency are variable.

#### *Interest Income*

The increase was primarily due to a net increase in (i) the amount of credit instruments in our consolidated Public Markets investment vehicles, including growth in our CLO platform when compared to the prior period, (ii) the consolidation of CMBS entities beginning in the second quarter of 2015, and (iii) the acquisition of KFN on April 30, 2014 which did not contribute to our interest income for the first four months of 2014.

#### *Interest Expense*

The increase was primarily due to (i) increased interest expense in connection with the growth of our CLO platforms, the majority of which are consolidated, (ii) interest expense on our 2044 Senior Notes issued on May 29, 2014 and an additional issuance of such notes on March 18, 2015, (iii) increased interest expense related to financing facilities entered into by our consolidated investment funds for purposes of financing their operating and investing activities, (iv) the consolidation of CMBS entities beginning in the second quarter of 2015 and (v) the acquisition of KFN on April 30, 2014 which did not contribute to our interest expense for the first four months of 2014.

#### *Income (Loss) Before Taxes*

The decrease was primarily due to lower investment income and lower fees and other, partially offset by lower expenses, as described above.



*Income Tax (Benefit)*

Income taxes for the year ended December 31, 2015 remained largely unchanged from the year ended December 31, 2014. Because certain investment funds owned by the KKR Group Partnerships are subject to corporate taxes, unrealized losses recognized by those funds during 2015 offset an increase in KKR & Co. L.P.'s weighted average ownership percentage in the KKR Group Partnerships, which increased from approximately 49.5% for the year ended December 31, 2014 to approximately 54.9% for the year ended December 31, 2015. The increase in ownership, primarily the result of exchanges of units in KKR Holdings for KKR common units during 2015, subjects a greater level of income to corporate taxes.

*Net Income (Loss) Attributable to Noncontrolling Interests and Appropriated Capital*

The decrease was primarily driven by lower investment income as described above and a decrease in KKR Holdings' weighted average ownership percentage in the KKR Group Partnerships from approximately 50.5% for the year ended December 31, 2014 to approximately 45.1% for the year ended December 31, 2015. This decrease in ownership percentage is primarily due to exchanges of units in KKR Holdings for KKR common units during the year.

*Net Income (Loss) Attributable to KKR & Co. L.P.*

Net income attributable to KKR & Co L.P. for the year ended December 31, 2015 remained largely unchanged from the year ended December 31, 2014 due to the net impact of lower investment income as described above, which was offset by an increase in KKR & Co. L.P.'s weighted average ownership percentage in the KKR Group Partnerships from approximately 49.5% for the year ended December 31, 2014 to approximately 54.9% for the year ended December 31, 2015.

*Year ended December 31, 2014 compared to year ended December 31, 2013*

	Year Ended		
	December 31, 2014	December 31, 2013	Change
(\$ in thousands)			
<b>Revenues</b>			
Fees and Other	\$ 1,110,008	\$ 762,546	\$ 347,462
<b>Expenses</b>			
Compensation and Benefits	1,263,852	1,266,592	(2,740)
Occupancy and Related Charges	62,564	61,720	844
General, Administrative and Other	869,651	438,826	430,825
<b>Total Expenses</b>	<b>2,196,067</b>	<b>1,767,138</b>	<b>428,929</b>
<b>Investment Income (Loss)</b>			
Net Gains (Losses) from Investment Activities	4,778,232	7,826,082	(3,047,850)
Dividend Income	1,174,501	695,521	478,980
Interest Income	909,207	474,759	434,448
Interest Expense	(317,192)	(99,616)	(217,576)
<b>Total Investment Income (Loss)</b>	<b>6,544,748</b>	<b>8,896,746</b>	<b>(2,351,998)</b>
<b>Income (Loss) Before Taxes</b>	<b>5,458,689</b>	<b>7,892,154</b>	<b>(2,433,465)</b>
<b>Income Tax / (Benefit)</b>	<b>63,669</b>	<b>37,926</b>	<b>25,743</b>
<b>Net Income (Loss)</b>	<b>5,395,020</b>	<b>7,854,228</b>	<b>(2,459,208)</b>
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	(3,341)	62,255	(65,596)
Net Income (Loss) Attributable to Noncontrolling Interests and Appropriated Capital	4,920,750	7,100,747	(2,179,997)
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P.</b>	<b>\$ 477,611</b>	<b>\$ 691,226</b>	<b>\$ (213,615)</b>

*Fees and Other*

The net increase was primarily due to an increase in revenues earned by consolidated oil and gas producing entities of \$164.8 million, an increase in transaction fees of \$137.6 million and an increase in management fees of \$37.3 million. The increase in revenue earned by consolidated oil and gas producing entities was primarily the result of the acquisition of KFN, which owned oil and gas producing entities, completed on April 30, 2014, and to a lesser extent, growth in the activities of our other consolidated oil and gas producing entities. The increase in transaction fees was primarily driven by (i) an increase in the size of fee-generating investments completed during the year ended December 31, 2014 in our Private Markets segment and (ii) an increase in transaction fees in our capital markets business reflecting larger transaction sizes when compared to the prior period, including a capital markets fee received from the syndication of equity in First Data Corporation of approximately \$43 million. During the year ended December 31, 2014, our Private Markets segment had 33 transaction fee-generating investments with a total combined transaction value of approximately \$15.4 billion compared to 33 transaction fee-generating investments with a total combined transaction value of approximately \$15.0 billion during the year ended December 31, 2013. Transaction fees vary by investment based upon a number of factors, the most significant of which are transaction size, the particular discussions as to the amount of the fees, the complexity of the transaction and KKR's role in the transaction. The increase in management fees was primarily the result of the acquisition of Avoca on February 19, 2014 and to a lesser extent new capital raised primarily in our Public Markets segment, partially offset by a decrease in management fees received from KFN as a result of our acquisition of KFN on April 30, 2014, as management fees from KFN after that date are now eliminated in consolidation.

*Expenses*

The increase was primarily due to an increase in general, administrative and other expenses of \$430.8 million, partially offset by a decrease in compensation and benefits of \$2.7 million. The increase in general, administrative and other expenses is primarily due to an increase of approximately \$330 million relating to the activities of our consolidated oil and gas producing entities which were not consolidated prior to the third quarter of 2013 as well as the activities of oil and gas producing entities acquired in the acquisition of KFN completed on April 30, 2014. This increase included an impairment charge of approximately \$220 million relating to long-lived assets at our consolidated oil and gas producing entities. In addition, general, administrative, and other expenses increased as a result of (i) increased expenses attributable to Avoca which we acquired on February 19, 2014, (ii) expenses incurred by consolidated CLOs that were consolidated subsequent to the acquisition of Avoca and the acquisition of KFN, which was completed on April 30, 2014, and (iii) an increase in amounts accrued for litigation. The decrease in compensation and benefits is due primarily to (i) lower equity-based compensation reflecting fewer KKR Holdings units vesting for expense recognition purposes under the graded attribution method of expense recognition, (ii) lower carry pool allocations as a result of the recognition of a lower level of carried interest during the year ended December 31, 2014 as compared to the year ended December 31, 2013, partially offset by (i) an increase in cash compensation reflecting a higher level of fees as well as increased headcount and (ii) higher equity-based compensation relating primarily to additional equity grants under the Equity Incentive Plan.

*Net Gains (Losses) from Investment Activities*

The following is a summary of net gains (losses) from investment activities:

	Year Ended December 31,	
	2014	2013
(\$ in thousands)		
Net Gains (Losses) from Private Equity Investments	\$ 4,586,193	\$ 7,716,772
Other Net Gains (Losses) from Investment Activities	192,039	109,310
Net Gains (Losses) from Investment Activities	<u>\$ 4,778,232</u>	<u>\$ 7,826,082</u>

The majority of our net gains (losses) from investment activities relate to our private equity portfolio. The following is a summary of the components of net gains (losses) from investment activities for private equity investments which illustrates the variances from the prior period. See “—Segment Analysis—Private Markets Segment” for further information regarding gains and losses in our private equity portfolio.

	Year Ended December 31,	
	2014	2013
(\$ in thousands)		
Realized Gains	\$ 6,224,683	\$ 4,712,997
Unrealized Losses from Sales of Investments and Realization of Gains (a)	(6,278,529)	(4,155,261)
Realized Losses	(1,238,897)	(1,048,778)
Unrealized Gains from Sales of Investments and Realization of Losses (b)	1,233,070	1,058,710
Unrealized Gains from Changes in Fair Value	9,218,981	9,361,938
Unrealized Losses from Changes in Fair Value	(4,573,115)	(2,212,834)
Net Gains (Losses) from Investment Activities - Private Equity Investments	<u>\$ 4,586,193</u>	<u>\$ 7,716,772</u>

(a) Amounts represent the reversal of previously recognized unrealized gains in connection with realization events where such gains become realized.

(b) Amounts represent the reversal of previously recognized unrealized losses in connection with realization events where such losses become realized.

The appreciation in the market value of our private equity portfolio was driven primarily by net unrealized gains of \$2.2 billion, \$1.2 billion and \$1.1 billion in our 2006 Fund, European Fund III and North America Fund XI, respectively. Approximately 23% of the net change in value for the year ended December 31, 2014 was attributable to changes in share prices of various publicly-listed investments, the most significant of which were gains on PRA Health Sciences, Inc., HCA, Inc., NXP Semiconductors N.V. and Yageo Corporation. These increases were partially offset by decreased share prices of various publicly held investments, the most significant of which were Tarkett S.A., ProSiebenSat.1 Media AG and China Greenland Rundong Auto Group Ltd. Our privately-held investments contributed the remainder of the change in value, the

most significant of which were gains relating to Alliance Boots GmbH, Biomet, Inc. and WILD Flavors GmbH. The unrealized gains on our privately-held investments were partially offset by unrealized losses relating primarily to Northgate Information Solutions, Samson Resources and Toys R Us. The unrealized gains were also offset by unrealized losses in our energy assets from our Natural Resources Fund and Energy Income and Growth Fund of approximately \$352 million. The increased valuations of individual companies in our privately-held investments, in the aggregate, generally related to (i) an increase in the value of market comparables and individual company performance, (ii) in the case of WILD Flavors GmbH and Biomet, Inc., an increase that primarily reflected agreements to sell these investments, with the sale of WILD Flavors GmbH completed in October 2014, and (iii) in the case of Alliance Boots GmbH, primarily due to an agreement to exit the investment and to a lesser extent an increase in the value of a publicly traded stock that is expected to be delivered pursuant to this agreement, which was completed on December 31, 2014. The decreased valuations of individual companies in our privately-held investments, in the aggregate, generally related to individual company performance or, in certain cases, an unfavorable business outlook. The decreased valuation of energy assets are generally related to decreases in commodity prices.

#### *Dividend Income*

During the year ended December 31, 2014, we received dividends of \$178.6 million from Visma, \$171.6 million from Capsugel, \$162.1 million from Capital Safety Group, \$87.7 million from WMF and an aggregate of \$574.5 million of dividends from other investments. During the year ended December 31, 2013, we received dividends of \$191.6 million from Capsugel, \$139.7 million from Pets at Home Ltd. (LSE: PETS.L), \$113.9 million from Visma, \$85.6 million from Tarkett S.A., \$52.0 million from Santander Consumer USA (NYSE: SC) and an aggregate of \$112.7 million of dividends from other investments. Significant dividends from portfolio companies are generally not recurring quarterly dividends, and while they may occur in the future, their size and frequency are variable.

#### *Interest Income*

The increase was primarily due to the consolidation of debt instruments held by KFN including CLOs, subsequent to the acquisition of KFN on April 30, 2014, as well as a net increase in the amount of credit instruments in our consolidated Public Markets investment vehicles, including CLOs acquired in the Avoca acquisition on February 19, 2014.

#### *Interest Expense*

The increase was primarily due to (i) interest expense associated with consolidated CLOs acquired in the Avoca and KFN acquisitions which were completed on February 19, 2014 and April 30, 2014, respectively, (ii) interest expense associated with senior and subordinated debt at KFN and (iii) interest expense on our 2044 Senior Notes issued on May 29, 2014.

#### *Income (Loss) Before Taxes*

The decrease was primarily due to a decrease in investment income and increase in expenses, partially offset by an increase in fees.

#### *Income Taxes*

The increase was primarily due to an increase in the amount of income in the KKR Group Partnerships that is subject to either corporate or local taxes, or both, as well as an increase in KKR & Co. L.P.'s ownership percentage in the KKR Group Partnerships from approximately 39.9% for the year ended December 31, 2013 to approximately 49.5% for the year ended December 31, 2014. This increase in ownership subjects a greater level of income to corporate taxes.

#### *Net Income (Loss) Attributable to Redeemable Noncontrolling Interests*

The decrease was primarily driven by the termination of our KKR Equity Strategies fund and to a lesser extent decreased investment income for funds and vehicles where noncontrolling interests are redeemable.

#### *Net Income (Loss) Attributable to Noncontrolling Interests and Appropriated Capital*

The decrease was primarily attributable to the overall decrease in investment income described above as well as a decrease in KKR Holdings' ownership percentage in the KKR Group Partnerships from approximately 60.1% for the year ended December 31, 2013 to approximately 50.5% for the year ended December 31, 2014.

*Net Income (Loss) Attributable to KKR & Co. L.P.*

The decrease was primarily attributable to the decrease in income before taxes as described above, partially offset by an increase in KKR & Co. L.P.'s ownership percentage in the KKR Group Partnerships from approximately 39.9% for the year ended December 31, 2013 to approximately 49.5% for the year ended December 31, 2014. This increase in ownership percentage was principally the result of the issuance of KKR common units in connection with the acquisition of KFN.

## Segment Analysis

The following is a discussion of the results of our four reportable business segments for years ended December 31, 2015, 2014 and 2013. You should read this discussion in conjunction with the information included under “—Basis of Financial Presentation—Segment Operating and Performance Measures” and the consolidated financial statements and related notes included elsewhere in this report.

KKR’s management has reevaluated the manner in which it makes operational and resource deployment decisions and assesses the overall performance of each of KKR’s operating segments. As a result, KKR has modified the presentation of its segment financial information. In addition, since becoming a public company, our principal assets have grown in significance and are a meaningful contributor to our financial results.

Certain of the more significant changes between KKR’s current segment presentation and its previously reported segment presentation are described in the following commentary.

### *Inclusion of a Fourth Segment*

All income (loss) on investments is attributed to a new fourth segment called Principal Activities. Previously, income on investments held directly by KKR was reported in the Private Markets segment, Public Markets segment or Capital Markets segment based on the character of the income generated. For example, income from private equity investments was previously included in the Private Markets segment. However, the financial results of acquired businesses and strategic partnerships have been reported in our other segments.

### *Expense Allocations*

We have changed the manner in which expenses are allocated among our operating segments. Specifically, as described below, (i) a portion of expenses, except for broken deal expenses, previously reflected in our Private Markets, Public Markets or Capital Markets segments are now reflected in the Principal Activities segment and (ii) corporate expenses are allocated across all segments.

#### *Expenses Allocated to Principal Activities*

A portion of our cash compensation and benefits, occupancy and related charges and other operating expenses previously included in the Private Markets, Public Markets and Capital Markets segments is now allocated to the Principal Activities segment. The Principal Activities segment incurs its own direct costs, and an allocation from the other segments is also made to reflect the estimated amount of costs that are necessary to operate our Principal Activities segment, which are incremental to those costs incurred directly by the Principal Activities segment. The total amount of expenses (other than its direct costs) that is allocated to Principal Activities is based on the proportion of revenue earned by Principal Activities, relative to other operating segments, over the preceding four annual periods. This allocation percentage is updated annually or more frequently if there are material changes to our business. Below is a summary of the allocation to Principal Activities, relative to other operating segments, for the years ended December 31, 2015, 2014 and 2013:

- 2015 Allocation: 25.4%, based on revenues earned in 2014, 2013, 2012 and 2011
- 2014 Allocation: 31.7%, based on revenues earned in 2013, 2012, 2011 and 2010
- 2013 Allocation: 37.8%, based on revenues earned in 2012, 2011, 2010 and 2009

The expense allocation expected to be used in 2016 to allocate expense to the Principal Activities segment, based on revenues earned in 2015, 2014, 2013 and 2012 is approximately 23%, subject to adjustments if there are material changes to our business.

Once the total amount of expense to be allocated to the Principal Activities segment is estimated for each reporting period, the amount of this expense will be allocated from the Private Markets, Public Markets and Capital Markets segments based on the proportion of headcount in each of these three segments.

*Allocations of Corporate Overhead*

Corporate expenses are allocated to each of the Private Markets, Public Markets, Capital Markets and Principal Activities segments based on the proportion of revenues earned by each segment over the preceding four calendar years. In our previously reported segment presentation, all corporate expenses were allocated to the Private Markets segment. Below is a summary of the allocations to each of our operating segments for the years ended December 31, 2015, 2014 and 2013.

Segment	Expense Allocation		
	2015	2014	2013
Private Markets	58.7%	56.2%	53.0%
Public Markets	9.8%	7.1%	4.8%
Capital Markets	6.1%	5.0%	4.4%
Principal Activities	25.4%	31.7%	37.8%
Total Reportable Segments	100.0%	100.0%	100.0%
Based on revenue earned in	2014, 2013, 2012 & 2011	2013, 2012, 2011 & 2010	2012, 2011, 2010 & 2009

Based on the proportion of revenues earned by each segment in 2015, 2014, 2013 and 2012, the corporate expense allocation expected to be used in 2016 to allocate expense to the Private Markets, Public Markets, Capital Markets and Principal Activities segments is approximately 61%, 10%, 6% and 23%, respectively, subject to adjustments if there are material changes to our business.

In connection with these modifications, segment information for the years ended December 31, 2014 and 2013 has been presented in this Annual Report on Form 10-K in conformity with KKR's current segment presentation. Consequently, this information will not be consistent with historical segment financial results previously reported. While the modified segment presentation impacted the amount of economic net income reported by each operating segment, it had no impact on KKR's economic net income on a total reportable segment basis.

**Private Markets Segment**

The following tables set forth information regarding the results of operations and certain key operating metrics for our Private Markets segment for the years ended December 31, 2015 and 2014.

**Year ended December 31, 2015 compared to year ended December 31, 2014**

	Year Ended		
	December 31, 2015	December 31, 2014	Change
(\$ in thousands)			
<b>Segment Revenues</b>			
<b>Management, Monitoring and Transaction Fees, Net</b>			
Management Fees	\$ 465,575	\$ 453,210	\$ 12,365
Monitoring Fees	264,643	135,160	129,483
Transaction Fees	144,652	214,612	(69,960)
Fee Credits	(195,025)	(198,680)	3,655
<b>Total Management, Monitoring and Transaction Fees, Net</b>	<b>679,845</b>	<b>604,302</b>	<b>75,543</b>
<b>Performance Income</b>			
Realized Incentive Fees	—	—	—
Realized Carried Interest	1,018,201	1,159,011	(140,810)
Unrealized Carried Interest	182,628	70,058	112,570
<b>Total Performance Income</b>	<b>1,200,829</b>	<b>1,229,069</b>	<b>(28,240)</b>
<b>Investment Income (Loss)</b>			
Net Realized Gains (Losses)	—	—	—
Net Unrealized Gains (Losses)	—	—	—
Total Realized and Unrealized	—	—	—
Interest Income and Dividends	—	—	—
Interest Expense	—	—	—
Net Interest and Dividends	—	—	—
<b>Total Investment Income (Loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Segment Revenues</b>	<b>1,880,674</b>	<b>1,833,371</b>	<b>47,303</b>
<b>Segment Expenses</b>			
<b>Compensation and Benefits</b>			
Cash Compensation and Benefits	193,995	153,339	40,656
Realized Performance Income Compensation	407,280	463,605	(56,325)
Unrealized Performance Income Compensation	74,560	33,430	41,130
Total Compensation and Benefits	675,835	650,374	25,461
Occupancy and related charges	33,640	30,946	2,694
Other operating expenses	127,836	125,398	2,438
<b>Total Segment Expenses</b>	<b>837,311</b>	<b>806,718</b>	<b>30,593</b>
Income (Loss) attributable to noncontrolling interests	1,645	1,424	221
<b>Economic Net Income (Loss)</b>	<b>\$ 1,041,718</b>	<b>\$ 1,025,229</b>	<b>\$ 16,489</b>
<b>Assets Under Management</b>	<b>\$ 66,028,600</b>	<b>\$ 64,611,300</b>	<b>\$ 1,417,300</b>
<b>Fee Paying Assets Under Management</b>	<b>\$ 45,307,400</b>	<b>\$ 47,262,500</b>	<b>\$ (1,955,100)</b>
<b>Equity Invested</b>	<b>\$ 5,527,900</b>	<b>\$ 7,223,400</b>	<b>\$ (1,695,500)</b>
<b>Uncalled Commitments</b>	<b>\$ 22,766,300</b>	<b>\$ 18,272,400</b>	<b>\$ 4,493,900</b>



## ***Segment Revenues***

### ***Management, Monitoring and Transaction Fees, Net***

The net increase was primarily due to an increase in monitoring fees of \$129.5 million and an increase in management fees of \$12.4 million, partially offset by a decrease in transaction fees of \$70.0 million. The increase in monitoring fees was primarily the result of \$198.8 million of monitoring fees received during 2015 from the termination of monitoring fee arrangements in connection with the initial public offering (IPO) or partial exits of First Data Corporation (NYSE: FDC), Walgreens Boots Alliance, Inc. (NASDAQ: WBA), J.M. Smucker Company (NYSE: SJM), Zimmer Biomet Holdings, Inc. (NYSE: ZBH) and GoDaddy, Inc. (NYSE: GDDY) compared to approximately \$23.2 million of such fees received during the year ended December 31, 2014. These types of termination payments may occur in the future; however, they are infrequent in nature and are generally correlated with IPO and other realization activity in our private equity portfolio. This increase in monitoring fees from termination payments was partially offset by a decrease in recurring monitoring fees of \$46.1 million. The decrease in recurring monitoring fees was primarily the result of a decrease in the number of portfolio companies paying a monitoring fee and a decrease in the average size of the fee. For the year ended December 31, 2015, we had 43 portfolio companies that were paying an average monitoring fee of \$1.5 million compared with 50 portfolio companies that were paying an average monitoring fee of \$2.2 million for the year ended December 31, 2014. In future periods, we anticipate that recurring monitoring fees will continue to decrease as a result of realizations and other transactions such as initial public offerings, if not offset by additional portfolio companies paying recurring monitoring fees. The increase in management fees was primarily due to new capital raised in European Fund IV and Global Infrastructure Investors II offset by a decrease in management fees attributable to lower invested capital in our European Fund II, 2006 Fund and European Fund III as a result of realizations. See also discussion under “- Assets Under Management” and “- Fee-Paying Assets Under Management”. The decrease in transaction fees was primarily attributable to a decrease in the average fee earned on completed investments during the year ended December 31, 2015. During the year ended December 31, 2015, there were 37 transaction fee-generating investments paying an average fee of \$3.9 million compared to 33 transaction fee-generating investments paying an average fee of \$6.5 million during the year ended December 31, 2014. Transaction fees vary by investment based upon a number of factors, the most significant of which are transaction size, the particular discussions as to the amount of the fees, the complexity of the transaction and KKR’s role in the transaction.

### ***Performance Income***

The net decrease is attributable to lower net carried interest losses primarily resulting from a lower level of investment gains at carry earning funds during the current period.

Realized carried interest for the year ended December 31, 2015 consisted primarily of realized gains from the sales or partial sale of Walgreens Boots Alliance, Inc., Capital Safety Group and Zimmer Biomet Holdings, Inc.

Realized carried interest for the year ended December 31, 2014 consisted primarily of realized gains from the sales of Oriental Brewery (consumer products sector), WILD Flavors GmbH and Versatel GmbH (telecom sector).

The following table presents net unrealized carried interest by investment vehicle for the years ended December 31, 2015 and 2014 :

	Year Ended December 31,	
	2015	2014
	(\$ in thousands)	
North America Fund XI	\$ 209,361	\$ 189,063
Asian Fund II	163,645	58,967
European Fund III	42,923	(34,914)
China Growth Fund	31,730	(6,346)
European Fund II	30,797	(112,091)
Real Estate Partners Americas	14,669	(662)
Global Infrastructure Investors	6,678	—
European Fund IV	3,813	—
European Fund	(3,705)	(826)
E2 Investors	(20,564)	(20,253)
Millennium Fund	(26,714)	(40,489)
Co-Investment Vehicles and Other	(39,248)	99,026
2006 Fund	(111,965)	128,970
Asian Fund	(116,185)	(176,456)
Management Fee Refunds	(2,607)	(13,931)
<b>Total (a)</b>	<b>\$ 182,628</b>	<b>\$ 70,058</b>

(a) The above table excludes any funds for which there was no unrealized carried interest during either of the periods presented.

For the year ended December 31, 2015, the net unrealized carried interest income of \$182.6 million included \$1,021.5 million representing net increases in the value of various portfolio companies, which were partially offset by unrealized losses of \$838.9 million primarily representing reversals of previously recognized net unrealized gains in connection with the occurrence of realization events such as partial or full sales and management fee refunds.

For the year ended December 31, 2015, the value of our private equity investment portfolio increased 14.2%. This was comprised of a 19.5% increase in the share prices of various publicly held or publicly indexed investments and a 9.3% increase in value of our privately held investments. The most significant increases in share prices of various publicly held or publicly indexed investments were gains in Walgreens Boots Alliance, Inc., PRA Health Sciences, Inc. (NASDAQ: PRAH) and GoDaddy, Inc. These increases were partially offset by decreased share prices of various publicly held investments, the most significant of which were RigNet (NASDAQ: RNET), HCA Holdings, Inc. (NYSE: HCA) and CITIC Envirotech Ltd. (SES: U19.SI). Subsequent to December 31, 2015, world equity markets declined sharply with both the S&P 500 and the MSCI World Index down on a total return basis, including dividends, as of February 22, 2016. See "--Business Environment". Our privately held investments contributed the remainder of the change in value, the most significant of which were gains relating to Panasonic Healthcare Co. Ltd (healthcare sector), Capital Safety Group (industrial sector) and Alliant Insurance Services (financial services sector). The unrealized gains on our privately held investments were partially offset by unrealized losses relating primarily to BIS Industries Ltd. (industrial sector), Acteon Group Ltd (energy sector) and Aceco TI S.A (technology sector). The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) in the case of Capital Safety Group and Alliant Insurance Services, valuations that reflect agreements to sell these investments in whole or in part, (ii) an increase in the value of market comparables and (iii) individual company performance. The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) individual company performance or, in certain cases, an unfavorable business outlook and (ii) a decrease in the value of market comparables.

The reversals of previously recognized net unrealized gains for the year ended December 31, 2015 resulted primarily from the sale or partial sales of Walgreens Boots Alliance, Inc., Capital Safety Group and Zimmer Biomet Holdings, Inc. During the year ended December 31, 2015, we wrote off Energy Future Holdings (energy sector) and recognized realized losses. This write-off did not have a significant impact on our 2015 net carried interest because this investment had already been written down to zero value in prior periods. See "--Segment Analysis--Principal Activities Segment" and "--Liquidity--Liquidity

Needs--Cash Earnings" for a discussion of how the Energy Future Holdings write-off impacted Principal Activities and our cash earnings. Subsequent to December 31, 2015, we expect to write-off our investment in Samson Resources once our losses are realized. Since this investment has already been written down to zero value in periods prior to December 31, 2015, this write-off is not expected to have a significant impact on our net carried interest in future periods.

For the year ended December 31, 2014, the net unrealized carried interest income of \$70.1 million include \$1,098.2 million representing net increases in the value of various portfolio companies, which were partially offset by unrealized losses of \$1,028.1 million primarily representing reversals of previously recognized net unrealized gains in connection with the occurrence of realization events such as partial or full sales and management fee refunds.

For the year ended December 31, 2014, the value of our private equity investment portfolio increased 12.8%. Increased share prices of various publicly held investments comprised approximately 23% of the net increase in value for the year ended December 31, 2014, the most significant of which were gains on PRA Health Sciences, Inc., HCA, Inc., NXP Semiconductors N.V. and Yageo Corporation. These increases were partially offset by decreased share prices of various publicly held investments, the most significant of which were Tarkett S.A., ProSiebenSat.1 Media AG and Rundong Automobile Group. Our privately-held investments contributed the remainder of the change in value, the most significant of which were gains relating to Alliance Boots GmbH, Biomet, Inc. and WILD Flavors GmbH. The unrealized gains on our privately-held investments were partially offset by unrealized losses relating primarily to Northgate Information Solutions, Samson Resources and Toys R Us. The increased valuations of individual companies in our privately-held investments, in the aggregate, generally related to (i) an increase in the value of market comparables and individual company performance, (ii) in the case of WILD Flavors GmbH and Biomet, Inc., an increase that primarily reflected agreements to sell these investments, with the sale of WILD Flavors GmbH completed in October 2014, and (iii) in the case of Alliance Boots GmbH, primarily due to an agreement to exit the investment and to a lesser extent an increase in the value of a publicly traded stock that was expected to be delivered pursuant to this agreement, which was completed on December 31, 2014. The decreased valuations of individual companies in our privately-held investments, in the aggregate, generally related to individual company performance or, in certain cases, an unfavorable business outlook.

The reversals of previously recognized net unrealized gains for the year ended December 31, 2014 resulted primarily from the sale of Oriental Brewery, the sale of WILD Flavors GmbH, the partial sale of HCA, Inc. and the sale of Jazz Pharmaceuticals, Inc. (NASDAQ: JAZZ). During the year ended December 31, 2014, we wrote off A.T.U Auto-Teile-Unger (retail sector) and U.N RO-RO Isletmeleri A.S. (transportation sector) and recognized realized losses. These 2014 write-offs did not have a significant impact on our 2014 net carried interest because these interests had already been substantially written down in prior periods.

### ***Segment Expenses***

#### ***Compensation and Benefits***

The net increase was due primarily to (i) higher cash compensation and benefits consistent with a higher level of fee income in the current period and (ii) a decrease in the amount of compensation expenses allocated from Private Markets to Principal Activities as result of a decrease in the proportion of revenue earned by Principal Activities relative to other operating segments during 2015. These increases were partially offset by lower allocations to carry pool driven by the lower levels of net carried interest as discussed in "Performance Income" above.

#### ***Occupancy and Other Operating Expenses***

The net increase was primarily driven by (i) higher allocations of corporate operating expenses to Private Markets due to an increase in both the amount of corporate operating expenses incurred by the firm and an increase in the proportion of revenue earned by Private Markets relative to other operating segments in 2015, (ii) a decrease in the amount of operating expenses allocated from Private Markets to Principal Activities as a result of a decrease in the proportion of revenue earned by Principal Activities relative to other operating segments during 2015 and (iii) an increase in professional fees and other expenses. These increases were partially offset by a decrease in expenses for unconsummated transactions, also known as broken deal expenses.

#### ***Economic Net Income (Loss)***

The increase was primarily due to higher fee income, partially offset by an increase in segment expenses and a decrease in performance income as described above.

**Assets Under Management**

The following table reflects the changes in our Private Markets AUM from December 31, 2014 to December 31, 2015 :

	(\$ in thousands)
December 31, 2014 - As Adjusted	\$ 64,611,300
New Capital Raised	6,950,200
Distributions	(11,832,500)
Change in Value	6,299,600
December 31, 2015	\$ 66,028,600

As of December 31, 2014, AUM has been adjusted to include capital commitments for which we are eligible to receive fees or carried interest upon deployment of capital. Our reported AUM for periods prior to December 31, 2014 does not include this item.

AUM for the Private Markets segment was \$66.0 billion at December 31, 2015 , an increase of \$1.4 billion, compared to \$64.6 billion at December 31, 2014 , on an as adjusted basis. The increase was primarily attributable to new capital raised primarily in European Fund IV and Global Infrastructure Investors II and to a lesser extent an increase in value of our Private Markets portfolio. These increases were partially offset by distributions to private equity fund investors of \$11.8 billion comprised of \$6.9 billion of realized gains and \$4.9 billion of return of original cost.

The increase in the value of our Private Markets portfolio was driven primarily by net unrealized gains of \$1.8 billion, \$1.5 billion and \$0.9 billion in our 2006 Fund, North America Fund XI and Asian Fund II, respectively. This was comprised of a 19.5% increase in the share prices of various publicly held or publicly indexed investments and a 9.3% increase in value of our privately held investments. The most significant increases in share prices of various publicly held or publicly indexed investments were gains in Walgreens Boots Alliance, Inc., PRA Health Sciences, Inc. (NASDAQ: PRAH) and GoDaddy, Inc. These increases were partially offset by decreased share prices of various publicly held investments, the most significant of which were RigNet (NASDAQ: RNET), HCA Holdings, Inc. (NYSE: HCA) and CITIC Envirotech Ltd. (SES: U19.SI). Subsequent to December 31, 2015, world equity markets declined sharply with both the S&P 500 and the MSCI World Index down on a total return basis, including dividends, as of February 22, 2016. See "--Business Environment". Our privately held investments contributed the remainder of the change in value, the most significant of which were gains relating to Panasonic Healthcare Co. Ltd (healthcare sector), Capital Safety Group (industrial sector) and Alliant Insurance Services (financial services sector). The unrealized gains on our privately held investments were partially offset by unrealized losses relating primarily to BIS Industries Ltd. (industrial sector), Acteon Group Ltd (energy sector) and Aceco TI S.A (technology sector). The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) in the case of Capital Safety Group and Alliant Insurance Services, valuations that reflect agreements to sell these investments in whole or in part, (ii) an increase in the value of market comparables and (iii) individual company performance. The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) individual company performance or, in certain cases, an unfavorable business outlook and (ii) a decrease in the value of market comparables.

**Fee-Paying Assets Under Management**

The following table reflects the changes in our Private Markets FPAUM from December 31, 2014 to December 31, 2015 :

	(\$ in thousands)
December 31, 2014	\$ 47,262,500
New Capital Raised	3,896,100
Distributions and Other	(5,545,200)
Change in Value	(306,000)
December 31, 2015	\$ 45,307,400

FPAUM in our Private Markets segment was \$45.3 billion at December 31, 2015 , a decrease of \$2.0 billion, compared to \$47.3 billion at December 31, 2014 . The decrease was primarily attributable to distributions to private equity fund investors and a reduction in FPAUM attributable to the invested capital of Samson Resources due to its bankruptcy proceedings which is included within distributions and other in the table above. These decreases were partially offset by new capital raised of \$3.9 billion primarily in our European Fund IV and Global Infrastructure Investors II funds.

***Equity Invested***

The decrease was due to a decrease in the amount of equity invested in our private equity platform, which was partially offset by an increase in equity invested in our real assets platforms (real estate, energy and infrastructure). For the years ended December 31, 2015 and 2014, equity invested in our private equity platform was \$4.1 billion and \$5.9 billion, respectively, and equity invested in our real assets platforms was \$1.4 billion and \$1.3 billion, respectively. Generally, the operating companies acquired through our private equity business have higher transaction values and result in higher equity invested relative to transactions in our real assets businesses. The number of large private equity investments made in any quarter is volatile and consequently, a significant amount of equity invested in one quarter or a few quarters may not be indicative of a similar level of capital deployment in future quarters.

***Uncalled Commitments***

As of December 31, 2015, our Private Markets segment had \$22.8 billion of remaining uncalled capital commitments that could be called for investments in new transactions.

The following tables set forth information regarding the results of operations and certain key operating metrics for our Private Markets segment for the years ended December 31, 2014 and 2013.

*Year ended December 31, 2014 compared to year ended December 31, 2013*

	Year Ended		
	December 31, 2014	December 31, 2013	Change
	(\$ in thousands)		
<b>Segment Revenues</b>			
<b>Management, Monitoring and Transaction Fees, Net</b>			
Management Fees	\$ 453,210	\$ 459,496	\$ (6,286)
Monitoring Fees	135,160	120,267	14,893
Transaction Fees	214,612	150,118	64,494
Fee Credits	(198,680)	(136,662)	(62,018)
<b>Total Management, Monitoring and Transaction Fees, Net</b>	<b>604,302</b>	<b>593,219</b>	<b>11,083</b>
<b>Performance Income</b>			
Realized Incentive Fees	—	—	—
Realized Carried Interest	1,159,011	690,027	468,984
Unrealized Carried Interest	70,058	661,803	(591,745)
<b>Total Performance Income</b>	<b>1,229,069</b>	<b>1,351,830</b>	<b>(122,761)</b>
<b>Investment Income (Loss)</b>			
Net Realized Gains (Losses)	—	—	—
Net Unrealized Gains (Losses)	—	—	—
Total Realized and Unrealized	—	—	—
Interest Income and Dividends	—	—	—
Interest Expense	—	—	—
Net Interest and Dividends	—	—	—
<b>Total Investment Income (Loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Segment Revenues</b>	<b>1,833,371</b>	<b>1,945,049</b>	<b>(111,678)</b>
<b>Segment Expenses</b>			
<b>Compensation and Benefits</b>			
Cash Compensation and Benefits	153,339	148,557	4,782
Realized Performance Income Compensation	463,605	276,011	187,594
Unrealized Performance Income Compensation	33,430	282,003	(248,573)
Total Compensation and Benefits	650,374	706,571	(56,197)
Occupancy and related charges	30,946	31,769	(823)
Other operating expenses	125,398	106,917	18,481
<b>Total Segment Expenses</b>	<b>806,718</b>	<b>845,257</b>	<b>(38,539)</b>
Income (Loss) attributable to noncontrolling interests	1,424	1,498	(74)
<b>Economic Net Income (Loss)</b>	<b>\$ 1,025,229</b>	<b>\$ 1,098,294</b>	<b>\$ (73,065)</b>
<b>Assets Under Management</b>	<b>\$ 64,611,300</b>	<b>\$ 61,242,900</b>	<b>\$ 3,368,400</b>
<b>Fee Paying Assets Under Management</b>	<b>\$ 47,262,500</b>	<b>\$ 50,156,300</b>	<b>\$ (2,893,800)</b>
<b>Equity Invested</b>	<b>\$ 7,223,400</b>	<b>\$ 5,840,900</b>	<b>\$ 1,382,500</b>
<b>Uncalled Commitments</b>	<b>\$ 18,272,400</b>	<b>\$ 20,101,600</b>	<b>\$ (1,829,200)</b>

**Segment Revenues***Management, Monitoring and Transaction Fees, Net*

The net increase was primarily due to an increase in transaction fees of \$64.5 million, partially offset by an increase in fee credits of \$62.0 million. The increase in transaction fees was attributable to an increase in the size of fee-generating investments completed. During the year ended December 31, 2014, there were 33 transaction fee-generating investments with a total combined transaction value of approximately \$15.4 billion compared to 33 transaction fee-generating investments with a total combined transaction value of approximately \$15.0 billion during the year ended December 31, 2013. Transaction fees vary by investment based upon a number of factors, the most significant of which are transaction size, the particular discussions as to the amount of the fees, the complexity of the transaction and KKR's role in the transaction. The increase in fee credits is primarily attributable to the increase in transaction fees, as described above. See also discussion under "-Assets Under Management" and "-Fee-Paying Assets Under Management".

*Performance Income*

The net decrease primarily reflects a lower level of unrealized appreciation in our private equity portfolio in the 2014 period than in the 2013 period. While the value of our private equity portfolio increased in the 2014 period, the amount of appreciation was less than that in the prior period.

Realized carried interest for the year ended December 31, 2014 increased compared to the year ended December 31, 2013 and consisted primarily of realized gains from the sales of Oriental Brewery, WILD Flavors GmbH and Versatel GmbH.

Realized carried interest for the year ended December 31, 2013 consisted primarily of realized gains from the partial sale and final sale of Dollar General Corporation (NYSE: DG), the partial sale of HCA, Inc. and sale of Intelligence, Ltd. (services sector).

The following table presents net unrealized carried interest by investment vehicle for the year ended December 31, 2014 and 2013:

	Year Ended December 31,	
	2014	2013
	(\$ in thousands)	
North America Fund XI	\$ 189,063	\$ 34,389
2006 Fund	128,970	294,883
Co-Investment Vehicles and Other	99,026	22,009
Asian Fund II	58,967	—
Real Estate Partners Americas	(662)	12,516
European Fund	(826)	19
China Growth Fund	(6,346)	6,937
E2 Investors	(20,253)	14,774
European Fund III	(34,914)	124,463
Millennium Fund	(40,489)	12,128
European Fund II	(112,091)	169,819
Asian Fund	(176,456)	148
Management Fee Refunds	(13,931)	(30,282)
<b>Total (a)</b>	<b>\$ 70,058</b>	<b>\$ 661,803</b>

(a) The above table excludes any funds for which there was no unrealized carried interest during either of the periods presented.

For the year ended December 31, 2014, the net unrealized carried interest income of \$70.1 million included \$1,098.2 million representing net increases in the value of various portfolio companies, which were partially offset by unrealized losses of \$1,028.1 million primarily representing reversals of previously recognized net unrealized gains in connection with the occurrence of realization events such as partial or full sales and management fee refunds.

For the year ended December 31, 2014, the value of our private equity investment portfolio increased 12.8%. Increased share prices of various publicly held investments comprised approximately 23% of the net increase in value for the year ended December 31, 2014, the most significant of which were gains on PRA Health Sciences, Inc., HCA, Inc., NXP Semiconductors N.V. and Yageo Corporation. These increases were partially offset by decreased share prices of various publicly held investments, the most significant of which were Tarkett S.A., ProSiebenSat.1 Media AG and Rundong Automobile Group. Our privately-held investments contributed the remainder of the change in value, the most significant of which were gains relating to Alliance Boots GmbH, Biomet, Inc. and WILD Flavors GmbH. The unrealized gains on our privately-held investments were partially offset by unrealized losses relating primarily to Northgate Information Solutions, Samson Resources and Toys R Us. The increased valuations of individual companies in our privately-held investments, in the aggregate, generally related to (i) an increase in the value of market comparables and individual company performance, (ii) in the case of WILD Flavors GmbH and Biomet, Inc., an increase that primarily reflected agreements to sell these investments, with the sale of WILD Flavors GmbH completed in October 2014, and (iii) in the case of Alliance Boots GmbH, primarily due to an agreement to exit the investment and to a lesser extent an increase in the value of a publicly traded stock that is expected to be delivered pursuant to this agreement, which was completed on December 31, 2014. The decreased valuations of individual companies in our privately-held investments, in the aggregate, generally related to individual company performance or, in certain cases, an unfavorable business outlook.

The reversals of previously recognized net unrealized gains for the year ended December 31, 2014 resulted primarily from the sale of Oriental Brewery, the sale of WILD Flavors GmbH, the partial sale of HCA, Inc. and the sale of Jazz Pharmaceuticals, Inc. During the year ended December 31, 2014, we wrote off A.T.U Auto-Teile-Unger and U.N RO-RO Isletmeleri A.S. and recognized realized losses. These 2014 write-offs did not have a significant impact on our 2014 net carried interest because these interests had already been substantially written down in prior periods.

For the year ended December 31, 2013, the unrealized carried interest gain of \$661.8 million included \$1,174.6 million reflecting net increases in the value of various portfolio companies, which were partially offset by \$512.8 million primarily representing reversals of previously recognized net unrealized gains in connection with the occurrence of realization events such as partial or full sales and management fee refunds.

For the year ended December 31, 2013, the value of our private equity investment portfolio increased 20.2%. Increased share prices of various publicly held investments comprised approximately 46% of the net increase in value for the year ended December 31, 2013, the most significant of which were gains on HCA, Inc., ProSiebenSat.1 Media AG and NXP Semiconductors N.V. These increases were partially offset by decreased share prices of various publicly held investments, the most significant of which were Bharti Infratel Ltd. (NS: INFRATEL) and China Outfitters Holdings Ltd (HK: 1146). Our private portfolio contributed the remainder of the change in value, the most significant of which were gains relating to Alliance Boots GmbH, Academy Sports and Outdoors and Oriental Brewery. The unrealized gains on our private portfolio were partially offset by unrealized losses relating primarily to Toys R Us, Samson Resources, and U.N RO-RO Isletmeleri A.S. The increased valuations of our private portfolio, in the aggregate, generally related to (i) an increase in the value of market comparables and individual company performance and (ii) in the case of Alliance Boots GmbH, in part due to the increase in the value of a publicly traded stock that was delivered pursuant to a previously announced transaction, which was completed on December 31, 2014. The decreased valuations of our private portfolio, in the aggregate, generally related to individual company performance or, in certain cases, an unfavorable business outlook.

The reversals of previously recognized net unrealized gains for the year ended December 31, 2013 resulted primarily from the partial sales and final sale of Dollar General Corporation, the partial sales of HCA, Inc. and sale of Intelligence, Ltd. During the year ended December 31, 2013, we wrote off PagesJaunes Group (media sector) (currently known as Solocal Group SA (PA: LOCAL) and our remaining warrants in Eastman Kodak (NYSE: KODK) and sold our remaining investment in Seven West Media Ltd. (AX: SWM) realizing a modest loss. None of these write-offs had a material impact on our 2013 net carried interest because these interests had already been substantially written down in prior periods.

## ***Segment Expenses***

### ***Compensation and Benefits***

The net decrease was due primarily to lower allocations to carry pool driven by the lower levels of unrealized carried interest, partially offset by an increase in realized carried interest and higher cash compensation and benefits primarily reflecting (i) increased headcount, (ii) higher allocations of corporate compensation to Private Markets due to an increase in both the amount of corporate compensation incurred by the firm primarily as a result of an increase in headcount and an increase in the proportion of revenue earned by Private Markets relative to other operating segments in 2014 and (iii) a higher level of fees, which generally results in higher compensation expenses.



*Occupancy and Other Operating Expenses*

The net increase was primarily driven by (i) an increase in expenses for unconsummated transactions, also known as broken deal expenses, (ii) an increase in professional fee expenses reflecting the overall growth of this segment and (iii) a decrease in the amount of operating expenses allocated from Private Markets to Principal Activities primarily as result of a decrease in the proportion of revenue earned by Principal Activities relative to other operating segments during 2014. These increases were partially offset by lower allocations of corporate operating expenses to Private Markets due primarily to a decrease in the amount of corporate operating expenses incurred by the firm.

*Economic Net Income (Loss)*

The decrease was primarily due to the decrease in performance income, partially offset by increases in management, monitoring and transaction fees, net and a decrease in segment expenses as described above.

*Assets Under Management*

The following table reflects the changes in our Private Markets AUM from December 31, 2013 to December 31, 2014 :

	(\$ in thousands)
December 31, 2013	\$ 61,242,900
New Capital Raised	6,056,000
Distributions	(10,724,800)
Net Changes in Fee Base of Certain Funds	(933,800)
Change in Value	5,865,500
December 31, 2014 - As Reported	61,505,800
Capital Commitments Where Fees or Carry are Payable Upon Deployment	3,105,500
December 31, 2014 - As Adjusted	\$ 64,611,300

AUM for the Private Markets segment was \$64.6 billion at December 31, 2014, on an as adjusted basis, an increase of \$3.4 billion, compared to \$61.2 billion at December 31, 2013. The increase was primarily attributable to new capital raised of \$6.1 billion and appreciation in the market value of our private equity portfolio of \$5.9 billion. These increases were partially offset by distributions to private equity fund investors of \$10.7 billion comprised of \$7.3 billion of realized gains and \$3.4 billion of return of original cost. In addition, AUM as of December 31, 2014 has been adjusted to include capital commitments for which we are eligible to receive fees or carried interest upon deployment of capital. This item increased our AUM by approximately \$3.1 billion as of December 31, 2014 but is excluded from AUM as of December 31, 2013.

The appreciation in the market value of our private equity portfolio was driven primarily by net unrealized gains of \$2.2 billion, \$1.2 billion and \$1.1 billion in our 2006 Fund, European Fund III and North America Fund XI, respectively. Approximately 23% of the net change in value for the year ended December 31, 2014 was attributable to changes in share prices of various publicly-listed investments, the most significant of which were gains on PRA Health Sciences, Inc., HCA, Inc., NXP Semiconductors N.V. and Yageo Corporation. These increases were partially offset by decreased share prices of various publicly held investments, the most significant of which were Tarkett S.A., ProSiebenSat.1 Media AG and Rundong Automobile Group. Our privately-held investments contributed the remainder of the change in value, the most significant of which were gains relating to Alliance Boots GmbH, Biomet, Inc. and WILD Flavors GmbH. The unrealized gains on our privately-held investments were partially offset by unrealized losses relating primarily to Northgate Information Solutions, Samson Resources and Toys R Us. The unrealized gains were also offset by unrealized losses in our energy assets from our Natural Resources Fund and Energy Income and Growth Fund of approximately \$352 million. The increased valuations of individual companies in our privately-held investments, in the aggregate, generally related to (i) an increase in the value of market comparables and individual company performance, (ii) in the case of WILD Flavors GmbH and Biomet, Inc., an increase that primarily reflected agreements to sell these investments, with the sale of WILD Flavors GmbH completed in October 2014, and (iii) in the case of Alliance Boots GmbH, primarily due to an agreement to exit the investment and to a lesser extent an increase in the value of a publicly traded stock that is expected to be delivered pursuant to this agreement, which was completed on December 31, 2014. The decreased valuations of individual companies in our privately-held investments, in the aggregate, generally related to individual company performance or, in certain cases, an unfavorable business outlook. The decreased valuation of energy assets are generally related to decreases in commodity prices.

**Fee-Paying Assets Under Management**

The following table reflects the changes in our Private Markets FPAUM from December 31, 2013 to December 31, 2014 :

	<b>(\$ in thousands)</b>
December 31, 2013	\$ 50,156,300
New Capital Raised	5,298,500
Distributions	(6,833,800)
Net Changes in Fee Base of Certain Funds	(964,700)
Change in Value	(393,800)
December 31, 2014	\$ 47,262,500

FPAUM in our Private Markets segment was \$47.3 billion at December 31, 2014, a decrease of \$2.9 billion, compared to \$50.2 billion at December 31, 2013. The decrease was primarily attributable to (i) distributions to private equity fund investors, (ii) a reduction in FPAUM attributable to the invested capital of Energy Future Holdings due to its bankruptcy and (iii) a reduction reflecting the impact of our European Fund III entering its post-investment period. This decrease was partially offset by new capital raised of \$5.3 billion relating primarily to additional capital raised in our Infrastructure Investors Fund II, European Fund IV and capital deployed in our 2006 Fund which earns fees on invested capital in its post-investment period.

**Equity Invested**

The increase was due to an increase in the number and size of private equity investments closed during the year ended December 31, 2014 as compared with the year ended December 31, 2013. Generally, the operating companies acquired through our private equity business have higher transaction values and result in higher equity invested, relative to transactions in our real assets businesses. The number of large private equity investments made in any quarter is volatile and consequently, a significant amount of equity invested in one quarter or a few quarters may not be indicative of a similar level of capital deployment in future quarters. For the year ended December 31, 2014, there were 96 transactions with a total combined transaction value of approximately \$21.8 billion compared to 70 transactions with a total combined transaction value of approximately \$17.0 billion for the year ended December 31, 2013.

**Uncalled Commitments**

As of December 31, 2014, our Private Markets Segment had \$18.3 billion of remaining uncalled capital commitments that could be called for investments in new transactions.

**Public Markets Segment**

The following tables set forth information regarding the results of operations and certain key operating metrics for our Public Markets segment for the years ended December 31, 2015 and 2014.

**Year ended December 31, 2015 compared to year ended December 31, 2014**

	Year Ended		
	December 31, 2015	December 31, 2014	Change
	(\$ in thousands)		
<b>Segment Revenues</b>			
<b>Management, Monitoring and Transaction Fees, Net</b>			
Management Fees	\$ 266,458	\$ 272,833	\$ (6,375)
Monitoring Fees	—	—	—
Transaction Fees	28,872	27,145	1,727
Fee Credits	(24,595)	(23,357)	(1,238)
<b>Total Management, Monitoring and Transaction Fees, Net</b>	<b>270,735</b>	<b>276,621</b>	<b>(5,886)</b>
<b>Performance Income</b>			
Realized Incentive Fees	19,647	47,807	(28,160)
Realized Carried Interest	8,953	34,650	(25,697)
Unrealized Carried Interest	(19,083)	40,075	(59,158)
<b>Total Performance Income</b>	<b>9,517</b>	<b>122,532</b>	<b>(113,015)</b>
<b>Investment Income (Loss)</b>			
Net Realized Gains (Losses)	—	—	—
Net Unrealized Gains (Losses)	—	—	—
Total Realized and Unrealized	—	—	—
Interest Income and Dividends	—	—	—
Interest Expense	—	—	—
Net Interest and Dividends	—	—	—
<b>Total Investment Income (Loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Segment Revenues</b>	<b>280,252</b>	<b>399,153</b>	<b>(118,901)</b>
<b>Segment Expenses</b>			
<b>Compensation and Benefits</b>			
Cash Compensation and Benefits	73,863	64,530	9,333
Realized Performance Income Compensation	11,438	32,984	(21,546)
Unrealized Performance Income Compensation	(7,633)	16,029	(23,662)
Total Compensation and Benefits	77,668	113,543	(35,875)
Occupancy and related charges	9,808	7,214	2,594
Other operating expenses	40,591	31,501	9,090
<b>Total Segment Expenses</b>	<b>128,067</b>	<b>152,258</b>	<b>(24,191)</b>
Income (Loss) attributable to noncontrolling interests	1,259	1,636	(377)
<b>Economic Net Income (Loss)</b>	<b>\$ 150,926</b>	<b>\$ 245,259</b>	<b>\$ (94,333)</b>
<b>Assets Under Management</b>	<b>\$ 53,515,700</b>	<b>\$ 42,508,000</b>	<b>\$ 11,007,700</b>
<b>Fee Paying Assets Under Management</b>	<b>\$ 46,413,100</b>	<b>\$ 38,594,700</b>	<b>\$ 7,818,400</b>
<b>Equity Invested</b>	<b>\$ 2,214,700</b>	<b>\$ 3,027,400</b>	<b>\$ (812,700)</b>
<b>Uncalled Commitments</b>	<b>\$ 6,690,800</b>	<b>\$ 2,841,300</b>	<b>\$ 3,849,500</b>
<b>Gross Dollars Invested</b>	<b>\$ 5,244,900</b>	<b>\$ 4,425,600</b>	<b>\$ 819,300</b>



### ***Segment Revenues***

#### ***Management, Monitoring and Transaction Fees, Net***

The net decrease was primarily due to a decrease in management fees of \$6.4 million. The decrease in management fees was due primarily to (i) a decrease in management fees received from KFN as a result of our acquisition of it on April 30, 2014, as management fees from KFN after that date were eliminated from segment results, (ii) redemptions in our hedge funds business and (iii) our mezzanine fund entering its post-investment period where it earns fees at a lower rate and on invested rather than committed capital. These decreases were partially offset by management fees earned from new capital raised primarily in Corporate Capital Trust (a BDC sub-advised by KKR) as well as management fees earned relating to our investment in Marshall Wace LLP ("Marshall Wace") which was completed in the fourth quarter of 2015.

#### ***Performance Income***

The net decrease was primarily attributable to net carried interest losses in 2015 and a lower level of incentive fees. The net carried interest losses were primarily due to losses in our special situations strategy accounts and funds as well as lower overall appreciation in our mezzanine and direct lending strategies during 2015. The decrease in incentive fees is due primarily to a decrease in incentive fees received from KFN as a result of our acquisition of it on April 30, 2014, as incentive fees from KFN after that date were eliminated from segment results, as well as lower incentive fees in our hedge fund-of-funds platform and European credit platform driven primarily by less favorable financial performance in the current year. Incentive fees are typically determined for the twelve-month periods ending in either the second or fourth quarters of the calendar year, however, such fees may also be determined quarterly or at other points during the year. Whether an incentive fee from KKR vehicles is payable in any given period, and the amount of an incentive fee payment, if any, depends on the investment performance of the vehicle and as a result are expected to vary significantly from period to period.

### ***Segment Expenses***

#### ***Compensation and Benefits***

The decrease was primarily due to (i) reversals of unrealized performance income compensation in connection with net carried interest losses in 2015 in certain carry earning funds, (ii) lower appreciation in certain carry earning funds in 2015 and (iii) a decrease in realized performance income compensation reflecting the decrease in incentive fees, each of which are described above.

#### ***Occupancy and Other Operating Expenses***

The increase was primarily driven by (i) higher occupancy costs reflecting the cost of an exit of office space during the year, (ii) higher allocations of corporate other operating expenses to Public Markets due to an increase in both the amount of corporate other operating expenses incurred by the firm and an increase in the proportion of revenue earned by Public Markets relative to other operating segments in 2015 and (iii) a decrease in the amount of operating expenses allocated from Public Markets to Principal Activities as result of a decrease in the proportion of revenue earned by Principal Activities relative to other operating segments during 2015.

### ***Economic Net Income (Loss)***

The decrease is primarily attributable to the decrease in performance income and fees partially offset by lower expenses as described above.

**Assets Under Management**

The following table reflects the changes in our Public Markets AUM from December 31, 2014 to December 31, 2015 :

	(\$ in thousands)
December 31, 2014 - As Adjusted	\$ 42,508,000
New Capital Raised	12,926,300
Acquisitions	6,010,800
Distributions	(4,087,900)
Redemptions	(2,873,500)
Net Changes in Fee Base of Certain Funds	(238,600)
Change in Value	(729,400)
December 31, 2015	\$ 53,515,700

As of December 31, 2014, AUM has been adjusted to include (i) capital commitments for which we are eligible to receive fees or carried interest upon deployment of capital and (ii) KKR's pro-rata portion of AUM managed by other asset managers in which KKR holds a minority stake. Our reported AUM for periods prior to December 31, 2014 does not include these items.

AUM in our Public Markets segment totaled \$53.5 billion at December 31, 2015, an increase of \$11.0 billion compared to AUM of \$42.5 billion at December 31, 2014, on an as adjusted basis. The increase for the period was primarily due to new capital raised across multiple strategies primarily in our CLOs, special situations strategy, hedge funds business and Corporate Capital Trust. In addition, in the fourth quarter of 2015, KKR acquired 24.9% of Marshall Wace, resulting in the inclusion of KKR's pro-rata portion of the AUM managed by Marshall Wace. Partially offsetting these increases were (i) redemptions and distributions of \$7.0 billion from certain investment vehicles across multiple strategies including our hedge funds business, strategic partnerships and CLOs, (ii) decreases in value of \$0.7 billion primarily in our European credit platform related to foreign currency fluctuations and (iii) a net change in fee base of \$0.2 billion reflecting our Mezzanine Fund entering its post-investment period.

**Fee-Paying Assets Under Management**

The following table reflects the changes in our Public Markets FPAUM from December 31, 2014 to December 31, 2015 :

	(\$ in thousands)
December 31, 2014 - As Adjusted	\$ 38,594,700
New Capital Raised	9,212,400
Acquisitions	6,010,800
Distributions	(3,455,800)
Redemptions	(2,873,500)
Net Changes in Fee Base of Certain Funds	(325,200)
Change in Value	(750,300)
December 31, 2015	\$ 46,413,100

As of December 31, 2014, FPAUM has been adjusted to include KKR's pro-rata portion of AUM managed by other asset managers in which KKR holds a minority stake. Our reported AUM for periods prior to December 31, 2014 does not include this item.

FPAUM in our Public Markets segment was \$46.4 billion at December 31, 2015, an increase of \$7.8 billion compared to FPAUM of \$38.6 billion at December 31, 2014, on an as adjusted basis. The increase was primarily due to new capital raised of \$9.2 billion across multiple strategies primarily in our CLOs, special situations strategy, hedge funds business and Corporate Capital Trust. In addition, in the fourth quarter of 2015, KKR acquired 24.9% of Marshall Wace, resulting in the inclusion of KKR's pro-rata portion of the FPAUM managed by Marshall Wace. Partially offsetting these increases were (i) decreases of \$6.3 billion relating to redemptions and distributions from certain investment vehicles across multiple strategies primarily in CLOs, our hedge funds platform and strategic partnerships, (ii) decreases in value primarily in our European credit and hedge fund platforms related to foreign currency fluctuations and (iii) a net change in fee base of \$0.3 billion reflecting our Mezzanine Fund entering its post-investment period.

**Equity Invested**

The increase is primarily due to a higher level of net capital deployed in our direct lending, special situations and mezzanine strategies.

***Uncalled Commitments***

As of December 31, 2015, our Public Markets segment had \$6.7 billion of uncalled capital commitments that could be called for investments in new transactions.

***Gross Dollars Invested***

The increase is primarily due to a higher level of investment activity in our direct lending, special situations and mezzanine strategies.

The following tables set forth information regarding the results of operations and certain key operating metrics for our Public Markets segment for the years ended December 31, 2014 and 2013.

*Year ended December 31, 2014 compared to year ended December 31, 2013*

	Year Ended		
	December 31, 2014	December 31, 2013	Change
(\$ in thousands)			
<b>Segment Revenues</b>			
<b>Management, Monitoring and Transaction Fees, Net</b>			
Management Fees	\$ 272,833	\$ 206,134	\$ 66,699
Monitoring Fees	—	—	—
Transaction Fees	27,145	40,314	(13,169)
Fee Credits	(23,357)	(29,950)	6,593
<b>Total Management, Monitoring and Transaction Fees, Net</b>	<b>276,621</b>	<b>216,498</b>	<b>60,123</b>
<b>Performance Income</b>			
Realized Incentive Fees	47,807	72,359	(24,552)
Realized Carried Interest	34,650	—	34,650
Unrealized Carried Interest	40,075	62,338	(22,263)
<b>Total Performance Income</b>	<b>122,532</b>	<b>134,697</b>	<b>(12,165)</b>
<b>Investment Income (Loss)</b>			
Net Realized Gains (Losses)	—	—	—
Net Unrealized Gains (Losses)	—	—	—
Total Realized and Unrealized	—	—	—
Interest Income and Dividends	—	—	—
Interest Expense	—	—	—
Net Interest and Dividends	—	—	—
<b>Total Investment Income (Loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Segment Revenues</b>	<b>399,153</b>	<b>351,195</b>	<b>47,958</b>
<b>Segment Expenses</b>			
<b>Compensation and Benefits</b>			
Cash Compensation and Benefits	64,530	24,696	39,834
Realized Performance Income Compensation	32,984	28,944	4,040
Unrealized Performance Income Compensation	16,029	24,935	(8,906)
Total Compensation and Benefits	113,543	78,575	34,968
Occupancy and related charges	7,214	2,837	4,377
Other operating expenses	31,501	36,006	(4,505)
<b>Total Segment Expenses</b>	<b>152,258</b>	<b>117,418</b>	<b>34,840</b>
Income (Loss) attributable to noncontrolling interests	1,636	1,560	76
<b>Economic Net Income (Loss)</b>	<b>\$ 245,259</b>	<b>\$ 232,217</b>	<b>\$ 13,042</b>
<b>Assets Under Management</b>	<b>\$ 42,508,000</b>	<b>\$ 33,077,400</b>	<b>\$ 9,430,600</b>
<b>Fee Paying Assets Under Management</b>	<b>\$ 38,594,700</b>	<b>\$ 27,241,200</b>	<b>\$ 11,353,500</b>
<b>Equity Invested</b>	<b>\$ 3,027,400</b>	<b>\$ 1,553,000</b>	<b>\$ 1,474,400</b>
<b>Uncalled Commitments</b>	<b>\$ 2,841,300</b>	<b>\$ 2,362,300</b>	<b>\$ 479,000</b>
<b>Gross Dollars Invested</b>	<b>\$ 4,425,600</b>	<b>\$ 4,213,300</b>	<b>\$ 212,300</b>



## ***Segment Revenues***

### ***Management, Monitoring and Transaction Fees, Net***

The net increase was primarily due to an increase in management fees of \$66.7 million and a decrease in fee credits of \$6.6 million, partially offset by a decrease in transaction fees of \$13.2 million. The increase in management fees is due primarily to our acquisition of Avoca on February 19, 2014 and new capital raised, primarily in our special situations strategies, Corporate Capital Trust and our hedge fund of funds platform. These increases were partially offset by a decrease in management fees received from KFN as a result of our acquisition of it on April 30, 2014 as management fees from KFN after that date are eliminated from segment results. The decrease in transaction fees is due primarily to a decrease in the size of fee earning transactions in the current period. The decrease in fee credits is due primarily to the decrease in transaction fees as described above.

### ***Performance Income***

This decrease was primarily driven by a decrease in incentive fees of \$24.6 million and a lower level of unrealized carried interest of \$22.3 million, partially offset by a higher level of realized carried interest of \$34.7 million. During the year ended December 31, 2014, we realized \$34.7 million of carried interest from two alternative credit accounts. The decrease in incentive fees is due to a decrease in investment income in our hedge funds business and loss of incentive fees received from KFN as a result of our acquisition of it on April 30, 2014, partially offset by an increase in incentive fees received from Avoca following our acquisition of Avoca on February 19, 2014, and Corporate Capital Trust resulting from favorable performance. Incentive fees are typically determined for the twelve-month periods ending in either the second or fourth quarters of the calendar year, however, such fees may be determined at other points during the year for certain strategies. Whether an incentive fee from KKR vehicles is payable in any given period, and the amount of an incentive fee payment, if any, depends on the investment performance of the vehicle and as a result are expected to vary significantly from period to period. The decrease in unrealized carried interest was primarily driven by the reversals of previously recognized net unrealized gains for the year ended December 31, 2014, partially offset by an increase in unrealized carried interest across our carry-earning funds, the most significant of which were in our special situations strategy.

## ***Segment Expenses***

### ***Compensation and Benefits***

The increase was primarily due to (i) higher compensation expenses relating to Avoca, which was acquired on February 19, 2014, (ii) higher allocations to carry pool driven by the higher levels of net carried interest, as described above and (iii) an increase in compensation and benefits in connection with the increase in fees, which generally results in higher compensation expense. These increases were partially offset by a decrease in compensation associated with incentive fees as a result of the overall decrease in incentive fees of as described above.

### ***Occupancy and Other Operating Expenses***

This decrease was due to the net effect of a \$9.7 million one-time expense incurred in connection with the launch of a closed end fund in the 2013 period which was partially offset in the 2014 period by the operating expenses of Avoca, which we acquired on February 19, 2014.

## ***Economic Net Income (Loss)***

The increase is primarily attributable to the increase in management fees, which was partially offset by the decrease in performance income and the increase in segment expenses.

**Assets Under Management**

The following table reflects the changes in our Public Markets AUM from December 31, 2013 to December 31, 2014 :

	(\$ in thousands)
December 31, 2013	\$ 33,077,400
New Capital Raised	7,253,000
Acquisitions	8,423,000
KFN Acquisition	(4,511,900)
Distributions	(3,967,300)
Redemptions	(3,303,900)
Change in Value	136,400
December 31, 2014 - As Reported	\$ 37,106,700
Net AUM of Strategic Partnerships (pro-rata based on ownership interest)	2,810,800
Capital Commitments Where Fees or Carry are Payable Upon Deployment	2,590,500
December 31, 2014 - As Adjusted	42,508,000

AUM in our Public Markets segment totaled \$42.5 billion at December 31, 2014, on an as adjusted basis, an increase of \$9.4 billion compared to AUM of \$33.1 billion at December 31, 2013. The increase was primarily due to the acquisition of Avoca, which contributed \$8.4 billion of AUM, as well as \$7.3 billion of new capital raised. These increases were partially offset by the acquisition of KFN, which reduced AUM by \$4.5 billion, and \$7.3 billion of distributions and redemptions from certain investment vehicles, the most significant of which were from our hedge fund of funds platform and CLOs. In addition, AUM as of December 31, 2014 has been adjusted to include (i) KKR's pro-rata portion of AUM managed by other asset managers in which KKR holds a minority stake and (ii) capital commitments for which we are eligible to receive fees or carried interest upon deployment of capital. These two items increased our AUM by approximately \$5.4 billion as of December 31, 2014 but are excluded from AUM as of December 31, 2013.

**Fee-Paying Assets Under Management**

The following table reflects the changes in our Public Markets FPAUM from December 31, 2013 to December 31, 2014 :

	(\$ in thousands)
December 31, 2013	\$ 27,241,200
New Capital Raised	6,304,600
Acquisitions	7,971,000
KFN Acquisition	(2,684,700)
Distributions	(1,929,500)
Redemptions	(3,303,900)
Change in Value	(424,000)
Other	2,609,200
December 31, 2014 - As Reported	\$ 35,783,900
Net FPAUM of Strategic Partnerships (pro-rata based on ownership interest)	2,810,800
December 31, 2014 - As Adjusted	38,594,700

FPAUM in our Public Markets segment was \$35.8 billion at December 31, 2014, on an as adjusted basis, an increase of \$8.6 billion compared to FPAUM of \$27.2 billion at December 31, 2013. The increase was primarily due to the acquisition of Avoca, which contributed \$8.0 billion of FPAUM, \$6.3 billion of new capital raised and \$2.6 billion of CLOs partially owned by KKR that were not previously included in FPAUM and was not new capital raised during the period (included in Other above). These increases were partially offset by the acquisition of KFN, which reduced FPAUM by \$2.7 billion, and \$5.2 billion of redemptions and distributions from certain investment vehicles, the most significant of which were from our CLOs and hedge fund of funds platform. In addition, FPAUM has been adjusted to include KKR's pro-rata portion of FPAUM managed by other asset managers in which KKR holds a minority stake. This item increased our AUM by approximately \$2.8 billion as of December 31, 2014 but is excluded from FPAUM as of as of December 31, 2013.

**Equity Invested**

The increase is primarily due to a higher level of net capital deployed, primarily in our special situations and direct lending strategies partially offset by a lower level of capital deployed in our mezzanine strategy.

***Uncalled Commitments***

As of December 31, 2014, our Public Markets segment had \$2.8 billion of uncalled capital commitments that could be called for investments in new transactions.

***Gross Dollars Invested***

The increase is primarily due to a higher level of investment activity in our special situations and direct lending strategies, partially offset by a decrease in investment activity in our mezzanine strategies.

**Capital Markets Segment**

The following tables set forth information regarding the results of operations and certain key operating metrics for our Capital Markets segment for the years ended December 31, 2015 and 2014.

**Year ended December 31, 2015 compared to year ended December 31, 2014**

	Year Ended		
	December 31, 2015	December 31, 2014	Change
(\$ in thousands)			
<b>Segment Revenues</b>			
<b>Management, Monitoring and Transaction Fees, Net</b>			
Management Fees	\$ —	\$ —	\$ —
Monitoring Fees	—	—	—
Transaction Fees	191,470	217,920	(26,450)
Fee Credits	—	—	—
<b>Total Management, Monitoring and Transaction Fees, Net</b>	<b>191,470</b>	<b>217,920</b>	<b>(26,450)</b>
<b>Performance Income</b>			
Realized Incentive Fees	—	—	—
Realized Carried Interest	—	—	—
Unrealized Carried Interest	—	—	—
<b>Total Performance Income</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Investment Income (Loss)</b>			
Net Realized Gains (Losses)	—	—	—
Net Unrealized Gains (Losses)	—	—	—
Total Realized and Unrealized	—	—	—
Interest Income and Dividends	—	—	—
Interest Expense	—	—	—
Net Interest and Dividends	—	—	—
<b>Total Investment Income (Loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Segment Revenues</b>	<b>191,470</b>	<b>217,920</b>	<b>(26,450)</b>
<b>Segment Expenses</b>			
<b>Compensation and Benefits</b>			
Cash Compensation and Benefits	34,562	41,551	(6,989)
Realized Performance Income Compensation	—	—	—
Unrealized Performance Income Compensation	—	—	—
Total Compensation and Benefits	34,562	41,551	(6,989)
Occupancy and related charges	2,641	1,523	1,118
Other operating expenses	14,618	11,497	3,121
<b>Total Segment Expenses</b>	<b>51,821</b>	<b>54,571</b>	<b>(2,750)</b>
Income (Loss) attributable to noncontrolling interests	13,103	11,886	1,217
<b>Economic Net Income (Loss)</b>	<b>\$ 126,546</b>	<b>\$ 151,463</b>	<b>\$ (24,917)</b>
<b>Syndicated Capital</b>	<b>\$ 868,900</b>	<b>\$ 2,567,300</b>	<b>\$ (1,698,400)</b>

**Segment Revenues**
**Management, Monitoring and Transaction Fees, Net**

Transaction fees decreased due to a decrease in the number and size of capital markets transactions for the year ended December 31, 2015 compared to the year ended December 31, 2014. Our capital markets business does not generate management or monitoring fees. Overall, we completed 116 capital markets transactions



of which 16 represented equity offerings and 100 represented debt offerings, as compared to 139 transactions for the year ended December 31, 2014 of which 15 represented equity offerings and 124 represented debt offerings. We earned fees in connection with underwriting, syndication and other capital markets services. While each of the capital markets transactions that we undertake in this segment is separately negotiated, our fee rates are generally higher with respect to underwriting or syndicating equity offerings than with respect to debt offerings, and the amount of fees that we collect for like transactions generally correlates with overall transaction sizes. Our capital markets fees are sourced from our Private Markets and Public Markets platforms as well as third party companies. For the year ended December 31, 2015 approximately 24% of our transaction fees were earned from third parties as compared to 31% for the year ended December 31, 2014. Our transaction fees are comprised of fees from various geographic regions. For the year ended December 31, 2015 approximately 44% of our transaction fees were sourced outside the United States as compared to approximately 38% for the year ended December 31, 2014. Our capital markets business is dependent on the overall capital markets environment, which is influenced by, among other things, equity prices, credit spreads and volatility.

### ***Segment Expenses***

#### ***Compensation and Benefits***

The decrease was primarily due to a decrease in cash compensation and benefits related to lower transaction fees, which generally results in lower compensation expense.

#### ***Occupancy and Other Operating Expenses***

The increase was primarily driven by higher allocations of corporate other operating expenses to Capital Markets due to an increase in both the amount of corporate other operating expenses incurred by the firm and to a lesser extent an increase in the proportion of revenue earned by Capital Markets relative to other operating segments in 2015. Additionally, there was a decrease in the amount of operating expenses allocated from Capital Markets to Principal Activities as result of a decrease in the proportion of revenue earned by Principal Activities relative to other operating segments during 2015.

#### ***Economic Net Income (Loss)***

The decrease is primarily attributable to the decrease in transaction fees as described above

#### ***Syndicated Capital***

The decrease is primarily due to a decrease in the size of syndication transactions in the year ended December 31, 2015 as compared to the year ended December 31, 2014. The 2014 amounts included the syndication of equity in First Data Corporation of approximately \$1.8 billion. Overall, we completed 10 syndication transactions for the year ended December 31, 2015 as compared to 8 syndication transactions for the year ended December 31, 2014.

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The following tables set forth information regarding the results of operations and certain key operating metrics for our Capital Markets segment for the years ended December 31, 2014 and 2013.

*Year ended December 31, 2014 compared to year ended December 31, 2013*

	Year Ended		
	December 31, 2014	December 31, 2013	Change
	(\$ in thousands)		
<b>Segment Revenues</b>			
<b>Management, Monitoring and Transaction Fees, Net</b>			
Management Fees	\$ —	\$ —	\$ —
Monitoring Fees	—	—	—
Transaction Fees	217,920	146,254	71,666
Fee Credits	—	—	—
<b>Total Management, Monitoring and Transaction Fees, Net</b>	<b>217,920</b>	<b>146,254</b>	<b>71,666</b>
<b>Performance Income</b>			
Realized Incentive Fees	—	—	—
Realized Carried Interest	—	—	—
Unrealized Carried Interest	—	—	—
<b>Total Performance Income</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Investment Income (Loss)</b>			
Net Realized Gains (Losses)	—	—	—
Net Unrealized Gains (Losses)	—	—	—
Total Realized and Unrealized	—	—	—
Interest Income and Dividends	—	—	—
Interest Expense	—	—	—
Net Interest and Dividends	—	—	—
<b>Total Investment Income (Loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Segment Revenues</b>	<b>217,920</b>	<b>146,254</b>	<b>71,666</b>
<b>Segment Expenses</b>			
<b>Compensation and Benefits</b>			
Cash Compensation and Benefits	41,551	31,118	10,433
Realized Performance Income Compensation	—	—	—
Unrealized Performance Income Compensation	—	—	—
Total Compensation and Benefits	41,551	31,118	10,433
Occupancy and related charges	1,523	877	646
Other operating expenses	11,497	9,698	1,799
<b>Total Segment Expenses</b>	<b>54,571</b>	<b>41,693</b>	<b>12,878</b>
Income (Loss) attributable to noncontrolling interests	11,886	3,329	8,557
<b>Economic Net Income (Loss)</b>	<b>\$ 151,463</b>	<b>\$ 101,232</b>	<b>\$ 50,231</b>
<b>Syndicated Capital</b>	<b>\$ 2,567,300</b>	<b>\$ 1,112,100</b>	<b>\$ 1,455,200</b>

**Segment Revenues**

*Management, Monitoring and Transaction Fees, Net*

Transaction fees increased primarily due to an increase in the size of capital markets transactions in the year ended December 31, 2014 compared to the year ended December 31, 2013, including syndication fees received from First Data Corporation of approximately \$43 million in the third quarter of 2014. Our capital markets business does not generate management or monitoring fees. Overall, we completed 139 capital markets transactions for the year ended December 31, 2014 of which 15 represented equity offerings and 124 represented debt offerings, as compared to 128 transactions for the year ended





December 31, 2013 of which 16 represented equity offerings and 112 represented debt offerings. We earned fees in connection with underwriting, syndication and other capital markets services. While each of the capital markets transactions that we undertake in this segment is separately negotiated, our fee rates are generally higher with respect to underwriting or syndicating equity offerings than with respect to debt offerings, and the amount of fees that we collect for like transactions generally correlates with overall transaction sizes. Our capital markets fees are sourced from our Private Markets and Public Markets platforms as well as third party companies. For the years ended December 31, 2014 approximately 31% of our transaction fees were earned from third parties, as compared to 29% for the year ended December 31, 2013. Our transaction fees are comprised of fees from various global regions. For the year ended December 31, 2014 approximately 38% of our transaction fees were sourced internationally as compared to approximately 30% for the year ended December 31, 2013. Our capital markets business is dependent on the overall capital markets environment, which is influenced by equity prices, credit spreads and volatility.

### ***Segment Expenses***

#### *Compensation and Benefits*

The increase was primarily due to an increase in cash compensation and benefits related to higher fees, which generally results in higher compensation expense, and to a lesser extent increased headcount.

#### *Occupancy and Other Operating Expenses*

This increase was primarily driven by an increase in professional fees in connection with the higher overall level of capital markets transaction activity.

### ***Economic Net Income (Loss)***

The increase is primarily attributable to the increase in transaction fees, partially offset by the increase in compensation and benefits, described above.

### ***Syndicated Capital***

The increase is primarily due to an increase in the size of syndication transactions when compared to year ended December 31, 2013, which included the syndication of equity in First Data Corporation of approximately \$1.8 billion in the third quarter of 2014. Overall, we completed 8 syndication transactions for the year ended December 31, 2014 as compared to 10 syndication transactions for the year ended December 31, 2013.

**Principal Activities Segment**

The following tables set forth information regarding the results of operations for our Principal Activities segment for the years ended December 31, 2015 and 2014.

**Year ended December 31, 2015 compared to year ended December 31, 2014**

	Year Ended		
	December 31, 2015	December 31, 2014	Change
(\$ in thousands)			
<b>Segment Revenues</b>			
<b>Management, Monitoring and Transaction Fees, Net</b>			
Management Fees	\$ —	\$ —	\$ —
Monitoring Fees	—	—	—
Transaction Fees	—	—	—
Fee Credits	—	—	—
<b>Total Management, Monitoring and Transaction Fees, Net</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Performance Income</b>			
Realized Incentive Fees	—	—	—
Realized Carried Interest	—	—	—
Unrealized Carried Interest	—	—	—
<b>Total Performance Income</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Investment Income (Loss)</b>			
Net Realized Gains (Losses)	337,023	628,403	(291,380)
Net Unrealized Gains (Losses)	(391,962)	(396,425)	4,463
Total Realized and Unrealized	(54,939)	231,978	(286,917)
Interest Income and Dividends	411,536	408,084	3,452
Interest Expense	(203,085)	(134,909)	(68,176)
Net Interest and Dividends	208,451	273,175	(64,724)
<b>Total Investment Income (Loss)</b>	<b>153,512</b>	<b>505,153</b>	<b>(351,641)</b>
<b>Total Segment Revenues</b>	<b>153,512</b>	<b>505,153</b>	<b>(351,641)</b>
<b>Segment Expenses</b>			
<b>Compensation and Benefits</b>			
Cash Compensation and Benefits	107,572	121,161	(13,589)
Realized Performance Income Compensation	—	—	—
Unrealized Performance Income Compensation	—	—	—
Total Compensation and Benefits	107,572	121,161	(13,589)
Occupancy and related charges	16,568	18,104	(1,536)
Other operating expenses	50,573	60,673	(10,100)
<b>Total Segment Expenses</b>	<b>174,713</b>	<b>199,938</b>	<b>(25,225)</b>
Income (Loss) attributable to noncontrolling interests	—	—	—
<b>Economic Net Income (Loss)</b>	<b>\$ (21,201)</b>	<b>\$ 305,215</b>	<b>\$ (326,416)</b>

## **Segment Revenues**

### *Investment Income*

The net decrease is primarily due to a decrease in total realized and unrealized gains of \$286.9 million, as well as a decrease in net interest and dividends of \$64.7 million.

For the year ended December 31, 2015, net realized gains were comprised primarily of gains from the sale of private equity investments, generally held through or alongside our funds, including the sales or partial sales of Walgreens Boots Alliance, Inc., The Nielsen Company B.V. (NYSE: NLSN), Zimmer Biomet Holdings, Inc. and Kion GmbH (XETRA: KGX). These realized gains were partially offset by realized losses on the sale or write off of other private equity investments, generally held through or alongside our funds, including the write-off of Energy Future Holdings. Realized investment losses from balance sheet investments that were already written down as of October 1, 2009 that have been excluded from net realized gains (losses) above related to Energy Future Holdings and amounted to approximately \$100 million for the year ended December 31, 2015. Net unrealized losses were primarily attributable to (i) the reversal of gains on sales of private equity investments noted in the realized gains commentary above and (ii) overall reductions in value of our investments in CLOs, energy investments in working interests in oil and gas producing properties and special situations investments. A decrease in the value of our CLO portfolio was experienced in each quarter of 2015 and was due primarily to a decrease in the market value of underlying collateral as well as a reduction in overall market prices for these securities. With respect to our energy portfolio, a decrease in value was experienced in three of four quarters during 2015 and is due primarily to a drop in long-term oil, condensate, natural gas liquids, and natural gas prices during the year ended December 31, 2015. Offsetting these unrealized losses were unrealized gains resulting from increases in value of various investments, most notably First Data Corporation, Walgreens Boots Alliance, Inc. and WMI Holdings Corp. (NASDAQ: WMIH), as well as the reversal of unrealized losses related to the write-off of Energy Future Holdings, Corp. Subsequent to December 31, 2015, the value of First Data Corporation has declined sharply. See "--Business Environment". Additionally, subsequent to December 31, 2015, we expect to write-off our investment in Samson Resources once our losses become realized. Since this investment has already been written down to zero value in periods prior to December 31, 2015, this write-off is not expected to have a significant impact on our economic net income in future periods. However, this write-off could reduce our cash earnings by approximately \$250 million.

As of December 31, 2015, we held \$96.6 million of investments in CLOs that are not held for investment purposes and are carried at cost. For the year ended December 31, 2015, the unrealized loss relating to changes in fair value for these investments in CLOs was \$7.6 million. Prior to the quarter ended September 30, 2015, all CLOs were carried at fair value.

For the year ended December 31, 2014, net realized gains were comprised primarily of gains from the sale of private equity investments, generally held through or alongside our funds, including the sales or partial sales of HCA, Inc., NXP Semiconductors N.V. and The Nielsen Company B.V. Net unrealized losses are primarily related to (i) the reversal of gains on sales of private equity investments noted in the realized gains commentary above, (ii) declines in value of various investments in working interests in oil and gas producing properties, (iii) a decline in value for Samson Resources, (iv) overall reductions in value of our investments in CLOs, driven primarily by a decrease in the market value of underlying collateral and (v) a decline in value of investments in specialty finance companies. For the year ended December 31, 2014, mark-to-market unrealized losses reflected in net unrealized losses relating to our energy investments in working interests in oil and gas producing properties were approximately \$149 million, the majority of which occurred in the fourth quarter of 2014 primarily as a result of a decline in oil and gas prices. These unrealized losses and reversals of gains upon realization events were partially offset by unrealized gains resulting from increases in value of various private equity investments including First Data Corporation, Alliance Boots GmbH and Biomet, Inc.

For the year ended December 31, 2015, interest income and dividends were comprised of (i) \$316.5 million of interest income which consists primarily of interest that is received from interest yielding CLOs and credit investments and, to a lesser extent, from our cash balances and other assets and (ii) \$95.0 million of dividend income received primarily from distributions received through our investment funds and other assets. For the year ended December 31, 2014, interest income and dividends were comprised of (i) \$241.7 million of interest income which consists primarily of interest that is received from interest yielding CLOs and credit investments and, to a lesser extent, from our cash balances and other assets and (ii) \$166.4 million of dividend income received primarily from distributions received through our investment funds and other assets, including approximately \$84 million received from our energy investments in working interests in oil and gas producing properties. The increase from the prior period is primarily due to more significant levels of investments in interest yielding CLOs and credit investments, which were largely offset by a decrease in dividend income from our private equity and energy investments portfolio.

The increase in interest expense is primarily due to our 2044 Senior Notes issued on May 29, 2014 and an additional issuance of such notes on March 18, 2015, as well as the debt obligations of KFN acquired on April 30, 2014 which did not contribute to our interest expense for the first four months of 2014.

***Segment Expenses***

*Compensation and Benefits*

The decrease was primarily due to a decrease in the amount of compensation and benefits expenses allocated from the other operating segments to Principal Activities, as well as a lower amount of corporate compensation allocated to Principal Activities, in each case as a result of a decrease in the proportion of revenue earned by Principal Activities relative to other operating segments during 2015. Partially offsetting these decreases was an increase in the aggregate compensation and benefits expense in our other operating segments that are allocable to the Principal Activities segment. See “-Segment Analysis-Private Markets”, “-Segment Analysis-Public Markets” and “-Segment Analysis-Capital Markets” for additional information regarding the compensation and benefit expenses of these other segments, and “-Segment Analysis” for a discussion of expense allocations among segments.

*Occupancy and Other Operating Expenses*

The decrease was primarily driven by a decrease in the amount of occupancy and other operating expenses allocated from the other operating segments as a result of a decrease in the proportion of revenue earned by Principal Activities relative to other operating segments during 2015.

***Economic Net Income (Loss)***

The decrease is primarily attributable to the decrease in investment income as described above.

The following tables set forth information regarding the results of operations for our Principal Activities segment for the years ended December 31, 2014 and 2013.

*Year ended December 31, 2014 compared to year ended December 31, 2013*

	Year Ended		
	December 31, 2014	December 31, 2013	Change
(\$ in thousands)			
<b>Segment Revenues</b>			
<b>Management, Monitoring and Transaction Fees, Net</b>			
Management Fees	\$ —	\$ —	\$ —
Monitoring Fees	—	—	—
Transaction Fees	—	—	—
Fee Credits	—	—	—
<b>Total Management, Monitoring and Transaction Fees, Net</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Performance Income</b>			
Realized Incentive Fees	—	—	—
Realized Carried Interest	—	—	—
Unrealized Carried Interest	—	—	—
<b>Total Performance Income</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Investment Income (Loss)</b>			
Net Realized Gains (Losses)	628,403	635,633	(7,230)
Net Unrealized Gains (Losses)	(396,425)	301,262	(697,687)
Total Realized and Unrealized	231,978	936,895	(704,917)
Interest Income and Dividends	408,084	87,168	320,916
Interest Expense	(134,909)	(65,662)	(69,247)
Net Interest and Dividends	273,175	21,506	251,669
<b>Total Investment Income (Loss)</b>	<b>505,153</b>	<b>958,401</b>	<b>(453,248)</b>
<b>Total Segment Revenues</b>	<b>505,153</b>	<b>958,401</b>	<b>(453,248)</b>
<b>Segment Expenses</b>			
<b>Compensation and Benefits</b>			
Cash Compensation and Benefits	121,161	110,457	10,704
Realized Performance Income Compensation	—	—	—
Unrealized Performance Income Compensation	—	—	—
Total Compensation and Benefits	121,161	110,457	10,704
Occupancy and related charges	18,104	20,844	(2,740)
Other operating expenses	60,673	63,262	(2,589)
<b>Total Segment Expenses</b>	<b>199,938</b>	<b>194,563</b>	<b>5,375</b>
Income (Loss) attributable to noncontrolling interests	—	—	—
<b>Economic Net Income (Loss)</b>	<b>\$ 305,215</b>	<b>\$ 763,838</b>	<b>\$ (458,623)</b>

## **Segment Revenues**

### *Investment Income*

The net decrease is primarily due to a decrease in total realized and unrealized gains of \$704.9 million, which were partially offset by an increase in net interest and dividends of \$251.7 million.

For the year ended December 31, 2014, net realized gains were comprised primarily of gains from the sale of private equity investments, generally held through or alongside our funds, including the sales or partial sales of HCA, Inc., NXP Semiconductors N.V. and The Nielsen Company B.V. Net unrealized losses are primarily related to (i) the reversal of gains on sales of private equity investments noted in the realized gains commentary above, (ii) declines in value of various investments in working interests in oil and gas producing properties, (iii) a decline in value for Samson Resources, (iv) overall reductions in value of our investments in CLOs, driven primarily by a decrease in the market value of underlying collateral and (v) a decline in value of investments in specialty finance companies. For the year ended December 31, 2014, mark-to-market unrealized losses reflected in net unrealized losses relating to our energy investments in working interests in oil and gas producing properties were approximately \$149 million, the majority of which occurred in the fourth quarter of 2014 primarily as a result of a decline in oil prices. These unrealized losses and reversals of gains upon realization events were partially offset by unrealized gains resulting from increases in value of various private equity investments including First Data Corporation, Alliance Boots GmbH and Biomet, Inc.

For the year ended December 31, 2013, net realized gains were comprised primarily of realized gains from the sales or partial sales of private equity investments, generally held through or alongside our funds, the most significant of which were HCA, Inc., Dollar General Corporation, NXP Semiconductors N.V. and Intelligence, Ltd. These realized gains were partially offset by realized losses primarily related to the sale or write-off of private equity investments, generally held through or alongside our funds, including the write-off of PagesJaunes Group. Realized investment losses from balance sheet investments that were already written down as of October 1, 2009 that have been excluded from net realized gains (losses) above amounted to approximately \$205 million for the year ended December 31, 2013. The net unrealized gains related primarily to increases in the value of various private equity investments, most notably HCA, Inc., ProSiebenSat.1 Media AG and Alliance Boots GmbH, partially offset by unrealized losses relating to our investment in Samson Resources, as well as reversals of unrealized gains primarily in connection with the sales of the investments noted in the realized gains commentary above.

For the year ended December 31, 2014, interest income and dividends were comprised of (i) \$241.7 million of interest income which consisted primarily of interest that was received from interest yielding CLOs and credit investments and, to a lesser extent, from our cash balances and other assets and (ii) \$166.4 million of dividend income received primarily from distributions received through our investment funds and other assets, including approximately \$84 million received from our energy investments in working interests in oil and gas producing properties. For the year ended December 31, 2013, interest income and dividends were comprised of (i) \$41.2 million of interest income which consists primarily of interest received on our cash balances and (ii) \$46.0 million of dividend income received primarily from distributions received through our investment funds and other assets. The increase from the prior period is primarily due to an increase in dividend income in our private equity and energy investments portfolio as well as more significant levels of investments in interest yielding CLOs and credit investments as a result of our acquisition of KFN on April 30, 2014 and to a lesser extent our acquisition of Avoca on February 19, 2014.

The increase in interest expense is primarily due to our 2044 Senior Notes issued on May 29, 2014 as well as interest expense relating to debt obligations at KFN subsequent to KKR's acquisition of it on April 30, 2014.

## **Segment Expenses**

### *Compensation and Benefits*

The increase was primarily due to (i) an increase in cash compensation and benefits incurred directly by the Principal Activities segment and (ii) an increase in the aggregate compensation and benefits expense in our other operating segments that are allocable to the Principal Activities segment. See commentary for these operating segments in “-Segment Analysis-Private Markets”, “-Segment Analysis-Public Markets” and “-Segment Analysis-Capital Markets”. These increases were partially offset by a decrease in the amount of compensation and benefits expenses allocated from the other operating segments as a result of a decrease in the proportion of revenue earned by Principal Activities relative to other operating segments during 2014.

*Occupancy and Other Operating Expenses*

The decrease was primarily driven by a decrease in the amount of occupancy and other operating expenses allocated from the other operating segments as a result of a decrease in the proportion of revenue earned by Principal Activities relative to other operating segments during 2014. This decrease was partially offset by an increase in occupancy and other operating expenses incurred directly by the Principal Activities segment.

***Economic Net Income (Loss)***

The decrease is primarily attributable to the decrease in investment income, described above.

***Segment Balance Sheet***

Our segment balance sheet is the balance sheet of KKR & Co. L.P. and its subsidiaries on a segment basis which include, but are not limited to, our investment management companies, broker-dealer companies, general partners of our investment funds and KFN. Our segment balance sheet excludes the assets and liabilities of our investment funds and CFEs.

*Investments*

Investments is a term used solely for purposes of financial presentation of a portion of KKR's balance sheet and includes majority investments in subsidiaries that operate KKR's asset management and other businesses, including the general partner interests of KKR's investment funds.

*Cash and Short-Term Investments*

Cash and short-term investments represent cash and liquid short-term investments in high-grade, short-duration cash management strategies used by KKR to generate additional yield on our excess liquidity and is used by management in evaluating KKR's liquidity position. We believe this measure is useful to unitholders as it provides additional insight into KKR's available liquidity. Cash and short-term investments differ from cash and cash equivalents on a GAAP basis as a result of the inclusion of liquid short-term investments in cash and short-term investments. The impact that these liquid short-term investments have on cash and cash equivalents on a GAAP basis is reflected in the consolidated statements of cash flows within cash flows from operating activities. Accordingly, the exclusion of these investments from cash and cash equivalents on a GAAP basis has no impact on cash provided (used) by operating activities, investing activities or financing activities. As of December 31, 2015, we had cash and short-term investments on a segment basis of approximately \$1.3 billion. Excluding approximately \$0.2 billion of liquid short-term investments, cash and short-term investments may be reconciled to cash and cash equivalents of approximately \$1.0 billion as of December 31, 2015.

The following tables present our segment balance sheet as of December 31, 2015 and December 31, 2014 :

	As of	
	December 31, 2015	December 31, 2014
	(\$ in thousands, except per unit amounts)	
Cash and short-term investments	\$ 1,287,650	\$ 1,121,385
Investments	8,958,089	9,807,606
Unrealized carry (a)	1,415,478	1,283,022
Other assets	1,613,139	999,654
Corporate Real Estate	154,942	—
<b>Total assets</b>	<b>\$ 13,429,298</b>	<b>\$ 13,211,667</b>
Debt obligations - KKR (ex-KFN)	\$ 2,000,000	\$ 1,527,000
Debt obligations - KFN	657,310	657,310
Preferred shares - KFN	373,750	373,750
Other liabilities	291,537	413,808
<b>Total liabilities</b>	<b>3,322,597</b>	<b>2,971,868</b>
Noncontrolling interests	127,472	121,574
<b>Book Value</b>	<b>\$ 9,979,229</b>	<b>\$ 10,118,225</b>
<b>Book Value Per Outstanding Adjusted Unit</b>	<b>\$ 12.18</b>	<b>\$ 12.48</b>
<b>Book Value Per Adjusted Unit</b>	<b>\$ 11.78</b>	<b>\$ 12.07</b>
<b>(a) Unrealized Carry</b>		
Private Markets	\$ 1,340,556	\$ 1,196,633
Public Markets	74,922	86,389
<b>Total</b>	<b>\$ 1,415,478</b>	<b>\$ 1,283,022</b>

The following table presents our most significant investments based on their fair market value as of December 31, 2015.

	As of December 31, 2015	
	(\$ in thousands)	
Significant Investments:	Fair Value	Fair Value as a Percentage of Total Investments
First Data Corporation (NYSE: FDC)	\$ 1,266,196	14.1%
Walgreens Boots Alliance (NASDAQ: WBA)	748,688	8.4%
WMI Holdings Corp. (NASDAQ: WMIH)	311,270	3.5%
Oil & Gas Royalties Investment	173,800	1.9%
HCA Holdings, Inc. (NYSE: HCA)	169,332	1.9%
<b>Total Significant Investments</b>	<b>2,669,286</b>	<b>29.8%</b>
Other Investments	6,288,803	70.2%
<b>Total Investments</b>	<b>\$ 8,958,089</b>	<b>100.0%</b>



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The following tables provide reconciliations of KKR's GAAP Common Units Outstanding - Basic to Adjusted Units and KKR & Co. L.P. Partners' Capital to Book Value:

	As of December 31, 2015
<b>GAAP Common Units Outstanding - Basic</b>	457,834,875
Adjustments:	
Unvested Common Units (a)	23,212,300
Other Exchangeable Securities (b)	4,689,610
<b>GAAP Common Units Outstanding - Diluted</b>	485,736,785
Adjustments:	
KKR Holdings Units (c)	361,346,588
<b>Adjusted Units</b>	847,083,373
Adjustments:	
Unvested Common Units and Unvested Other Exchangeable Securities	(24,060,289)
<b>Adjusted Units Eligible for Distribution</b>	823,023,084
Adjustments:	
Vested Other Exchangeable Securities (b)	(3,841,621)
<b>Outstanding Adjusted Units</b>	819,181,463

- (a) Represents equity awards granted under the Equity Incentive Plan. The issuance of common units of KKR & Co. L.P. pursuant to awards under the Equity Incentive Plan dilutes KKR common unitholders and KKR Holdings pro rata in accordance with their respective percentage interests in the KKR business.
- (b) Represents securities in a subsidiary of a KKR Group Partnership and of KKR & Co. L.P. that are exchangeable into KKR & Co. L.P. common units issued in connection with the acquisition of Avoca.
- (c) Common units that may be issued by KKR & Co. L.P. upon exchange of units in KKR Holdings L.P. for KKR common units.

(\$ in thousands, except per unit amounts)	As of December 31, 2015
<b>KKR &amp; Co. L.P. Partners' Capital</b>	\$ 5,547,182
Noncontrolling interests held by KKR Holdings L.P.	4,347,153
Equity impact of KKR Management Holdings Corp. and other	84,894
<b>Book Value</b>	\$ 9,979,229

**Liquidity**

We manage our liquidity and capital requirements by focusing on our cash flows before the consolidation of our funds and CFEs and the effect of changes in short term assets and liabilities, which we anticipate will be settled for cash within one year. Our primary cash flow activities on a segment basis typically involve: (i) generating cash flow from operations; (ii) generating income from investment activities, by investing in investments that generate yield (namely interest and dividends) as well as the sale of investments and other assets; (iii) funding capital commitments that we have made to our funds and CLOs, (iv) developing and funding new investment strategies, investment products and other growth initiatives, including acquisitions; (v) underwriting and funding commitments in our capital markets business; (vi) distributing cash flow to our fund investors, unitholders and certain holders of certain exchangeable securities; and (vii) borrowings, interest payments and repayments under credit agreements, our senior notes and other borrowing arrangements. As of December 31, 2015, we had cash and short-term investments on a segment basis of \$1.3 billion. See "-Liquidity - Liquidity Needs - Distributions."

**Sources of Liquidity**

Our primary sources of liquidity consist of amounts received from: (i) our operating activities, including the fees earned from our funds, managed accounts, portfolio companies, and capital markets transactions; (ii) realizations on carried interest from our investment funds; (iii) interest and dividends from investments that generate yield, including our investments in CLOs; (iv) realizations on and sales of investments and other assets; and (v) borrowings under our credit facilities, debt offerings and other borrowing arrangements. In addition, we may generate cash proceeds from sales of equity securities.

With respect to our private equity funds, carried interest is distributed to the general partner of a private equity fund with a clawback or net loss sharing provision only after all of the following are met: (i) a realization event has occurred (e.g., sale of a portfolio company, dividend, etc.); (ii) the vehicle has achieved positive overall investment returns since its inception, in excess of performance hurdles where applicable; and (iii) with respect to investments with a fair value below cost, cost has been returned to fund investors in an amount sufficient to reduce remaining cost to the investments' fair value. As of December 31, 2015, certain of our funds had met the first and second criteria, as described above, but did not meet the third criteria. In these cases, carried interest accrues on the consolidated statement of operations, but will not be distributed in cash to us as the general partner of an investment fund upon a realization event. For a fund that has a fair value above cost, overall, but has one or more investments where fair value is below cost, the shortfall between cost and fair value for such investments is referred to as a "netting hole." When netting holes are present, realized gains on individual investments that would otherwise allow the general partner to receive carried interest distributions are instead used to return invested capital to our funds' limited partners in an amount equal to the netting hole. Once netting holes have been filled with either (a) return of capital equal to the netting hole for those investments where fair value is below cost, or (b) increases in the fair value of those investments where fair value is below cost, then realized carried interest will be distributed to the general partner upon a realization event. A fund that is in a position to pay cash carry refers to a fund for which carried interest is expected to be paid to the general partner upon the next material realization event, which includes funds with no netting holes as well as funds with a netting hole that is sufficiently small in size such that the next material realization event would be expected to result in the payment of carried interest.

As of December 31, 2015, netting holes in excess of \$50 million existed at four of our private equity funds, the most significant of which were our North America Fund XI, European Fund II and European Fund III which had netting holes of approximately \$232 million, \$213 million and \$87 million, respectively. In accordance with the criteria set forth above, funds may develop netting holes in the future and netting holes for those and other funds may otherwise increase or decrease in the future.

We have access to funding under various credit facilities and other borrowing arrangements that we have entered into with major financial institutions or which we receive from the capital markets. For a full discussion of the principal terms of these sources of funding, see Note 9 "Debt Obligations" of our financial statements included elsewhere in this report. The following describes other sources of liquidity.

#### *KFN Securities*

In addition to the sources of funding described in Note 9 "Debt Obligations" of our financial statements included elsewhere in this report, KFN has the following issuance of preferred stock.

- On January 17, 2013, KFN issued 14.95 million of Series A LLC Preferred Shares (the "KFN Preferred Shares") at a price of \$25 per share. The KFN Preferred Shares trade on the NYSE under the ticker symbol "KFN.PR" and began trading on January 28, 2013. Distributions on the KFN Preferred Shares are cumulative and are payable by KFN, when, as, and if declared by KFN's board of directors, quarterly on January 15, April 15, July 15 and October 15 of each year at a rate per annum equal to 7.375%. Unless distributions have been declared and paid or declared and set apart for payment on the KFN Preferred Shares for the then-current quarterly distribution period and all past quarterly distribution periods, subject to certain exceptions, KFN may not declare or pay or set apart payment for distributions on KFN's common shares or other junior shares, including payments to KKR. If KFN experiences a dissolution event, then the holders of the KFN Preferred Shares outstanding at such time will be entitled to receive a payment out of KFN's assets available for distribution to such holders equal to the sum of the \$25 liquidation preference per KFN Preferred Share and accumulated and unpaid distributions (whether or not declared), if any, to, but excluding, the date of the dissolution event (the "Series A Liquidation Value"), to the extent that KFN has sufficient gross income (excluding any gross income attributable to the sale or exchange of capital assets) in the year of the dissolution event and in the prior years in which the KFN Preferred Shares have been outstanding to ensure that each holder of KFN Preferred Shares will have a capital account balance equal to the Series A Liquidation Value. The KFN Preferred Shares are not convertible into shares of any other class or series of the KFN's shares. Except under limited circumstances relating to an event of default in the payment of distributions, holders of the KFN Preferred Shares have no voting rights. At any time or from time to time on or after January 15, 2018, KFN may, at its option, redeem the KFN Preferred Shares, in whole or in part, upon not less than 30 nor more than 60 days' notice, at a price of \$25 per KFN Preferred Share plus accumulated and unpaid distributions (whether or not declared), if any, to, but excluding, the redemption date, if any. Holders of the KFN Preferred Shares have no right to require the redemption of the KFN Preferred Shares.

*Common Units*

- On May 16, 2014, KKR & Co. L.P. filed a registration statement with the Securities and Exchange Commission for the sale by us from time to time of up to 5,000,000 common units of KKR & Co. L.P. to generate cash proceeds (a) up to (1) the amount of withholding taxes, social benefit payments or similar payments payable by us in respect of awards granted pursuant to the Equity Incentive Plan, the KKR Financial Holdings LLC 2007 Share Incentive Plan (the "KFN Share Incentive Plan") and the KKR Asset Management LLC 2011 Share Incentive Plan (the "KAM Share Incentive Plan"), and together with the Equity Incentive Plan and the KFN Share Incentive Plan, the "Plans", and (2) the amount of cash delivered in respect of awards granted pursuant to the Plans that are settled in cash instead of common units; and (b) to the extent the net proceeds from the sale of common units exceeds the amounts due under clause (a), for general corporate purposes. The administrator of the Equity Incentive Plan is expected to reduce the maximum number of common units eligible to be issued under the Equity Incentive Plan by the number of common units issued and sold pursuant to this Registration Statement, as applicable, unless such reduction is already provided for with respect to such awards under the terms of the Equity Incentive Plan. The KFN Share Incentive Plan terminated in May 2015, but continues to govern unexpired awards. No additional equity awards will be issued under the KFN Share Incentive Plan or the KAM Share Incentive Plan. The Securities and Exchange Commission declared the registration statement effective on June 4, 2014. As of December 31, 2015, 4,173,039 common units have been issued and sold under the registration statement and are included in our basic common units outstanding as of December 31, 2015. In the quarter ended December 31, 2015, we canceled 1.7 million granted equity awards for approximately \$27 million to satisfy tax obligations in connection with their vesting. As of February 22, 2015, there are no equity awards withheld for tax obligations.

*Liquidity Needs*

We expect that our primary liquidity needs will consist of cash required to:

- continue to grow our business, including seeding new strategies and funding our capital commitments made to existing and future funds, co-investments and any net capital requirements of our capital markets companies;
- warehouse investments in portfolio companies or other investments for the benefit of one or more of our funds, vehicles, accounts or CLOs pending the contribution of committed capital by the investors in such vehicles;
- service debt obligations, as well as any contingent liabilities that may give rise to future cash payments;
- fund cash operating expenses and amounts recorded for litigation matters;
- pay amounts that may become due under our tax receivable agreement with KKR Holdings;
- make cash distributions in accordance with our distribution policy;
- underwrite commitments within our capital markets business;
- fund our equity commitment to joint ventures such as Merchant Capital Solutions LLC;
- make future purchase price payments in connection with our proprietary acquisitions or investments, such as our acquisition of Prisma and strategic partnerships with Nephila and Marshall Wace;
- acquire additional principal assets, including other businesses and corporate real estate; and
- repurchase KKR & Co. L.P. common units pursuant to the unit repurchase program announced on October 27, 2015.

### KKR & Co. L.P. Unit Repurchase Program

On October 27, 2015, KKR announced the authorization of a program providing for the repurchase by KKR of up to \$500 million in the aggregate of its outstanding common units. Under this unit repurchase program, units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing, manner, price and amount of any unit repurchases will be determined by KKR in its discretion and will depend on a variety of factors, including legal requirements, price and economic and market conditions. KKR expects that the program, which has no expiration date, will be in effect until the maximum approved dollar amount has been used to repurchase common units. The program does not require KKR to repurchase any specific number of common units, and the program may be suspended, extended, modified or discontinued at any time. Since inception of the unit repurchase program through December 31, 2015, KKR has repurchased and canceled approximately 9.9 million of outstanding common units for approximately \$161.9 million. From December 31, 2015 through February 11, 2016, KKR has repurchased and canceled approximately 7.6 million of outstanding common units for approximately \$108.1 million. For additional information regarding units repurchased since the inception of this program see "Item 5--Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities."

### Capital Commitments

The agreements governing our active investment funds generally require the general partners of the funds to make minimum capital commitments to such funds, which usually range from 2% to 5% of a fund's total capital commitments at final closing, but may be greater for certain funds pursuing newer strategies. In addition, we are responsible for certain limited partner interests in some of our private equity funds. The following table presents our uncalled commitments to our active investment funds as of December 31, 2015 :

	<b>Uncalled Commitments</b>
	(\$ in thousands)
<b>Private Markets</b>	
European Fund IV	\$ 184,700
Energy Income and Growth Fund	147,100
Global Infrastructure Investors II	110,900
North America Fund XI	100,500
Real Estate Partners Americas	97,300
European Fund III	66,300
Real Estate Partners Europe	64,700
Asian Fund II	50,900
2006 Fund	22,700
Co-Investment Vehicles	69,600
Other Private Markets Funds	10,600
<b>Total Private Markets Commitments</b>	<b>925,300</b>
<b>Public Markets</b>	
Special Situations Fund	14,900
Special Situations Fund II	195,100
Mezzanine Fund	6,500
Lending Partners	13,900
Lending Partners II	33,300
Lending Partners Europe	39,600
Other Alternative Credit Vehicles	125,200
<b>Total Public Markets Commitments</b>	<b>428,500</b>
<b>Total Uncalled Commitments</b>	<b>\$ 1,353,800</b>

As of December 31, 2015, KKR had unfunded commitments consisting of (i) \$1,353.8 million, as shown above, to its active private equity and other investment vehicles, (ii) \$191.1 million in connection with commitments by KKR's capital markets business, (iii) \$128.6 million relating to Merchant Capital Solutions as described below and (iv) other investment

commitments of \$171.6 million. Whether these amounts are actually funded, in whole or in part depends on the terms of such commitments, including the satisfaction or waiver of any conditions to funding.

#### *Prisma Capital Partners*

On October 1, 2012, KKR acquired all of the equity interests of Prisma subject to potential purchase price payments in 2014 and 2017. KKR may become obligated to make future purchase price payments in 2017 based on whether the Prisma business grows to achieve certain operating performance metrics when measured in such year. KKR has the right in its sole discretion to pay a portion of such future purchase price payment, if any, in KKR & Co. L.P. common units rather than in cash. See "—Liquidity—Contractual Obligations, Commitments and Contingencies on an Unconsolidated Basis."

#### *Merchant Capital Solutions*

Merchant Capital Solutions LLC (MCS, formerly known as MerchCap Solutions LLC) is a joint venture partnership with Stone Point Capital. MCS seeks to provide capital markets services to mid-market and sponsor-backed companies as well as make certain balance sheet investments to support client needs. As of December 31, 2015 each of KKR and Stone Point have committed \$150 million of equity to MCS to support its business for total equity commitments of \$300 million. KKR's remaining unfunded commitment is approximately \$128.6 million as of December 31, 2015. KKR expects that certain capital markets activities for third parties (other than KKR and its portfolio companies) will be principally conducted by MCS.

#### *Investment in Marshall Wace LLP*

On November 2, 2015, KKR entered into a long-term strategic relationship with Marshall Wace LLP and its affiliates ("Marshall Wace") and acquired a 24.9% interest in Marshall Wace through a combination of cash and common units. KKR and Marshall Wace have the option to grow KKR's ownership interest over time to 39.9%, which would require the use of cash and/or KKR common units. KKR's investment in Marshall Wace is accounted for using the equity method of accounting.

#### *Tax Receivable Agreement*

We and certain intermediate holding companies that are taxable corporations for U.S. federal, state and local income tax purposes, may be required to acquire KKR Group Partnership Units from time to time pursuant to our exchange agreement with KKR Holdings. KKR Management Holdings L.P. made an election under Section 754 of the Internal Revenue Code that will remain in effect for each taxable year in which an exchange of KKR Group Partnership Units for common units occurs, which may result in an increase in our intermediate holding companies' share of the tax basis of the assets of the KKR Group Partnerships at the time of an exchange of KKR Group Partnership Units. Certain of these exchanges are expected to result in an increase in our intermediate holding companies' share of the tax basis of the tangible and intangible assets of the KKR Group Partnerships, primarily attributable to a portion of the goodwill inherent in our business that would not otherwise have been available. This increase in tax basis may increase depreciation and amortization deductions for tax purposes and therefore reduce the amount of income tax our intermediate holding companies would otherwise be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

We have entered into a tax receivable agreement with KKR Holdings, which requires our intermediate holding companies to pay to KKR Holdings, or to current and former principals who have exchanged KKR Holdings units for KKR common units as transferees of KKR Group Partnership Units, 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that the intermediate holding companies realize as a result of the increase in tax basis described above, as well as 85% of the amount of any such savings the intermediate holding companies realize as a result of increases in tax basis that arise due to future payments under the agreement. We expect our intermediate holding companies to benefit from the remaining 15% of cash savings, if any, in income tax that they realize. A termination of the agreement or a change of control could give rise to similar payments based on tax savings that we would be deemed to realize in connection with such events. In the event that other of our current or future subsidiaries become taxable as corporations and acquire KKR Group Partnership Units in the future, or if we become taxable as a corporation for U.S. federal income tax purposes, we expect that each will become subject to a tax receivable agreement with substantially similar terms.

These payment obligations are obligations of our intermediate holding companies and not the KKR Group Partnerships. As such, cash payments received by common unitholders may vary from those received by holders of KKR Group Partnership Units held by KKR Holdings and its current and former principals to the extent payments are made to those parties under the tax receivable agreement. Payments made under the tax receivable agreement are required to be made within 90 days of the

filing of the tax returns of our intermediate holding companies, which may result in a timing difference between the tax savings received by KKR's intermediate holdings companies and the cash payments made to the selling holders of KKR Group Partnership Units.

For the years ended December 31, 2015, 2014 and 2013, cash payments that have been made under the tax receivable agreement were \$5.7 million, \$5.7 million and \$4.7 million, respectively. We expect our intermediate holding companies to benefit from the remaining 15% of cash savings, if any, in income tax that they realize. As of December 31, 2015, \$3.4 million of cumulative income tax savings have been realized. See "-Liquidity-Other Liquidity Needs- Contractual Obligations, Commitments and Contingencies" for a discussion of amounts payable and cumulative cash payments made under this agreement.

#### *Distributions*

On October 27, 2015, KKR announced a change to its distribution policy effective beginning with the distribution declared on February 11, 2016 with respect to the quarter ending December 31, 2015. Under the new distribution policy, KKR intends to make equal quarterly distributions to holders of its common units in an amount of \$0.16 per common unit per quarter. KKR's regular distribution per common unit of \$0.16 was declared on February 11, 2016 for the quarter ended December 31, 2015.

The declaration and payment of any distributions are subject to the discretion of the board of directors of the general partner of KKR & Co. L.P., which may change the distribution policy at any time, and the terms of its limited partnership agreement. There can be no assurance that distributions will be made as intended or at all, that unitholders will receive sufficient distributions to satisfy payment of their tax liabilities as limited partners of KKR & Co. L.P. or that any particular distribution policy will be maintained. When KKR & Co. L.P. receives distributions from the KKR Group Partnerships (the holding companies of the KKR business), KKR Holdings receives its pro rata share of such distributions from the KKR Group Partnerships. Furthermore, the declaration and payment of distributions is subject to legal, contractual and regulatory restrictions on the payment of distributions by us or our subsidiaries, including restrictions contained in our debt agreements, and such other factors as the board of directors of our Managing Partner considers relevant.

### Cash Earnings

The following table presents our cash earnings and distributions for the year ended December 31, 2015, 2014 and 2013 as described above. For a discussion of the components that drove the changes in our cash earnings, see “—Segment Analysis.”

(\$ in thousands except per unit data)	Year Ended		
	December 31, 2015	December 31, 2014	December 31, 2013
<b>Cash Revenues</b>			
Fees	\$ 1,142,050	\$ 1,098,843	\$ 955,971
Realized performance income (loss)	1,046,801	1,241,468	762,386
Net realized investment income (loss)	545,474 (1)	901,578	657,139
<b>Total Cash Revenues</b>	<b>2,734,325</b>	<b>3,241,889</b>	<b>2,375,496</b>
<b>Cash Expenses</b>			
Cash compensation and benefits	409,992	380,581	314,828
Realized performance income compensation	418,718	496,589	304,955
Occupancy and related charges	62,657	57,787	56,327
Other operating expenses	233,618	229,069	215,883
<b>Total Cash Expenses</b>	<b>1,124,985</b>	<b>1,164,026</b>	<b>891,993</b>
<b>Cash Earnings Before Noncontrolling Interests and Local Taxes</b>	<b>1,609,340</b>	<b>2,077,863</b>	<b>1,483,503</b>
Less: Corporate and local income taxes paid	(140,677)	(131,081)	(120,052)
Less: Noncontrolling interests	(16,007)	(14,946)	(6,387)
<b>Cash Earnings</b>	<b>\$ 1,452,656</b>	<b>\$ 1,931,836</b>	<b>\$ 1,357,064</b>
<b>Cash Earnings Per Adjusted Units Eligible for Distribution</b>	<b>\$ 1.78</b>	<b>\$ 2.47</b>	<b>\$ 1.97</b>
<b>Distribution Per KKR &amp; Co LP common unit</b>	<b>\$ 1.39</b>	<b>\$ 1.90</b>	<b>\$ 1.40</b>

(1) Amount includes a \$100.0 million realized loss on a segment basis relating to the write off of Energy Future Holdings which had previously been marked at zero on an unrealized basis. Accordingly, this write off had no impact on our Economic Net Income during the year ended December 31, 2015.

### Fee Related Earnings (“FRE”)

Fee related earnings is comprised of (i) total management, monitoring and transaction fees, net, less (ii) cash compensation and benefits, occupancy and related charges and other operating expenses that have not been allocated to our Principal Activities segment. Fee related earnings is a measure of the operating earnings of KKR and its business segments before performance income, related performance income compensation and investment income. KKR believes this measure is useful to unitholders as it provides additional insight into the operating profitability of KKR's fee generating management companies and capital markets businesses. Our calculation of FRE as described above differs from our calculation of FRE for periods prior to September 30, 2015 in that the above calculation (a) excludes incentive fees and related compensation and (b) excludes expenses that have been allocated to our Principal Activities segment. For a discussion of the changes in the components of FRE, see “--Segment Analysis.”

A reconciliation of Net Income (Loss) Attributable to KKR & Co. L.P. on a GAAP basis to ENI and FRE is provided below.

	Year Ended		
	December 31, 2015	December 31, 2014	December 31, 2013
	(\$ in thousands)		
<b>Net income (loss) attributable to KKR &amp; Co. L.P.</b>	\$ 488,482	\$ 477,611	\$ 691,226
Plus: Net income (loss) attributable to noncontrolling interests held by KKR Holdings L.P.	433,693	585,135	1,056,126
Plus: Non-cash equity-based charges	261,579	310,403	307,514
Plus: Amortization of intangibles and other, net	47,599	290,348	102,789
Plus: Income tax (benefit)	66,636	63,669	37,926
<b>Economic Net Income (Loss)</b>	1,297,989	1,727,166	2,195,581
Plus: Income attributable to segment noncontrolling interests	16,007	14,946	6,387
Less: Total investment income (loss)	153,512	505,153	958,401
Less: Net performance income (loss)	724,701	805,553	874,634
Plus: Expenses of Principal Activities Segment	174,713	199,938	194,563
<b>Fee Related Earnings</b>	610,496	631,344	563,496

#### Other Liquidity Needs

We may also be required to fund various underwriting commitments in our capital markets business in connection with the underwriting of loans, securities or other financial instruments. We generally expect that these commitments will be syndicated to third parties or otherwise fulfilled or terminated, although we may in some instances elect to retain a portion of the commitments for our own investment.

#### Contractual Obligations, Commitments and Contingencies on an Unconsolidated Basis

In the ordinary course of business, we enter into contractual arrangements that may require future cash payments. The following table sets forth information relating to anticipated future cash payments as of December 31, 2015 on an unconsolidated basis before the consolidation of funds and CFEs:

Types of Contractual Obligations	Payments due by Period				
	<1 Year	1-3 Years	3-5 Years	>5 Years	Total
	(\$ in millions)				
Uncalled commitments to investment funds (1)	\$ 1,353.8	\$ —	\$ —	\$ —	\$ 1,353.8
Debt payment obligations (2)	—	—	500.0	2,157.3	2,657.3
Interest obligations on debt (3)	155.3	298.4	298.4	2,592.8	3,344.9
Underwriting commitments (4)	126.2	—	—	—	126.2
Lending commitments (5)	64.9	—	—	—	64.9
Other commitments (6)	252.6	45.1	—	2.5	300.2
Lease obligations	53.0	91.5	77.7	23.6	245.8
Corporate real estate (7)	—	—	292.5	—	292.5
<b>Total</b>	\$ 2,005.8	\$ 435.0	\$ 1,168.6	\$ 4,776.2	\$ 8,385.6

- (1) These uncalled commitments represent amounts committed by us to fund a portion of the purchase price paid for each investment made by our investment funds which are actively investing. Because capital contributions are due on demand, the above commitments have been presented as falling due within one year. However, given the size of such commitments and the rates at which our investment funds make investments, we expect that the capital commitments presented above will be called over a period of several years. See "—Liquidity—Liquidity Needs."
- (2) Represents the 2020 Senior Notes, 2043 Senior Notes, 2044 Senior Notes, KFN 2041 Senior Notes, KFN 2042 Senior Notes, KFN Junior Subordinated Notes and any borrowings outstanding on the Corporate Credit Agreement and KCM Credit Agreement which are presented gross of unamortized discounts and net of unamortized premiums. KFN's debt obligations are non-recourse to KKR beyond the assets of KFN.
- (3) These interest obligations on debt represent estimated interest to be paid over the maturity of the related debt obligation, which has been calculated assuming the debt outstanding at December 31, 2015 is not repaid until its maturity. Future



interest rates are assumed to be those in effect as of December 31, 2015, including both variable and fixed rates, as applicable, provided for by the relevant debt agreements. The amounts presented above include accrued interest on outstanding indebtedness.

- (4) Represents various commitments in our capital markets business in connection with the underwriting of loans, securities and other financial instruments. These commitments are shown net of amounts syndicated.
- (5) Represents obligations in our capital markets business to lend under various revolving credit facilities.
- (6) Represents our commitment to MCS and investment commitments of KFN. See "—Liquidity—Liquidity Needs—Merchant Capital Solutions."
- (7) Represents the purchase price due upon delivery of a new KKR office being constructed, all or a portion of which represents construction financing obtained by the developer and may be refinanced upon delivery of the completed office.

The commitment table above excludes contractual amounts owed under the tax receivable agreement, because the ultimate amount and timing of the amounts due are not presently known. As of December 31, 2015, a payable of \$128.0 million has been recorded in due to affiliates in the consolidated financial statements representing management's best estimate of the amounts currently expected to be owed under the tax receivable agreement. As of December 31, 2015, approximately \$19.0 million of cumulative cash payments have been made under the tax receivable agreement. See "—Liquidity Needs—Tax Receivable Agreement."

The commitment table above excludes certain contingent consideration payments that may be owed in connection with acquisitions and other investments because the ultimate amounts due are not presently known. As of December 31, 2015, the recorded amount of contingent consideration obligations where the amounts are not currently known was approximately \$46.6 million.

In the normal course of business, we enter into contracts that contain a variety of representations and warranties that provide general indemnifications. In addition, certain of our consolidated funds and KFN have provided certain indemnities relating to environmental and other matters and have provided nonrecourse carve-out guarantees for fraud, willful misconduct and other customary wrongful acts, each in connection with the financing of certain real estate investments that we have made. Our maximum exposure under these arrangements is unknown as this would involve future claims that may be made against us that have not yet occurred. However, based on prior experience, we expect the risk of material loss to be low.

The partnership documents governing our carry-paying funds, including funds and vehicles relating to private equity, mezzanine, infrastructure, energy, direct lending and special situations investments, generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. Under a clawback obligation, upon the liquidation of a fund, the general partner is required to return, typically on an after-tax basis, previously distributed carry to the extent that, due to the diminished performance of later investments, the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, including the effects of any performance thresholds. Excluding carried interest received by the general partners of funds that were not contributed to us in the KPE Transaction, as of December 31, 2015, no carried interest was subject to this clawback obligation, assuming that all applicable carry paying funds were liquidated at their December 31, 2015 fair values. Had the investments in such funds been liquidated at zero value, the clawback obligation would have been \$2,423.4 million. Carried interest is recognized in the statement of operations based on the contractual conditions set forth in the agreements governing the fund as if the fund were terminated and liquidated at the reporting date and the fund's investments were realized at the then estimated fair values. Amounts earned pursuant to carried interest are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment amounts earned decrease or turn negative in subsequent periods, recognized carried interest will be reversed and to the extent that the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, a clawback obligation would be recorded. For funds that are consolidated, this clawback obligation, if any, is reflected as an increase in noncontrolling interests in the consolidated statements of financial condition. For funds that are not consolidated, this clawback obligation, if any, is reflected as a reduction of our investment balance as this is where carried interest is initially recorded.

Certain private equity funds that were contributed to us in the KPE Transaction in 2009 also include a "net loss sharing provision." Upon the liquidation of an investment vehicle to which a net loss sharing obligation applies, the general partner is

required to contribute capital to the vehicle, to fund 20% of the net losses on investments. In these vehicles, such losses would be required to be paid by us to the fund investors in those vehicles in the event of a liquidation of the fund regardless of whether any carried interest had previously been distributed, and a greater share of investment losses would be allocable to us relative to the capital that we contributed to it as general partner. Based on the fair market values as of December 31, 2015, there would have been no net loss sharing obligation. If the vehicles were liquidated at zero value, the net loss sharing obligation would have been zero as of December 31, 2015.

Prior to the KPE Transaction in 2009, certain principals who received carried interest distributions with respect to certain private equity funds contributed to us had personally guaranteed, on a several basis and subject to a cap, the contingent obligations of the general partners of such private equity funds to repay amounts to fund investors pursuant to the general partners' clawback obligations. The terms of the KPE Transaction require that principals remain responsible for any clawback obligations relating to carry distributions received prior to the KPE Transaction, up to a maximum of \$223.6 million. Through investment realizations, KKR's potential exposure has been reduced to \$159.7 million as of December 31, 2015. Using valuations as of December 31, 2015, no amounts are due with respect to the clawback obligation required to be funded by principals. Carry distributions arising subsequent to the KPE Transaction may give rise to clawback obligations that may be allocated generally to us and to persons who participate in the carry pool. Unlike the clawback obligation, we will be responsible for amounts due under a net loss sharing obligation and will indemnify principals for any personal guarantees that they have provided with respect to such amounts. In addition, guarantees of or similar arrangements relating to clawback or net loss sharing obligations in favor of third party investors in an individual investment partnership by entities we own may limit distributions of carried interest more generally.

**Contractual Obligations, Commitments and Contingencies on a Consolidated Basis**

In the ordinary course of business, we and our consolidated funds and CFEs enter into contractual arrangements that may require future cash payments. The following table sets forth information relating to anticipated future cash payments as of December 31, 2015. This table differs from the table presented above which sets forth contractual commitments on an unconsolidated basis principally because this table includes the obligations of our consolidated funds and CFEs.

Types of Contractual Obligations	Payments due by Period				
	<1 Year	1-3 Years	3-5 Years	>5 Years	Total
	(\$ in millions)				
Uncalled commitments to investment funds (1)	\$ 25,142.0	\$ —	\$ —	\$ —	\$ 25,142.0
Debt payment obligations (2)	1,512.1	1,594.9	1,392.8	14,314.0	18,813.8
Interest obligations on debt (3)	614.8	1,091.3	1,044.8	4,168.7	6,919.6
Underwriting commitments (4)	126.2	—	—	—	126.2
Lending commitments (5)	64.9	—	—	—	64.9
Other commitments (6)	252.6	45.1	—	2.5	300.2
Lease obligations	53.0	91.5	77.7	23.6	245.8
Corporate real estate (7)	—	—	292.5	—	292.5
<b>Total</b>	<b>\$ 27,765.6</b>	<b>\$ 2,822.8</b>	<b>\$ 2,807.8</b>	<b>\$ 18,508.8</b>	<b>\$ 51,905.0</b>

- (1) These uncalled commitments represent amounts committed by our consolidated investment funds, which include amounts committed by KKR and our fund investors, to fund the purchase price paid for each investment made by our investment funds which are actively investing. Because capital contributions are due on demand, the above commitments have been presented as falling due within one year. However, given the size of such commitments and the rates at which our investment funds make investments, we expect that the capital commitments presented above will be called over a period of several years. See "—Liquidity—Liquidity Needs."
- (2) Amounts include (i) the 2020 Senior Notes, 2043 Senior Notes and 2044 Senior Notes of \$2.0 billion gross of unamortized discount, (ii) KFN 2041 Senior Notes and KFN 2042 Senior Notes of \$0.4 billion, net of unamortized premium, (iii) KFN Junior Subordinated Notes of \$0.3 billion, gross of unamortized discount, (iv) financing arrangements entered into by our consolidated funds with the objective of providing liquidity to the funds of \$3.6 billion, (v) debt securities issued by our consolidated CLOs of \$8.2 billion, (vi) debt securities issued by our consolidated CMBS entities of \$4.3 billion and any borrowings outstanding on the Corporate Credit Agreement and KCM Credit Agreement. KFN's debt obligations are non-recourse to KKR beyond the assets of KFN. Debt securities issued by consolidated CLOs and CMBS entities are supported solely by the investments held at the CLO and CMBS vehicles and are not collateralized by assets of any other KKR entity. Obligations under financing arrangements entered into by our consolidated funds are generally limited to our pro-rata equity interest in such funds. Our management companies bear no obligations to repay any financing arrangements at our consolidated funds.

- (3) These interest obligations on debt represent estimated interest to be paid over the maturity of the related debt obligation, which has been calculated assuming the debt outstanding at December 31, 2015 is not repaid until its maturity. Future interest rates are assumed to be those in effect as of December 31, 2015, including both variable and fixed rates, as applicable, provided for by the relevant debt agreements. The amounts presented above include accrued interest on outstanding indebtedness.
- (4) Represents various commitments in our capital markets business in connection with the underwriting of loans, securities and other financial instruments. These commitments are shown net of amounts syndicated.
- (5) Represents obligations in our capital markets business to lend under various revolving credit facilities.
- (6) Represents our commitment to MCS and investment commitments of KFN. See "—Liquidity—Liquidity Needs—Merchant Capital Solutions."
- (7) Represents the purchase price due upon delivery of a new KKR office being constructed, all or a portion of which represents construction financing obtained by the developer and may be refinanced upon delivery of the completed office.

The commitment table above excludes contractual amounts owed under the tax receivable agreement because the ultimate amount and timing of the amounts due are not presently known. As of December 31, 2015, a payable of \$128.0 million has been recorded in due to affiliates in the consolidated financial statements representing management's best estimate of the amounts currently expected to be owed under the tax receivable agreement. As of December 31, 2015, approximately \$19.0 million of cumulative cash payments have been made under the tax receivable agreement. See "—Liquidity Needs—Tax Receivable Agreement."

The commitment table above excludes certain contingent consideration payments that may be owed in connection with acquisitions and other investments because the ultimate amounts due are not presently known. As of December 31, 2015, the recorded amount of contingent consideration obligations where the amounts are not currently known was approximately \$46.6 million.

#### ***Off Balance Sheet Arrangements***

Other than contractual commitments and other legal contingencies incurred in the normal course of our business, we do not have any off-balance sheet financings or liabilities.

#### ***Consolidated Statement of Cash Flows***

The accompanying consolidated statements of cash flows include the cash flows of our consolidated entities which, in particular, include our consolidated funds and CFEs notwithstanding the fact that we may hold only a minority economic interest in those funds and CFEs. The assets of our consolidated funds and CFEs, on a gross basis, are substantially larger than the assets of our business and, accordingly, have a substantial effect on the cash flows reflected in our consolidated statements of cash flows. The primary cash flow activities of our consolidated funds and CFEs involve: (i) capital contributions from fund investors; (ii) using the capital of fund investors to make investments; (iii) financing certain investments with indebtedness; (iv) generating cash flows through the realization of investments; and (v) distributing cash flows from the realization of investments to fund investors. Because our consolidated funds and CFEs are treated as investment companies for accounting purposes, certain of these cash flow amounts are included in our cash flows from operations.

#### ***Net Cash Provided by (Used in) Operating Activities***

Our net cash provided by (used in) operating activities was \$0.4 billion, \$1.5 billion and \$2.6 billion during the years ended December 31, 2015, 2014 and 2013, respectively. These amounts primarily included: (i) proceeds from sales of investments and principal payments net of purchases of investments by our funds and CFEs of \$(0.7) billion, \$1.0 billion and \$1.4 billion during the years ended December 31, 2015, 2014 and 2013, respectively; (ii) net realized gains (losses) on investments of \$3.0 billion, \$5.4 billion and \$3.9 billion during the years ended December 31, 2015, 2014 and 2013, respectively; and (iii) change in unrealized gains (losses) on investments of \$1.7 billion, \$(0.7) billion and \$3.9 billion during the years ended December 31, 2015, 2014 and 2013, respectively. Certain KKR funds and CFEs are, for GAAP purposes, investment companies and reflect their investments and other financial instruments at fair value.

*Net Cash Provided by (Used in) Investing Activities*

Our net cash provided by (used in) investing activities was \$(425.2) million, \$(22.9) million and \$15.5 million during the years ended December 31, 2015, 2014 and 2013, respectively. Our investing activities included: (i) a change in restricted cash and cash equivalents (that primarily funds collateral requirements) of \$(164.6) million, \$(10.8) million and \$29.9 million during the years ended December 31, 2015, 2014 and 2013, respectively; (ii) the purchases of fixed assets of \$(169.4) million, \$(12.2) million and \$(14.4) million during the years ended December 31, 2015, 2014 and 2013, respectively; (iii) proceeds from sales of oil and natural gas properties, net of development of oil and natural gas properties of \$(91.1) million and \$(151.4) million for the years ended December 31, 2015 and 2014, respectively; and (iv) net of cash acquired of \$151.5 million for the year ended December 31, 2014.

*Net Cash Provided by (Used in) Financing Activities*

Our net cash provided by (used in) financing activities was \$169.4 million, \$(1.9) billion and \$(2.5) billion during the years ended December 31, 2015, 2014 and 2013, respectively. Our financing activities primarily included: (i) distributions to, net of contributions by our noncontrolling and redeemable noncontrolling interests, of \$(7.0) billion, \$(2.7) billion and \$(2.9) billion during the years ended December 31, 2015, 2014 and 2013, respectively; (ii) proceeds received net of repayment of debt obligations of \$8.1 billion, \$1.7 billion and \$0.8 billion during the years ended December 31, 2015, 2014 and 2013, respectively; and (iii) distributions to our partners of \$(706.6) million, \$(785.0) million and \$(431.6) million during the years ended December 31, 2015, 2014 and 2013, respectively.

## **Critical Accounting Policies**

The preparation of our consolidated financial statements in accordance with GAAP requires our management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of fees, expenses and investment income. Our management bases these estimates and judgments on available information, historical experience and other assumptions that we believe are reasonable under the circumstances. However, these estimates, judgments and assumptions are often subjective and may be impacted negatively based on changing circumstances or changes in our analyses. If actual amounts are ultimately different from those estimated, judged or assumed, revisions are included in the consolidated financial statements in the period in which the actual amounts become known. We believe our critical accounting policies could potentially produce materially different results if we were to change underlying estimates, judgments or assumptions.

The following discussion details certain of our critical accounting policies. For a full discussion of all critical accounting policies, please see the notes to the consolidated financial statements "--Item 8. Financial Statements and Supplementary Data--Summary of Significant Accounting Policies."

## **Fair Value Measurements**

Investments and other financial instruments are measured and carried at fair value. The majority of investments and other financial instruments are held by the consolidated funds and vehicles. KKR's funds are, for GAAP purposes, investment companies and reflect their investments and other financial instruments at fair value. KKR has retained the specialized accounting for the consolidated funds and vehicles in consolidation. Accordingly, the unrealized gains and losses resulting from changes in fair value of the investments held by KKR's funds are reflected as a component of Net Gains (Losses) from Investment Activities in the consolidated statements of operations.

For investments and other financial instruments that are not held in a consolidated fund or vehicle, KKR has elected the fair value option since these investments and other financial instruments are similar to those in the consolidated funds and vehicles. Such election is irrevocable and is applied on an investment by investment basis at initial recognition. Unrealized gains and losses resulting from changes in fair value are reflected as a component of Net Gains (Losses) from Investment Activities in the consolidated statements of operations. The methodology for measuring the fair value of such investments and other financial instruments is consistent with the methodologies applied to investments and other financial instruments that are held in consolidated funds and vehicles. In addition, KKR has elected the fair value option for the investments and debt obligations of consolidated CFES.

The carrying amounts of Other Assets, Accounts Payable, Accrued Expenses and Other Liabilities recognized on the consolidated statements of financial condition (excluding fixed assets, goodwill, intangible assets, oil and gas assets, net, contingent consideration and certain debt obligations) approximate fair value due to their short term maturities. Further information on Fixed Assets is presented in Note 7, "Other Assets and Accounts Payable, Accrued Expenses and Other Liabilities". Further information on Goodwill and Intangible Assets is presented in Note 16 "Goodwill and Intangible Assets." Further information on contingent consideration is presented in Note 14 "Acquisitions." Further information on KKR's debt obligations is presented in Note 9, "Debt Obligations".

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation techniques are applied. These valuation techniques involve varying levels of management estimation and judgment, the degree of which is dependent on a variety of factors. See Note 5, "Fair Value Measurements" for further information on KKR's valuation techniques that involve unobservable inputs. Assets and liabilities recorded at fair value in the statements of financial condition are categorized based upon the level of judgment associated with the inputs used to measure their value. Hierarchical levels, as defined under GAAP, are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets and liabilities. The hierarchical levels defined under GAAP are as follows:

### ***Level I***

Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. The type of investments and other financial instruments included in this category are publicly-listed equities and debt and securities sold short. We classified 27.1% of total investments measured and reported at fair value as Level I at December 31, 2015 .

## **Level II**

Inputs are other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level II inputs include quoted prices for similar instruments in active markets, and inputs other than quoted prices that are observable for the asset or liability. The type of investments and other financial instruments included in this category are credit investments, investments and debt obligations of consolidated CMBS vehicles and consolidated CLOs (beginning on January 1, 2015), convertible debt securities indexed to publicly-listed securities, less liquid and restricted equity securities and certain over-the-counter derivatives such as foreign currency option and forward contracts. We classified 23.9% of total investments measured and reported at fair value as Level II at December 31, 2015 .

## **Level III**

Inputs are unobservable for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The types of assets and liabilities generally included in this category are private portfolio companies, real assets investments and credit investments for which a sufficiently liquid trading market does not exist. We classified 49.0% of total investments measured and reported at fair value as Level III at December 31, 2015 . The valuation of our Level III investments at December 31, 2015 represents management's best estimate of the amounts that we would anticipate realizing on the sale of these investments at such date.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset.

A significant decrease in the volume and level of activity for the asset or liability is an indication that transactions or quoted prices may not be representative of fair value because in such market conditions there may be increased instances of transactions that are not orderly. In those circumstances, further analysis of transactions or quoted prices is needed, and a significant adjustment to the transactions or quoted prices may be necessary to estimate fair value.

The availability of observable inputs can vary depending on the financial asset or liability and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument has recently been issued, whether the instrument is traded on an active exchange or in the secondary market, and current market conditions. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by us in determining fair value is greatest for instruments categorized in Level III. The variability and availability of the observable inputs affected by the factors described above may cause transfers between Levels I, II, and III, which we recognize at the beginning of the reporting period.

Investments and other financial instruments that have readily observable market prices (such as those traded on a securities exchange) are stated at the last quoted sales price as of the reporting date. We do not adjust the quoted price for these investments, even in situations where we hold a large position and a sale could reasonably affect the quoted price.

## **Level II Valuation Methodologies**

Financial assets and liabilities categorized as Level II consist primarily of credit investments, investments and debt obligations of consolidated CFEs, convertible debt securities indexed to publicly-listed securities, less liquid and restricted equity securities and certain over-the-counter derivatives such as foreign currency option and forward contracts.

*Credit investments, investments of consolidated CLOs and CMBS debt obligations:* These instruments generally have bid and ask prices that can be observed in the marketplace. Bid prices reflect the highest price that KKR and others are willing to pay for an instrument. Ask prices represent the lowest price that KKR and others are willing to accept for an instrument. For financial assets and liabilities whose inputs are based on bid-ask prices obtained from third party pricing services, fair value may not always be a predetermined point in the bid-ask range. KKR's policy is generally to allow for mid-market pricing and adjusting to the point within the bid-ask range that meets KKR's best estimate of fair value.

*Securities indexed to publicly listed securities:* The securities are typically valued using standard convertible security pricing models. The key inputs into these models that require some amount of judgment are the credit spreads utilized and the volatility assumed. To the extent the company being valued has other outstanding debt securities that are publicly-traded, the implied credit spread on the company's other outstanding debt securities would be utilized in the valuation. To the extent the

company being valued does not have other outstanding debt securities that are publicly-traded, the credit spread will be estimated based on the implied credit spreads observed in comparable publicly-traded debt securities. In certain cases, an additional spread will be added to reflect an illiquidity discount due to the fact that the security being valued is not publicly-traded. The volatility assumption is based upon the historically observed volatility of the underlying equity security into which the convertible debt security is convertible and/or the volatility implied by the prices of options on the underlying equity security.

*Restricted Equity Securities:* The valuation of certain equity securities is based on an observable price for an identical security adjusted for the effect of a restriction.

*Derivatives:* The valuation incorporates observable inputs comprising yield curves, foreign currency rates and credit spreads.

*CLO Debt Obligations:* Beginning on January 1, 2015 with the adoption of ASU 2014-13, KKR measures CLO debt obligations on the basis of the fair value of the financial assets of the CLO.

*Investments of consolidated CMBS entities:* KKR measures the investments of CMBS vehicles on the basis of the fair value of the financial liabilities of the CMBS.

### **Level III Valuation Methodologies**

Management's determination of fair value is based upon the best information available for a given circumstance and may incorporate assumptions that are management's best estimates after consideration of a variety of internal and external factors.

Financial assets and liabilities categorized as Level III consist primarily of the following:

*Private Equity Investments:* We generally employ two valuation methodologies when determining the fair value of a private equity investment. The first methodology is typically a market comparables analysis that considers key financial inputs and recent public and private transactions and other available measures. The second methodology utilized is typically a discounted cash flow analysis, which incorporates significant assumptions and judgments. Estimates of key inputs used in this methodology include the weighted average cost of capital for the investment and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. Other inputs are also used in both methodologies. For valuations determined for periods other than at year end, various inputs may be estimated prior to the end of the relevant period. Also, as discussed in greater detail under "—Business Environment" and "Risk Factors—Risks Related to the Assets We Manage—Our investments are impacted by various economic conditions that are difficult to quantify or predict, but may have a significant adverse impact on the value of our investments," a change in interest rates could have a significant impact on valuations. In certain cases the results of the discounted cash flow approach can be significantly impacted by these estimates. In addition, when a definitive agreement has been executed to sell an investment, KKR generally considers a significant determinant of fair value to be the consideration to be received by KKR pursuant to the executed definitive agreement.

Upon completion of the valuations conducted using these methodologies, a weighting is ascribed to each method, and an illiquidity discount is typically applied where appropriate. The ultimate fair value recorded for a particular investment will generally be within a range suggested by the two methodologies, except that the value may be higher or lower than such range in the case of investments being sold pursuant to an executed definitive agreement.

When determining the weighting ascribed to each valuation methodology, we consider, among other factors, the availability of direct market comparables, the applicability of a discounted cash flow analysis, the expected hold period and manner of realization for the investment, and in the case of investments being sold pursuant to an executed definitive agreement, the probability of such sale being completed. These factors can result in different weightings among investments in the portfolio and in certain instances may result in up to a 100% weighting to a single methodology. Across the Level III private equity investment portfolio, approximately 80.0% of the fair value is derived from investments that are valued based exactly 50% on market comparables and 50% on a discounted cash flow analysis. Less than 5% of the fair value of the Level III private equity investment portfolio is derived from investments that are valued either based 100% on market comparables or 100% on a discounted cash flow analysis. As of December 31, 2015, the overall weights ascribed to the market comparables methodology, the discounted cash flow methodology and a methodology based on pending sales for our Level III private equity investments were 46% and 51% and 3%, respectively. As of December 31, 2015, we believe that the approach of using the market multiples methodology, the discounted cash flow methodology and valuations based on pending sales resulted in valuations of our aggregate Level III private equity portfolio that were 3.1% lower than if only the discounted cash flow methodology had been used and only 3.2% higher than if only the market comparables methodology had been used.

When an illiquidity discount is to be applied, we seek to take a uniform approach across our portfolio and generally apply a minimum 5% discount to all private equity investments. We then evaluate such private equity investments to determine if factors exist that could make it more challenging to monetize the investment and, therefore, justify applying a higher illiquidity discount. These factors generally include (i) whether we are unable to freely sell the portfolio company or conduct an initial public offering of the portfolio company due to the consent rights of a third party or similar factors, (ii) whether the portfolio company is undergoing significant restructuring activity or similar factors and (iii) characteristics about the portfolio company regarding its size and/or whether the portfolio company is experiencing, or expected to experience, a significant decline in earnings. These factors generally make it less likely that a portfolio company would be sold or publicly offered in the near term at a price indicated by using just a market multiples and/or discounted cash flow analysis, and these factors tend to reduce the number of opportunities to sell an investment and/or increase the time horizon over which an investment may be monetized. Depending on the applicability of these factors, we determine the amount of any incremental illiquidity discount to be applied above the 5% minimum, and during the time we hold the investment, the illiquidity discount may be increased or decreased, from time to time, based on changes to these factors. The amount of illiquidity discount applied at any time requires considerable judgment about what a market participant would consider and is based on the facts and circumstances of each individual investment. Accordingly, the illiquidity discount ultimately considered by a market participant upon the realization of any investment may be higher or lower than that estimated by us in our valuations.

*Real Assets Investments:* Real asset investments in infrastructure, energy and real estate are valued using one or more of the discounted cash flow analysis, market comparables analysis and direct income capitalization, which in each case incorporates significant assumptions and judgments. Infrastructure investments are generally valued using the discounted cash flow analysis. Key inputs used in this methodology include the weighted average cost of capital and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. Energy investments are generally valued using a discounted cash flow analysis. Key inputs used in this methodology that require estimates include the weighted average cost of capital. In addition, the valuations of energy investments generally incorporate both commodity prices as quoted on indices and long-term commodity price forecasts, which may be substantially different from, and are currently higher than, commodity prices on certain indices for equivalent future dates. Certain energy investments do not include an illiquidity discount. Long-term commodity price forecasts are utilized to capture the value of the investments across a range of commodity prices within the energy investment portfolio associated with future development and to reflect a range of price expectations. Real estate investments are generally valued using a combination of direct income capitalization and discounted cash flow analysis. Key inputs used in such methodologies that require estimates include an unlevered discount rate and current capitalization rate, and certain real estate investments do not include a minimum illiquidity discount. The valuations of real assets investments also use other inputs.

During the year ended December 31, 2015, the value of our energy real asset investments in oil and gas producing properties decreased meaningfully. This decrease in value was primarily attributable to a drop in long-term oil, condensate, natural gas liquids, and natural gas prices during the year ended December 31, 2015. The long-term price of WTI crude oil declined from approximately \$67 per barrel to \$50 per barrel and the long-term price of natural gas declined from approximately \$3.77 per mcf to \$2.90 per mcf as of December 31, 2014 and December 31, 2015, respectively.

On a segment basis, our energy real asset investments in oil and gas producing properties as of December 31, 2015 had a fair value of approximately \$581 million. Based on this fair value, we estimate that an immediate, hypothetical 10% decline in the fair value of these energy investments from one or more adverse movements to the investments' valuation inputs would result in a decline in investment income of \$58.1 million and a decline in net income attributable to KKR & Co. L.P. of \$32.5 million, after deducting amounts that are attributable to noncontrolling interests held by KKR Holdings L.P. As of December 31, 2015, if we were to value our energy investments using only the commodity prices as quoted on indices and did not use long-term commodity price forecasts, and also held all other inputs to their valuation constant, we estimate that investment income would have been approximately \$53 million lower, resulting in a lower amount of net income attributable to KKR & Co. L.P. of approximately 55.9% of the overall decrease in investment income, after deducting amounts that are attributable to noncontrolling interests held by KKR Holdings L.P.

These hypothetical declines relate only to investment income. There would be no current impact on KKR's carried interest since all of the investment funds which hold these types of energy investments have investment values that are below their cost and as such are not currently accruing carried interest. Additionally, there would be no impact on fees since fees earned from investment funds which hold investments in oil and gas producing properties are based on either committed capital or capital invested.

For GAAP purposes, where KKR holds energy investments consisting of working interests in oil and gas producing properties directly and not through an investment fund, such working interests are consolidated based on the proportion of the



working interests held by us. Accordingly, we reflect the assets, liabilities, revenues, expenses, investment income and cash flows of the consolidated working interests on a gross basis and changes in the value of these energy investments are not reflected as unrealized gains and losses in the consolidated statements of operations. Accordingly, a change in fair value for these investments does not result in a decrease in net gains (losses) from investment activities, but may result in an impairment charge reflected in general, administrative and other expenses. For segment purposes, these directly held working interests are treated as investments and changes in value are reflected in our segment results as unrealized gains and losses.

*Credit Investments:* Credit investments are valued using values obtained from dealers or market makers, and where these values are not available, credit investments are valued by us based on ranges of values determined by an independent valuation firm. Valuation models are based on discounted cash flow analyses, for which the key inputs are determined based on market comparables, which incorporate similar instruments from similar issuers.

*Other Investments:* We generally employ the same valuation methodologies as described above for private equity investments when valuing these other investments.

*CLO Debt Obligations:* Prior to January 1, 2015 and the adoption of ASU 2014-13, collateralized loan obligation senior secured and subordinated notes were initially valued at the transaction price and were subsequently valued using a third party valuation service. The approach used to estimate the fair values was the discounted cash flow method, which includes consideration of the cash flows of the debt obligation based on projected quarterly interest payments and quarterly amortization. The debt obligations were discounted based on the appropriate yield curve given the debt obligation's respective maturity and credit rating. The most significant inputs to the valuation of these financial instruments were default and loss expectations and discount margins. Beginning on January 1, 2015, with the adoption of ASU 2014-13, KKR measures CLO debt obligations on the basis of the fair value of the financial assets of the CLO.

Key unobservable inputs that have a significant impact on our Level III investment valuations as described above are included in Note 5 "Fair Value Measurements" of the financial statements included elsewhere in this report. We utilize several unobservable pricing inputs and assumptions in determining the fair value of our Level III investments. These unobservable pricing inputs and assumptions may differ by investment and in the application of our valuation methodologies. Our reported fair value estimates could vary materially if we had chosen to incorporate different unobservable pricing inputs and other assumptions or, for applicable investments, if we only used either the discounted cash flow methodology or the market comparables methodology instead of assigning a weighting to both methodologies.

### **Level III Valuation Process**

The valuation process involved for Level III measurements is completed on a quarterly basis and is designed to subject the valuation of Level III investments to an appropriate level of consistency, oversight, and review. As of December 31, 2015, the valuation process for Level III measurements, as described below, subjected valuations to the review and oversight of various committees. We have a Private Markets valuation committee for private equity and real assets investments and a valuation committee for credit and credit related investments. The Private Markets valuation committee is assisted by subcommittees in the valuation of real asset and growth equity investments, and is also assisted by a valuation team. The Private Markets valuation committee is comprised only of employees who are not investment professionals responsible for preparing preliminary valuations or for oversight of the investments being valued. The valuation teams and subcommittees for real asset and growth equity investments, however, include investment professionals who participate in the preparation of preliminary valuations or are responsible for oversight for those investments. The credit valuation committee is also assisted by a valuation team. The credit valuation teams include investment professionals responsible for preparing preliminary valuations or for oversight of the investments being valued. The credit valuation committee is comprised of investment professionals with no responsibility for preparing preliminary valuations, but certain committee members are responsible for oversight of the investments being valued. The valuation committees and teams are responsible for coordinating and consistently implementing our quarterly valuation policies, guidelines and processes. For Private Markets investments classified as Level III, investment professionals prepare preliminary valuations based on their evaluation of financial and operating data, company specific developments, market valuations of comparable companies and other factors. These preliminary valuations are reviewed with the investment professionals by the applicable valuation team and are also reviewed by an independent valuation firm engaged by us to perform certain procedures in order to assess the reasonableness of our valuations annually for all Level III investments in Private Markets and quarterly for investments other than investments which have values less than pre-set value thresholds and which in the aggregate comprise less than 5% of the total value of our Level III Private Markets investments. For most investments classified as Level III in credit, in general, an independent valuation firm is engaged by us to provide third party valuations, or ranges of valuations from which our investment professionals select a point in the range to determine the preliminary valuation, or an independent valuation firm is engaged by us to perform certain procedures in order to assess the reasonableness and provide positive assurance of our valuations. Approximately 8% of the total value of our Level III

credit investments are not valued with the engagement of an independent valuation firm. These preliminary valuations are reviewed by senior investment professionals for each credit strategy. All preliminary valuations in Private Markets and credit are then reviewed by the applicable valuation committee, and after reflecting any input by their respective valuation committees, the preliminary valuations are presented to the firm's management committee. When these valuations are approved by this committee after reflecting any input from it, the valuations of Level III investments, as well as the valuations of Level I and Level II investments, are presented to the audit committee of our board of directors and are then reported on to the board of directors.

As of December 31, 2015, upon completion by, where applicable, an independent valuation firm of certain limited procedures requested to be performed by them, the independent valuation firm concluded that the fair values, as determined by KKR, of Private Markets investments reviewed by them were reasonable. The limited procedures did not involve an audit, review, compilation or any other form of examination or attestation under generally accepted auditing standards and were not conducted on all Level III investments. We are responsible for determining the fair value of investments in good faith, and the limited procedures performed by an independent valuation firm are supplementary to the inquiries and procedures that we are required to undertake to determine the fair value of the commensurate investments.

As described above, Level II and Level III investments were valued using internal models with significant unobservable inputs and our determinations of the fair values of these investments may differ materially from the values that would have resulted if readily observable inputs had existed. Additional external factors may cause those values, and the values of investments for which readily observable inputs exist, to increase or decrease over time, which may create volatility in our earnings and the amounts of assets and partners' capital that we report from time to time.

Changes in the fair value of the investments of our consolidated private equity funds may impact the net gains (losses) from investment activities of our private equity funds as described under "—Key Financial Measures under GAAP—Investment Income (Loss)—Net Gains (Losses) from Investment Activities." Based on the investments of our private equity funds as of December 31, 2015, we estimate that an immediate 10% decrease in the fair value of the funds' investments generally would result in a commensurate change in the amount of net gains (losses) from investment activities (except that carried interest would likely be more significantly impacted), regardless of whether the investment was valued using observable market prices or management estimates with significant unobservable pricing inputs. The impact that the consequential decrease in investment income would have on net income attributable to KKR would generally be significantly less than the amount described above, given that a majority of the change in fair value would be attributable to noncontrolling interests and therefore we are only impacted to the extent of our carried interest and our balance sheet investments.

As of December 31, 2015, investments which represented greater than 5% of consolidated investments consisted of Walgreens Boots Alliance, Inc. and First Data Corporation valued at \$5.1 billion and \$4.3 billion, respectively. On a segment basis, as of December 31, 2015, investments which represented greater than 5% of total reportable segments investments consisted of First Data Corporation and Walgreens Boots Alliance, Inc. valued at \$1,266.2 million and \$748.7 million, respectively. Our investment income can be impacted by volatility in the public markets related to our holdings of publicly traded securities, including our sizable holdings of First Data Corporation (NYSE:FDC) and Walgreens Boots Alliance, Inc. (NASDAQ: WBA). See "--Business Environment."

### ***Recognition of Investment Income***

Investment income consists primarily of the net impact of: (i) realized and unrealized gains and losses on investments, (ii) dividends, (iii) interest income, (iv) interest expense and (v) foreign exchange gains and losses relating to mark-to-market activity on foreign exchange forward contracts, foreign currency options, foreign denominated debt and debt securities issued by consolidated CFEs. Unrealized gains or losses resulting from the aforementioned activities are included in net gains (losses) from investment activities. Upon disposition of an instrument that is marked-to-market, previously recognized unrealized gains or losses are reversed and a realized gain or loss is recognized. While this reversal generally does not significantly impact the net amounts of gains (losses) that we recognize from investment activities, it affects the manner in which we classify our gains and losses for reporting purposes.

Due to the consolidation of the majority of our funds, the portion of our funds' investment income that is allocable to our carried interests and capital investments is not shown in the consolidated financial statements. For funds that are consolidated, all investment income (loss), including the portion of a funds' investment income (loss) that is allocable to KKR's carried interest, is included in investment income (loss) on the consolidated statements of operations. The carried interest that KKR retains in net income (loss) attributable to KKR & Co. L.P. is reflected as an adjustment to net income (loss) attributable to noncontrolling interests. Because the substantial majority of our funds are consolidated and because we hold only a minority

economic interest in our funds' investments, our share of the investment income generated by our funds' investment activities is significantly less than the total amount of investment income presented in the consolidated financial statements.

***Recognition of Carried Interest in the Statement of Operations***

Carried interest entitles the general partner of a fund to a greater allocable share of the fund's earnings from investments relative to the capital contributed by the general partner and correspondingly reduces noncontrolling interests' attributable share of those earnings. Amounts earned pursuant to carried interest are included as investment income (loss) in net gains (losses) from investment activities and are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment returns decrease or turn negative in subsequent periods, recognized carried interest will be reversed and reflected as investment losses in net gains (losses) from investment activities.

Carried interest is recognized in the statement of operations based on the contractual conditions set forth in the agreements governing the fund as if the fund were terminated and liquidated at the reporting date and the fund's investments were realized at the then estimated fair values. Due to the extended durations of our private equity funds, we believe that this approach results in income recognition that best reflects our periodic performance in the management of those funds. Amounts earned pursuant to carried interest are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment amounts earned decrease or turn negative in subsequent periods, recognized carried interest will be reversed and to the extent that the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, a clawback obligation would be recorded. For funds that are consolidated, this clawback obligation, if any, is reflected as an increase in noncontrolling interests in the consolidated statements of financial condition. For funds that are not consolidated, this clawback obligation, if any, is reflected as a reduction of our investment balance as this is where carried interest is initially recorded.

**Recently Issued Accounting Pronouncements**

For a full discussion of recently issued accounting pronouncements, please see the notes to the consolidated financial statements "--Item 8. Financial Statements and Supplementary Data--Summary of Significant Accounting Policies."

## **Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our exposure to market risks primarily relates to movements in the fair value of investments, including the effect that those movements have on our management fees, carried interest and net gains from investment activities. The fair value of investments may fluctuate in response to changes in the values of investments, foreign currency exchange rates and interest rates. Additionally, interest rate movements can adversely impact the amount of interest income we receive on credit instruments bearing variable rates and could also impact the amount of interest that we pay on debt obligations bearing variable rates.

The quantitative information provided in this section was prepared using estimates and assumptions that management believes are appropriate in order to provide a reader with an indication of the directional impact that a hypothetical adverse movement in certain risks would have on net income attributable to KKR & Co. L.P. In all cases, these directional impacts are presented after deducting amounts that are attributable to noncontrolling interests held by KKR Holdings L.P. As of December 31, 2015, KKR & Co. L.P. and KKR Holdings L.P. held interests in our business of 56% and 44%, respectively. The actual impact of a hypothetical adverse movement in these risks could be materially different from the amounts shown below.

The firm uses various committees to help manage market risk and general business risks.

### **Management of Market Risk**

When we commit capital of a certain amount from our balance sheet to investments or transactions, a balance sheet committee of senior employees, including our two Co-Chief Executive Officers, the Chief Financial Officer and Chief Administrative Officer, must approve the investment or transaction before it may be made. The committee may delegate authority to other employees subject to maximum commitment sizes or other limitations determined by the committee. In addition, this committee supervises activities governing KKR's capital structure, liquidity, and the composition of our balance sheet.

Certain securities transactions by our capital markets business are subject to risk tolerance limits, regulatory capital requirements and the review and approval of one or more committees in compliance with rules applicable to broker-dealers pursuant to the Securities Exchange Act of 1934. When our capital is committed to capital markets transactions, after diligence is conducted, such transactions are subject to the review and approval of a capital markets underwriting committee. These transactions are also subject to risk tolerance limits. The risk tolerance limits establish the level of investment we may make in a single company or type of transaction, for example and are designed to avoid undue concentration and risk exposure. Regulatory capital requirements also place limits on the size of securities underwritings the capital markets business can conduct based on quantitative measure of assets, liabilities and certain off-balance-sheet items. Aggregate balance sheet risk is monitored on an ongoing basis by the balance sheet committee referenced above.

With respect to the funds and other investment vehicles through which we make investments for our fund investors, KKR manages risk by subjecting transactions to the review and approval of an applicable investment committee, and then a portfolio management committee (or other applicable senior employees) regularly monitors these investments. Before making an investment, investment professionals identify risks in due diligence, evaluating, among other things, business, financial, legal and regulatory issues, financial data and other information. An investment team presents the investment and its identified risks to an investment committee, which must approve each investment before it may be made. If an investment is made, a portfolio management committee (or other applicable senior employees) is responsible for working with our investment professionals to monitor the investment on an ongoing basis.

### **Management of General Business Risk**

KKR has a risk committee comprised of senior employees from across our business segments and across business operations, and includes our Chief Administrative Officer, our Chief Financial Officer, and our General Counsel. The risk committee monitors and evaluates KKR's general business risks. The Chief Administrative Officer, who also serves as the chairman of the risk committee, regularly reports to our Co-Chief Executive Officers and quarterly to the Audit Committee, which is the chief committee that monitors risk on behalf of the Board of Directors.

KKR's global conflicts committee is responsible for analyzing and addressing new or potential conflicts of interest that may arise in KKR's business, including conflicts relating to specific transactions and circumstances as well as those implicit in the overall activities of KKR and its various businesses and monitors compliance matters. Our Chief Administrative Officer, Chief Financial Officer, General Counsel and Chief Compliance Officer are members of this committee.

KKR's management committee is responsible for evaluating certain matters affecting the business of KKR. It consists of our Co-Chief Executive Officers, Chief Administrative Officer, Chief Financial Officer, General Counsel and other senior employees across our business segments and across business operations, and is chaired by our Chief Administrative Officer. The management committee was responsible for approving the valuations of our Level III investments in Private Markets and Public Markets as of December 31, 2015.

### *Changes in Fair Value*

The majority of our investments are reported at fair value. Net changes in the fair value of investments impact the net gains (losses) from investment activities in our consolidated statements of operations. Based on investments held as of December 31, 2015, we estimate that an immediate 10% decrease in the fair value of investments generally would result in a commensurate change in the amount of net gains (losses) from investment activities (except that carried interest would likely be more significantly impacted), regardless of whether the investment was valued using observable market prices or management estimates with significant unobservable pricing inputs. The impact that the consequential decrease in investment income would have on net income attributable to KKR & Co. L.P. would generally be significantly less than the amount described above, given that a majority of the change in fair value would be attributable to noncontrolling interests and therefore we are only impacted to the extent of our carried interest and our balance sheet investments and to a lesser extent our management fees. Because of this, the quantitative information that follows represents the impact that a reduction to each of the income streams shown below would have on net income attributable to KKR & Co. L.P. The actual impact to individual line items within the consolidated statements of operations would differ from the amounts shown below as a result of (i) the elimination of management fees and carried interest, (ii) the gross-up of net gains (losses) from investment activities, in each case as a result of the consolidation of the majority of our private equity and credit funds and (iii) the inclusion of amounts attributable to KKR Holdings L.P. in individual line items within the consolidated statement of operations.

Based on the fair value of investments as of December 31, 2015, we estimate that an immediate, hypothetical 10% decline in the fair value of investments would result in declines in net income attributable to KKR & Co. L.P. in 2016 from reductions in the following items, if not offset by other factors:

	Year Ended December 31, 2015		
	Management fees	Carried Interest, Net of Carry Pool Allocation	Net Gains/(Losses) From Investment Activities Excluding Carried Interest
	(\$ in thousands)		
10% Decline in Fair Value of Investments (1)	\$ 12,074 (2)	\$ 231,314 (3)	\$ 500,757 (3)

- (1) An immediate, hypothetical 10% decline in the fair value of investments would also impact our ability to earn incentive fees. Since the majority of our incentive fees are earned at December 31st or June 30th of each calendar year and are not subject to clawback, a 10% decline in fair value would generally result in the recognition of no incentive fees on a prospective basis and result in lower net income relative to prior years where such incentive fees may have been earned.
- (2) Represents an annualized reduction in management fees.
- (3) Decrease would impact our statement of operations in a single quarter. With respect to carried interest, for purposes of this analysis the impact of preferred returns are ignored.

### *Management Fees*

Our management fees in our Private Markets investment funds are generally calculated based on the amount of capital committed or invested by a fund, as described under "Business—Our Segments—Private Markets." Accordingly, movements in the fair value of investments do not significantly affect the amount of fees we may charge in Private Markets funds. In the case of our Public Markets business, management fees are often calculated based on the average NAV of the fund or vehicle for that particular period, although certain funds in our Public Markets segment have management fees based on the amount of capital committed or invested. To the extent that management fees are calculated based on the NAV of the fund's investments, the amount of fees that we may charge will be increased or decreased in direct proportion to the effect of changes in the fair value of the fund's investments. The proportion of our management fees that are based on NAV depends on the number and type of funds in existence. For the year ended December 31, 2015, the fund management fees that were recognized based on the NAV of the applicable funds or separately managed accounts was approximately 25%.

## Publicly Traded Securities

Our investment funds and KKR's balance sheet hold certain investments in portfolio companies whose securities are publicly traded. The market prices of securities may be volatile and are likely to fluctuate due to a number of factors beyond our control. These factors include actual or anticipated fluctuations in the quarterly and annual results of such companies or of other companies in the industries in which they operate, market perceptions concerning the availability of additional securities for sale, general economic, social or political developments, industry conditions, changes in government regulation, shortfalls in operating results from levels forecasted by securities analysts, the general state of the securities markets and other material events, such as significant management changes, re-financings, acquisitions and dispositions. In addition, although the majority of our investments are comprised of investments in portfolio companies whose securities are not publicly traded, the value of these privately held investments may also fluctuate as our Level III investments are valued in part using a market comparables analysis. Consequently due to similar factors beyond our control as described above for portfolio companies whose securities are publicly traded, the value of these Level III investments may fluctuate with market prices. Subsequent to December 31, 2015, world equity markets declined sharply with both the S&P 500 and the MSCI World Index down substantially on a total return basis, including dividends, as of February 22, 2016. See "--Management's Discussion and Analysis of Financial Condition and Results of Operations--Business Environment".

## Exchange Rate Risk

Our investment funds and KKR's balance sheet hold investments denominated in currencies other than the U.S. dollar. Those investments expose us and our fund investors to the risk that the value of the investments will be affected by changes in exchange rates between the currency in which the investments are denominated and the currency in which the investments are made. Additionally, a portion of our management fees are denominated in non-U.S. dollar currencies. Our policy is to minimize these risks by employing hedging techniques, including using foreign currency options and foreign exchange forward contracts to reduce exposure to future changes in exchange rates when a meaningful amount of capital has been invested in currencies other than the currencies in which the investments are denominated.

Our primary exposure to exchange rate risk relates to movements in the value of exchange rates between the U.S. dollar and other currencies in which our investments are denominated (primarily euros and British pounds), net of the impact of foreign exchange hedging strategies. The quantitative information that follows represents the impact that a reduction to each of the income streams shown below would have on net income attributable to KKR & Co. L.P. The actual impact to individual line items within the statements of operations would differ from the amounts shown below as a result of (i) the elimination of management fees and carried interest, (ii) the gross-up of net gains (losses) from investment activities, in each case as a result of the consolidation of the majority of our private equity and credit funds and (iii) the inclusion of amounts attributable to KKR Holdings L.P. in individual line items within the consolidated statement of operations.

We estimate that an immediate, hypothetical 10% decline in the exchange rates between the U.S. dollar and all of the major foreign currencies in which our investments and fees were denominated as of December 31, 2015 (i.e. an increase in the value of the U.S. dollar against these foreign currencies) would result in declines in net income attributable to KKR & Co. L.P. in 2016 from reductions in the following items, net of the impact of foreign exchange hedging strategies, if not offset by other factors:

	Year Ended December 31, 2015		
	Management fees	Carried Interest, Net of Carry Pool Allocation	Net Gains/(Losses) From Investment Activities Excluding Carried Interest
	(\$ in thousands)		
10% Decline in Foreign Currencies Against the U.S. Dollar (1)	\$ 6,806 (2)	\$ 33,210 (3)	\$ 21,215 (3)

(1) An immediate, hypothetical 10% decline in exchange rates between the U.S. dollar and all of the major foreign currencies in which our investments were denominated would only marginally impact our ability to earn incentive fees since the majority of our funds in which we are entitled to earn incentive fees are denominated in U.S. dollars.

(2) Represents an annualized reduction in management fees.

(3) Decrease would impact our statement of operations in a single quarter. With respect to carried interest, for purposes of this analysis the impact of preferred returns are ignored.

## ***Interest Rate Risk***

### *Valuation of Investments*

Changes in credit markets and in particular, interest rates, can impact investment valuations, particularly our Private Markets investments and may have offsetting results depending on the valuation methodology used. For example, we typically use a discounted cash flow analysis as one of the methodologies to ascertain the fair value of our investments that do not have readily observable market prices. If applicable interest rates rise, then the assumed cost of capital for those portfolio companies would be expected to increase under the discounted cash flow analysis, and this effect would negatively impact their valuations if not offset by other factors. Conversely, a fall in interest rates can positively impact valuations of certain portfolio companies if not offset by other factors. These impacts could be substantial depending upon the magnitude of the change in interest rates. In certain cases, the valuations obtained from the discounted cash flow analysis and the other primary methodology we use, the market multiples approach, may yield different and offsetting results. For example, the positive impact of falling interest rates on discounted cash flow valuations may offset the negative impact of the market multiples valuation approach and may result in less of a decline in value than for those investments that had a readily observable market price. Finally, low interest rates related to monetary stimulus and economic stagnation may also negatively impact expected returns on all investments, as the demand for relatively higher return assets increases and supply decreases.

### *Interest Income*

We and our consolidated funds hold credit investments, including CFEs that generate interest income based on variable interest rates. We are exposed to interest rate risk relating to investments that generate yield since a meaningful portion of credit investments held by us and our consolidated funds earn income based on variable interest rates. However, the contractual interest rate structure for a large portion of our credit investments bearing variable rates have "floors" which establish a minimum rate of interest that will be earned. In the current low interest rate environment, a large portion of the credit investments held by us and our consolidated funds are earning interest at the contractual floor and therefore, for these investments, a decrease in variable interest rates would not impact the amount of interest income earned. With respect to consolidated funds and CFEs, the impact on net income attributable to KKR & Co. L.P. resulting from a decrease of a hypothetical 100 basis points in variable interest rates used in the recognition of interest income would not be expected to be material since (i) many variable rate investments are subject to floors as described above and (ii) a substantial portion of this decrease would be attributable to noncontrolling interests. With respect to credit investments held by KKR outside of the consolidated funds, all of the interest income earned inures to KKR & Co. L.P., however a large portion of these investments are subject to floors as described above. Accordingly, the impact on net income attributable to KKR & Co. L.P. resulting from a decrease of a hypothetical 100 basis points in variable interest rates used in the recognition of interest income would not be expected to be material.

### *Interest Expense*

Our consolidated funds have debt obligations that include revolving credit agreements, certain investment financing arrangements and debt securities issued by CFE vehicles structured through the use of term loans and revolving credit facilities that accrue interest at variable rates. Changes in these rates would affect the amount of interest payments that our consolidated funds would have to make. With respect to consolidated funds, the impact on net income attributable to KKR & Co. L.P. resulting from an increase of a hypothetical 100 basis points in variable interest rates used in the recognition of interest expense would not be expected to be material since a substantial portion of this increase would be attributable to noncontrolling interests. With respect to debt obligations held by KKR outside of the consolidated funds, as of December 31, 2015, KKR had no debt obligations outstanding that accrue interest at a variable rate.

## ***Credit Risk***

We are party to agreements providing for various financial services and transactions that contain an element of risk in the event that the counterparties are unable to meet the terms of such agreements. In these agreements, we depend on these counterparties to make payment or otherwise perform. We generally endeavor to minimize our risk of exposure by limiting the counterparties with which we enter into financial transactions to reputable financial institutions. In addition, availability of financing from financial institutions may be uncertain due to market events, and we may not be able to access these financing markets.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Unitholders of KKR & Co. L.P.:

We have audited the accompanying consolidated statements of financial condition of KKR & Co. L.P. and subsidiaries (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedule listed in Item 15. We also have audited the Company's internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and financial statement schedule and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of KKR & Co. L.P. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Deloitte & Touche LLP  
New York, New York  
February 26, 2016

**KKR & CO. L.P.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**  
(Amounts in Thousands, Except Unit Data)

	December 31, 2015	December 31, 2014
<b>Assets</b>		
Cash and Cash Equivalents	\$ 1,047,740	\$ 918,080
Cash and Cash Equivalents Held at Consolidated Entities	1,472,120	1,372,775
Restricted Cash and Cash Equivalents	267,628	102,991
Investments	65,305,931	60,167,626
Due from Affiliates	139,783	147,056
Other Assets	2,824,557	3,164,217
<b>Total Assets</b>	<b>\$ 71,057,759</b>	<b>\$ 65,872,745</b>
<b>Liabilities and Equity</b>		
Debt Obligations	\$ 18,730,017	\$ 10,837,784
Due to Affiliates	144,807	131,548
Accounts Payable, Accrued Expenses and Other Liabilities	2,715,350	3,199,352
<b>Total Liabilities</b>	<b>21,590,174</b>	<b>14,168,684</b>
<b>Commitments and Contingencies</b>		
<b>Redeemable Noncontrolling Interests</b>	<b>188,629</b>	<b>300,098</b>
<b>Equity</b>		
KKR & Co. L.P. Partners' Capital (457,834,875 and 433,330,540 common units issued and outstanding as of December 31, 2015 and 2014, respectively)	5,575,981	5,403,095
Accumulated Other Comprehensive Income (Loss)	(28,799)	(20,404)
<b>Total KKR &amp; Co. L.P. Partners' Capital</b>	<b>5,547,182</b>	<b>5,382,691</b>
Noncontrolling Interests	43,731,774	46,004,377
Appropriated Capital	—	16,895
<b>Total Equity</b>	<b>49,278,956</b>	<b>51,403,963</b>
<b>Total Liabilities and Equity</b>	<b>\$ 71,057,759</b>	<b>\$ 65,872,745</b>

See notes to consolidated financial statements.

**KKR & CO. L.P.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (Continued)**  
**(Amounts in Thousands)**

The following presents the portion of the balances presented in the consolidated statements of financial condition attributable to consolidated variable interest entities ("VIEs") as of December 31, 2015 and 2014. The assets of consolidated collateralized financing entities ("CFEs") holding collateralized loan obligations ("CLOs") and commercial real estate mortgage-backed securities ("CMBS"), which comprise the majority of KKR's consolidated VIEs, are held solely as collateral to satisfy the obligations of the CFEs. KKR has no right to the benefits from, nor does KKR bear the risks associated with, the assets held by these CFEs beyond KKR's beneficial interest therein and any fees generated from the CFEs. The assets in each CFE can be used only to settle the debt of the related CFE. The noteholders and other creditors of the CFEs have no recourse to KKR's general assets. There are neither explicit arrangements nor does KKR hold implicit variable interests that would require KKR to provide any ongoing financial support to the CFEs.

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
<b>Assets</b>		
Cash and Cash Equivalents Held at Consolidated Entities	\$ 975,433	\$ 1,046,018
Investments	12,735,309	8,559,967
Other Assets	133,953	129,949
<b>Total Assets</b>	<b>\$ 13,844,695</b>	<b>\$ 9,735,934</b>
<b>Liabilities</b>		
Debt Obligations	\$ 12,365,222	\$ 7,615,340
Accounts Payable, Accrued Expenses and Other Liabilities	546,129	638,953
<b>Total Liabilities</b>	<b>\$ 12,911,351</b>	<b>\$ 8,254,293</b>

See notes to consolidated financial statements.

**KKR & CO. L.P.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Amounts in Thousands, Except Unit Data)

	For the Years Ended December 31,		
	2015	2014	2013
<b>Revenues</b>			
Fees and Other	\$ 1,043,768	\$ 1,110,008	\$ 762,546
<b>Expenses</b>			
Compensation and Benefits	1,180,591	1,263,852	1,266,592
Occupancy and Related Charges	65,683	62,564	61,720
General, Administrative and Other	624,951	869,651	438,826
<b>Total Expenses</b>	<b>1,871,225</b>	<b>2,196,067</b>	<b>1,767,138</b>
<b>Investment Income (Loss)</b>			
Net Gains (Losses) from Investment Activities	4,672,627	4,778,232	7,826,082
Dividend Income	850,527	1,174,501	695,521
Interest Income	1,219,197	909,207	474,759
Interest Expense	(573,226)	(317,192)	(99,616)
<b>Total Investment Income (Loss)</b>	<b>6,169,125</b>	<b>6,544,748</b>	<b>8,896,746</b>
<b>Income (Loss) Before Taxes</b>	<b>5,341,668</b>	<b>5,458,689</b>	<b>7,892,154</b>
<b>Income Tax / (Benefit)</b>	<b>66,636</b>	<b>63,669</b>	<b>37,926</b>
<b>Net Income (Loss)</b>	<b>5,275,032</b>	<b>5,395,020</b>	<b>7,854,228</b>
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	(4,512)	(3,341)	62,255
Net Income (Loss) Attributable to Noncontrolling Interests and Appropriated Capital	4,791,062	4,920,750	7,100,747
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P.</b>	<b>\$ 488,482</b>	<b>\$ 477,611</b>	<b>\$ 691,226</b>
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P. Per Common Unit</b>			
Basic	\$ 1.09	\$ 1.25	\$ 2.51
Diluted	\$ 1.01	\$ 1.16	\$ 2.30
<b>Weighted Average Common Units Outstanding</b>			
Basic	448,884,185	381,092,394	274,910,628
Diluted	482,699,194	412,049,275	300,254,090

See notes to consolidated financial statements.

**KKR & CO. L.P.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(Amounts in Thousands)**

	<u>For the Years Ended December 31,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Net Income (Loss)</b>	\$ 5,275,032	\$ 5,395,020	\$ 7,854,228
Other Comprehensive Income (Loss), Net of Tax:			
Foreign Currency Translation Gain (Loss)	(27,176)	(37,119)	(4,642)
<b>Comprehensive Income (Loss)</b>	<u>5,247,856</u>	<u>5,357,901</u>	<u>7,849,586</u>
Less: Comprehensive Income (Loss) Attributable to Redeemable Noncontrolling Interests	(4,512)	(3,341)	62,255
Less: Comprehensive Income (Loss) Attributable to Noncontrolling Interests and Appropriated Capital	4,771,152	4,897,831	7,096,898
<b>Comprehensive Income (Loss) Attributable to KKR &amp; Co. L.P.</b>	<u>\$ 481,216</u>	<u>\$ 463,411</u>	<u>\$ 690,433</u>

See notes to consolidated financial statements.

**KKR & CO. L.P.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**(Amounts in Thousands, Except Unit Data)**

	KKR & Co. L.P.						
	Common Units	Partners' Capital	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Appropriated Capital	Total Equity	Redeemable Noncontrolling Interests
<b>Balance at January 1, 2013</b>	253,363,691	\$ 2,008,965	\$ (4,606)	\$ 38,938,531	\$ —	\$ 40,942,890	\$ 462,564
Net Income (Loss)		691,226		7,100,747		7,791,973	62,255
Other Comprehensive Income (Loss)-Foreign Currency Translation (Net of Tax)			(793)	(3,849)		(4,642)	
Contributions of Net Assets of previously Unconsolidated Entities				294,767		294,767	
Exchange of KKR Holdings L.P. Units and Other Exchangeable Securities to KKR & Co. L.P. Common Units	28,184,258	333,804	(776)	(333,028)		—	
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and delivery of KKR & Co. L.P. Common Units		18,924	276			19,200	
Net Delivery of Common Units-Equity Incentive Plan	6,595,378	(8,136)				(8,136)	
Equity Based Compensation		114,709		192,805		307,514	
Capital Contributions				7,475,577		7,475,577	176,503
Capital Distributions		(431,583)		(10,430,549)		(10,862,132)	(73,515)
<b>Balance at December 31, 2013</b>	288,143,327	\$ 2,727,909	\$ (5,899)	\$ 43,235,001	\$ —	\$ 45,957,011	\$ 627,807
Net Income (Loss)		477,611		4,929,337	(8,587)	5,398,361	(3,341)
Other Comprehensive Income (Loss)-Foreign Currency Translation (Net of Tax)			(14,200)	(20,725)	(2,194)	(37,119)	
Exchange of KKR Holdings L.P. Units and Other Exchangeable Securities to KKR & Co. L.P. Common Units and transfers of CLO beneficial interests to appropriated capital	27,228,991	332,479	(833)	(359,322)	27,676	—	
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and delivery of KKR & Co. L.P. Common Units		46,311	528			46,839	
Net Delivery of Common Units-Equity Incentive Plan	9,952,634	(8,757)				(8,757)	
Equity Based Compensation		158,927		151,476		310,403	
Acquisitions	108,005,588	2,453,610		435,478		2,889,088	
Capital Contributions				11,236,018		11,236,018	148,355
Capital Distributions		(784,995)		(13,602,886)		(14,387,881)	(472,723)
<b>Balance at December 31, 2014</b>	433,330,540	\$ 5,403,095	\$ (20,404)	\$ 46,004,377	\$ 16,895	\$ 51,403,963	\$ 300,098
Net Income (Loss)		488,482		4,791,062		5,279,544	(4,512)
Other Comprehensive Income (Loss)- Foreign Currency Translation (Net of Tax)			(7,266)	(19,910)		(27,176)	
Cumulative-effect adjustment from adoption of accounting guidance		(307)			(16,895)	(17,202)	
Exchange of KKR Holdings L.P. Units and Other Securities to KKR & Co. L.P. Common Units	16,095,538	207,114	(1,483)	(205,631)		—	
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and delivery of KKR & Co. L.P. Common Units		18,244	354			18,598	
Net Delivery of Common Units-Equity Incentive Plan	10,964,144	15,245				15,245	
Equity Based Compensation		186,346		75,233		261,579	
Common Units Issued in Connection with the Purchase of an Investment	7,364,545	126,302				126,302	
Unit Repurchases	(9,919,892)	(161,929)				(161,929)	
Capital Contributions				6,274,296		6,274,296	193,269
Capital Distributions		(706,611)		(13,187,653)		(13,894,264)	(300,226)
<b>Balance at December 31, 2015</b>	457,834,875	\$ 5,575,981	\$ (28,799)	\$ 43,731,774	\$ —	\$ 49,278,956	\$ 188,629

See notes to consolidated financial statements.

**KKR & CO. L.P.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in Thousands)

	For the Years Ended December 31,		
	2015	2014	2013
<b>Operating Activities</b>			
Net Income (Loss)	\$ 5,275,032	\$ 5,395,020	\$ 7,854,228
<b>Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Equity Based Compensation	261,579	310,403	307,514
Net Realized (Gains) Losses on Investments	(3,001,884)	(5,433,586)	(3,909,432)
Change in Unrealized (Gains) Losses on Investments	(1,670,743)	655,354	(3,916,650)
Other Non-Cash Amounts	(78,522)	73,061	(95,961)
Cash Flows Due to Changes in Operating Assets and Liabilities:			
Change in Cash and Cash Equivalents Held at Consolidated Entities	(160,092)	(166,275)	166,552
Change in Due from / to Affiliates	15,264	(3,368)	(25,314)
Change in Other Assets	605,305	(150,131)	248,330
Change in Accounts Payable, Accrued Expenses and Other Liabilities	(187,661)	(156,176)	578,724
Investments Purchased	(27,936,898)	(37,935,909)	(31,844,648)
Proceeds from Sale of Investments and Principal Payments	27,264,024	38,900,257	33,214,410
Net Cash Provided (Used) by Operating Activities	<u>385,404</u>	<u>1,488,650</u>	<u>2,577,753</u>
<b>Investing Activities</b>			
Change in Restricted Cash and Cash Equivalents	(164,637)	(10,849)	29,852
Purchases of Fixed Assets	(169,419)	(12,163)	(14,396)
Development of Oil and Natural Gas Properties	(95,959)	(233,777)	—
Proceeds from Sale of Oil and Natural Gas Properties	4,863	82,423	—
Net Cash Acquired	—	151,491	—
Net Cash Provided (Used) by Investing Activities	<u>(425,152)</u>	<u>(22,875)</u>	<u>15,456</u>
<b>Financing Activities</b>			
Distributions to Partners	(706,611)	(784,995)	(431,583)
Distributions to Redeemable Noncontrolling Interests	(300,226)	(472,723)	(73,515)
Contributions from Redeemable Noncontrolling Interests	193,269	148,355	176,503
Distributions to Noncontrolling Interests	(13,187,653)	(13,602,886)	(10,430,549)
Contributions from Noncontrolling Interests	6,274,296	11,196,066	7,475,577
Net Delivery of Common Units - Equity Incentive Plan	15,245	(8,757)	(8,136)
Unit Repurchases	(161,929)	—	—
Proceeds from Debt Obligations	14,014,510	5,433,135	1,374,343
Repayment of Debt Obligations	(5,926,162)	(3,728,195)	(594,970)
Financing Costs Paid	(45,331)	(34,078)	(4,960)
Net Cash Provided (Used) by Financing Activities	<u>169,408</u>	<u>(1,854,078)</u>	<u>(2,517,290)</u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>129,660</b>	<b>(388,303)</b>	<b>75,919</b>
Cash and Cash Equivalents, Beginning of Period	918,080	1,306,383	1,230,464
Cash and Cash Equivalents, End of Period	<u>\$ 1,047,740</u>	<u>\$ 918,080</u>	<u>\$ 1,306,383</u>

See notes to consolidated financial statements.

**KKR & CO. L.P.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**  
**(Amounts in Thousands)**

	<b>For the Years Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Supplemental Disclosures of Cash Flow Information</b>			
Payments for Interest	\$ 485,739	\$ 195,055	\$ 74,835
Payments for Income Taxes	\$ 40,468	\$ 47,138	\$ 81,419
<b>Supplemental Disclosures of Non-Cash Investing and Financing Activities</b>			
Non-Cash Contributions of Equity Based Compensation	\$ 261,579	\$ 310,403	\$ 307,514
Cumulative effect adjustment from adoption of accounting guidance	\$ (17,202)	\$ —	\$ —
Debt Obligations - Net Gains (Losses), Translation and Other	\$ 226,577	\$ 328,464	\$ (5,435)
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and delivery of KKR & Co. L.P. Common Units	\$ 18,598	\$ 46,839	\$ 19,200
Non-Cash Contributions from Noncontrolling Interests	\$ —	\$ 39,952	\$ —
Impairments of Oil and Natural Gas Properties	\$ 53,926	\$ 220,063	\$ —
Gains on Sales of Oil and Natural Gas Properties	\$ —	\$ 16,924	\$ —
<b>Net Assets Acquired</b>			
Cash and Cash Equivalents Held at Consolidated Entities	\$ —	\$ 765,231	\$ —
Restricted Cash and Cash Equivalents	\$ —	\$ 35,038	\$ —
Investments	\$ —	\$ 9,225,660	\$ —
Other Assets	\$ —	\$ 885,314	\$ —
Debt Obligations	\$ —	\$ 7,538,726	\$ —
Accounts Payable, Accrued Expenses and Other Liabilities	\$ —	\$ 616,979	\$ —
<b>Contribution of Net Assets of Previously Unconsolidated Entities</b>			
Investments	\$ —	\$ —	\$ 294,767

See notes to consolidated financial statements.



**KKR & CO. L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(All Amounts in Thousands, Except Unit, Per Unit Data, and Except Where Noted)**

**1. ORGANIZATION**

KKR & Co. L.P. (NYSE: KKR), together with its consolidated subsidiaries (“KKR”), is a leading global investment firm that manages investments across multiple asset classes including private equity, energy, infrastructure, real estate, credit and hedge funds. KKR aims to generate attractive investment returns by following a patient and disciplined investment approach, employing world class people, and driving growth and value creation at the asset level. KKR invests its own capital alongside the capital it manages for fund investors and brings debt and equity investment opportunities to others through its capital markets business.

KKR & Co. L.P. was formed as a Delaware limited partnership on June 25, 2007 and its general partner is KKR Management LLC (the “Managing Partner”). KKR & Co. L.P. is the parent company of KKR Group Limited, which is the non-economic general partner of KKR Group Holdings L.P. (“Group Holdings”), and KKR & Co. L.P. is the sole limited partner of Group Holdings. Group Holdings holds a controlling economic interest in each of (i) KKR Management Holdings L.P. (“Management Holdings”) through KKR Management Holdings Corp., a Delaware corporation which is a domestic corporation for U.S. federal income tax purposes, (ii) KKR Fund Holdings L.P. (“Fund Holdings”) directly and through KKR Fund Holdings GP Limited, a Cayman Island limited company which is a disregarded entity for U.S. federal income tax purposes, and (iii) KKR International Holdings L.P. (“International Holdings”, and together with Management Holdings and Fund Holdings, the “KKR Group Partnerships”) directly and through KKR Fund Holdings GP Limited. Group Holdings also owns certain economic interests in Management Holdings through a wholly owned Delaware corporate subsidiary of KKR Management Holdings Corp. and certain economic interests in Fund Holdings through a Delaware partnership of which Group Holdings is the general partner with a 99% economic interest and KKR Management Holdings Corp. is a limited partner with a 1% economic interest. KKR & Co. L.P., through its indirect controlling economic interests in the KKR Group Partnerships, is the holding partnership for the KKR business.

KKR & Co. L.P. both indirectly controls the KKR Group Partnerships and indirectly holds Class A partner units in each KKR Group Partnership (collectively, “KKR Group Partnership Units”) representing economic interests in KKR’s business. The remaining KKR Group Partnership Units are held by KKR Holdings L.P. (“KKR Holdings”), which is not a subsidiary of KKR. As of December 31, 2015, KKR & Co. L.P. held approximately 56% of the KKR Group Partnership Units and principals through KKR Holdings held approximately 44% of the KKR Group Partnership Units. The percentage ownership in the KKR Group Partnerships will continue to change as KKR Holdings and/or principals exchange units in the KKR Group Partnerships for KKR & Co. L.P. common units or when KKR & Co. L.P. otherwise issues or repurchases KKR & Co. L.P. common units.

For acquisitions KKR made during the year ended December 31, 2014, see Note 14 “Acquisitions”.

The following table presents the effect of changes in the ownership interest in the KKR Group Partnerships on KKR:

	For the Years Ended December 31,		
	2015	2014	2013
Net income (loss) attributable to KKR & Co. L.P.	\$ 488,482	\$ 477,611	\$ 691,226
Transfers from noncontrolling interests:			
Exchange of KKR Group Partnership units held by KKR Holdings L.P.(a)	212,043	380,916	341,410
<b>Change from net income (loss) attributable to KKR &amp; Co. L.P. and transfers from noncontrolling interests held by KKR Holdings</b>	<b>\$ 700,525</b>	<b>\$ 858,527</b>	<b>\$ 1,032,636</b>

(a) Increase in KKR’s partners’ capital for exchange of 15,850,161, 27,172,269 and 28,184,258 for the years ended December 31, 2015, 2014, and 2013, respectively, KKR Group Partnerships units held by KKR Holdings L.P., inclusive of deferred taxes.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The accompanying consolidated financial statements (referred to hereafter as the “financial statements”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

KKR & Co. L.P. consolidates the financial results of the KKR Group Partnerships and their consolidated subsidiaries, which include the accounts of KKR’s investment management and capital markets companies, the general partners of certain unconsolidated funds and vehicles, general partners of consolidated funds and their respective consolidated funds and certain other entities including CFEs. References in the accompanying financial statements to “principals” are to KKR’s senior employees and non-employee operating consultants who hold interests in KKR’s business through KKR Holdings, and references to “Senior Principals” are to KKR’s senior employees who hold interests in the Managing Partner entitling them to vote for the election of the Managing Partner’s directors.

All intercompany transactions and balances have been eliminated.

### Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of fees, expenses and investment income (loss) during the reporting periods. Such estimates include but are not limited to the valuation of investments and financial instruments. Actual results could differ from those estimates, and such differences could be material to the financial statements.

### Principles of Consolidation

The types of entities KKR assesses for consolidation include (i) subsidiaries, including management companies, broker-dealers and general partners of investment funds that KKR manages, (ii) entities that have all the attributes of an investment company, like investment funds, (iii) CFEs and (iv) other entities, including entities that employ non-employee operating consultants. Each of these entities is assessed for consolidation on a case by case basis depending on the specific facts and circumstances surrounding that entity.

Pursuant to its consolidation policy, KKR first considers whether an entity is considered a VIE and therefore whether to apply the consolidation guidance under the VIE model. Entities that do not qualify as VIEs are generally assessed for consolidation as voting interest entities (“VOEs”) under the voting interest model.

The consolidation rules were revised effective January 1, 2010 which had the effect of changing the criteria for determining whether a reporting entity is the primary beneficiary of a VIE. However, the adoption of these new consolidation rules was indefinitely deferred (the “Deferral”) for a reporting entity’s interests in certain entities. In particular, entities that have all the attributes of an investment company such as investment funds generally meet the conditions necessary for the Deferral. Entities that are securitization or asset-backed financing entities such as CFEs would generally not qualify for the Deferral. Accordingly, when making the assessment of whether an entity is a VIE, KKR considers whether the entity being assessed meets the conditions for the Deferral and therefore would be subject to the rules that existed prior to January 1, 2010. Under both sets of rules, VIEs for which KKR is determined to be the primary beneficiary are consolidated and such VIEs generally include certain CFEs and entities that employ non-employee operating consultants.

An entity in which KKR holds a variable interest is a VIE if any one of the following conditions exist: (a) the total equity investment at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support, (b) the holders of equity investment at risk (as a group) lack either the direct or indirect ability through voting rights or similar rights to make decisions about a legal entity’s activities that have a significant effect on the success of the legal entity or the obligation to absorb the expected losses or right to receive the expected residual returns, or (c) the voting rights of some investors are disproportionate to their obligation to absorb the expected losses of the legal entity, their rights to receive the expected residual returns of the legal entity, or both and substantially all of the legal entity’s activities either involve or are conducted on behalf of an investor with disproportionately few voting rights.

With respect to VIEs such as KKR’s investment funds that qualify for the Deferral and therefore apply the previous consolidation rules, KKR is determined to be the primary beneficiary if its involvement, through holding interests directly or indirectly in the VIE or contractually through other variable interests (e.g., carried interest), would be expected to absorb a

## Notes to Consolidated Financial Statements (Continued)

majority of the VIE's expected losses, receive a majority of the VIE's expected residual returns, or both. In cases where two or more KKR related parties hold a variable interest in a VIE, and the aggregate variable interest held by those parties would, if held by a single party, identify that party as the primary beneficiary, then KKR is determined to be the primary beneficiary to the extent it is the party within the related party group that is most closely associated with the VIE.

Under the voting interest model, KKR consolidates those entities it controls through a majority voting interest or through other means, including those VOEs in which the general partner is presumed to have control. KKR does not consolidate those VOEs in which the presumption of control by the general partner has been overcome through either the granting of substantive rights to the unaffiliated fund investors to either dissolve the fund or remove the general partner ("kick-out rights") or the granting of substantive participating rights.

The consolidation assessment, including the determination as to whether an entity qualifies as a VIE or VOE depends on the facts and circumstances surrounding each entity and therefore certain of KKR's investment funds may qualify as VIEs whereas others may qualify as VOEs.

With respect to KKR's consolidated funds that are not CFEs, KKR meets the criteria for the Deferral and therefore applies the consolidation rules that existed prior to January 1, 2010. For these funds, KKR generally has operational discretion and control, and fund investors have no substantive rights to impact ongoing governance and operating activities of the fund, including the ability to remove the general partner, also known as kick-out rights. As a result, a fund should be consolidated unless KKR has a nominal level of equity at risk. To the extent that KKR commits a nominal amount of equity to a given fund and has no obligation to fund any future losses, the equity at risk to KKR is not considered substantive and the fund is typically considered a VIE. In these cases, the fund investors are generally deemed to be the primary beneficiaries, and KKR does not consolidate the fund. In cases when KKR's equity at risk is deemed to be substantive, the fund is generally considered to be a VOE and KKR generally consolidates the fund under the VOE model.

With respect to CFEs, which are generally VIEs, the criteria for the Deferral are not met and therefore KKR applies the consolidation rules issued on January 1, 2010.

With respect to CLOs, in its role as collateral manager, KKR generally has the power to direct the activities of the CLO entities that most significantly impact the economic performance of the entity. In some, but not all cases, KKR, through both its residual interest in the CLO and the potential to earn an incentive fee, may have variable interests that represent an obligation to absorb losses of, or a right to receive benefits from, the CLO that could potentially be significant to the CLO. In cases where KKR has both (a) the power to direct the activities of the CLO that most significantly impact the CLOs economic performance and (b) the obligation to absorb losses of the CLO or the right to receive benefits from the CLO that could potentially be significant to the CLO, KKR consolidates the CLO.

With respect to consolidated CMBS vehicles, KKR holds unrated and non-investment grade rated securities issued by the CMBS, which are the most subordinate tranche of the CMBS vehicle. The economic performance of the CMBS is most significantly impacted by the performance of the underlying assets. Thus, the activities that most significantly impact the CMBS economic performance are the activities that most significantly impact the performance of the underlying assets. The special servicer has the ability to manage the CMBS assets that are delinquent or in default to improve the economic performance of the CMBS. KKR generally has the right to unilaterally appoint and remove the special servicer for the CMBS and as such is considered the controlling class of the CMBS vehicle. These rights give KKR the ability to direct the activities that could most significantly impact the economic performance of the CMBS. Additionally, as the holder of the most subordinate tranche, KKR is in a first loss position and has the right to receive benefits, including the actual residual returns of the CMBS, if any. In these cases, KKR is deemed to be the primary beneficiary and consolidates the CMBS.

Certain of KKR's funds and CFEs are consolidated by KKR notwithstanding the fact that KKR has only a minority economic interest in those funds and CFEs. KKR's financial statements reflect the assets, liabilities, fees, expenses, investment income (loss) and cash flows of the consolidated KKR funds and CFEs on a gross basis. With respect to KKR's consolidated funds, the majority of the economic interests in those funds, which are held by fund investors or other third parties, are attributed to noncontrolling interests in the accompanying financial statements. All of the management fees and certain other amounts earned by KKR from those funds are eliminated in consolidation. However, because the eliminated amounts are earned from and funded by noncontrolling interests, KKR's attributable share of the net income (loss) from those funds is increased by the amounts eliminated. Accordingly, the elimination in consolidation of such amounts has no effect on net income (loss) attributable to KKR or KKR partners' capital. With respect to consolidated CFEs, interests held by third party investors are recorded in debt obligations.

## Notes to Consolidated Financial Statements (Continued)

KKR's funds are, for GAAP purposes, investment companies and therefore are not required to consolidate their investments in portfolio companies even if majority-owned and controlled. Rather, the consolidated funds and vehicles reflect their investments at fair value as described below in "Fair Value Measurements".

### Business Combinations

Acquisitions are accounted for using the acquisition method of accounting. The purchase price of an acquisition is allocated to the assets acquired and liabilities assumed using the estimated fair values at the acquisition date. Transaction costs are expensed as incurred.

### Intangible Assets

Intangible assets consist primarily of contractual rights to earn future fee income, including management and incentive fees, and are recorded in Other Assets in the accompanying consolidated statements of financial condition. Identifiable finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives and amortization expense is included within General, Administrative and Other in the accompanying consolidated statements of operations. Intangible assets are reviewed for impairment when circumstances indicate impairment may exist. KKR does not have any indefinite-lived intangible assets.

### Goodwill

Goodwill represents the excess of acquisition cost over the fair value of net tangible and intangible assets acquired in connection with an acquisition. Goodwill is assessed for impairment annually or more frequently if circumstances indicate impairment may have occurred. Goodwill is recorded in Other Assets in the accompanying consolidated statements of financial condition.

### Redeemable Noncontrolling Interests

Redeemable Noncontrolling Interests represent noncontrolling interests of certain investment vehicles and funds that are subject to periodic redemption by fund investors following the expiration of a specified period of time (typically between one and three years), or may be withdrawn subject to a redemption fee during the period when capital may not be otherwise withdrawn. Fund investors interests subject to redemption as described above are presented as Redeemable Noncontrolling Interests in the accompanying consolidated statements of financial condition and presented as Net Income (Loss) Attributable to Redeemable Noncontrolling Interests in the accompanying consolidated statements of operations.

When redeemable amounts become legally payable to fund investors, they are classified as a liability and included in Accounts Payable, Accrued Expenses and Other Liabilities in the accompanying consolidated statements of financial condition. For all consolidated investment vehicles and funds in which redemption rights have not been granted, noncontrolling interests are presented within Equity in the accompanying consolidated statements of financial condition as noncontrolling interests.

### Noncontrolling Interests

Noncontrolling interests represent (i) noncontrolling interests in consolidated entities and (ii) noncontrolling interests held by KKR Holdings.

#### *Noncontrolling Interests in Consolidated Entities*

Noncontrolling interests in consolidated entities represent the non-redeemable ownership interests in KKR that are held primarily by:

- (i) third party fund investors in KKR's funds;
- (ii) third parties entitled to up to 1% of the carried interest received by certain general partners of KKR's funds and 1% of KKR's other profits (losses) through and including December 31, 2015;
- (iii) certain former principals and their designees representing a portion of the carried interest received by the general partners of KKR's private equity funds that was allocated to them with respect to private equity investments made during such former principals' tenure with KKR prior to October 1, 2009;

**Notes to Consolidated Financial Statements (Continued)**

- (iv) certain principals and former principals representing all of the capital invested by or on behalf of the general partners of KKR's private equity funds prior to October 1, 2009 and any returns thereon;
- (v) third parties in KKR's capital markets business;
- (vi) holders of exchangeable equity securities representing ownership interests in a subsidiary of a KKR Group Partnership issued in connection with the acquisition of Avoca; and
- (vii) holders of the 7.375% Series A LLC Preferred Shares of KFN whose rights are limited to the assets of KFN.

**Noncontrolling Interests held by KKR Holdings**

Noncontrolling interests held by KKR Holdings include economic interests held by principals in the KKR Group Partnerships. Such principals receive financial benefits from KKR's business in the form of distributions received from KKR Holdings and through their direct and indirect participation in the value of KKR Group Partnership Units held by KKR Holdings. These financial benefits are not paid by KKR and are borne by KKR Holdings.

The following table presents the calculation of noncontrolling interests held by KKR Holdings:

	<b>For the Years Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Balance at the beginning of the period</b>	\$ 4,661,679	\$ 5,116,761	\$ 4,981,864
Net income (loss) attributable to noncontrolling interests held by KKR Holdings (a)	433,693	585,135	1,056,126
Other comprehensive income (loss), net of tax (b)	(14,030)	(15,202)	(3,114)
Impact of the exchange of KKR Holdings units to KKR & Co. L.P. common units (c)	(203,127)	(357,551)	(333,028)
Equity based compensation	59,114	129,012	192,805
Capital contributions	25,573	30,402	31,553
Capital distributions	(615,749)	(826,878)	(809,445)
<b>Balance at the end of the period</b>	<b>\$ 4,347,153</b>	<b>\$ 4,661,679</b>	<b>\$ 5,116,761</b>

- (a) Refer to the table below for calculation of Net income (loss) attributable to noncontrolling interests held by KKR Holdings.
- (b) Calculated on a pro rata basis based on the weighted average KKR Group Partnership Units held by KKR Holdings during the reporting period.
- (c) Calculated based on the proportion of KKR Holdings units exchanged for KKR & Co. L.P. common units pursuant to the exchange agreement during the reporting period. The exchange agreement provides for the exchange of KKR Group Partnership Units held by KKR Holdings for KKR & Co. L.P. common units.

Net income (loss) attributable to KKR & Co. L.P. after allocation to noncontrolling interests held by KKR Holdings, with the exception of certain tax assets and liabilities that are directly allocable to KKR Management Holdings Corp., is attributed based on the percentage of the weighted average KKR Group Partnership Units held by KKR and KKR Holdings, each of which hold equity of the KKR Group Partnerships. However, primarily because of the (i) contribution of certain expenses borne entirely by KKR Holdings, (ii) the periodic exchange of KKR Holdings units for KKR & Co. L.P. common units pursuant to the exchange agreement and (iii) the contribution of certain expenses borne entirely by KKR associated with the KKR & Co. L.P. 2010 Equity Incentive Plan ("Equity Incentive Plan"), equity allocations shown in the consolidated statement of changes in equity differ from their respective pro-rata ownership interests in KKR's net assets.

## Notes to Consolidated Financial Statements (Continued)

The following table presents net income (loss) attributable to noncontrolling interests held by KKR Holdings:

	For the Years Ended December 31,		
	2015	2014	2013
<b>Net income (loss)</b>	\$ 5,275,032	\$ 5,395,020	\$ 7,854,228
<b>Less:</b> Net income (loss) attributable to Redeemable Noncontrolling Interests	(4,512)	(3,341)	62,255
<b>Less:</b> Net income (loss) attributable to Noncontrolling Interests in consolidated entities and appropriated capital	4,357,369	4,335,615	6,044,621
<b>Plus:</b> Income tax / (benefit) attributable to KKR Management Holdings Corp.	21,241	28,806	15,387
<b>Net income (loss) attributable to KKR &amp; Co. L.P. and KKR Holdings</b>	<b>\$ 943,416</b>	<b>\$ 1,091,552</b>	<b>\$ 1,762,739</b>
<b>Net income (loss) attributable to noncontrolling interests held by KKR Holdings</b>	<b>\$ 433,693</b>	<b>\$ 585,135</b>	<b>\$ 1,056,126</b>

### Investments

Investments consist primarily of private equity, real assets, credit, investments of consolidated CFEs, and other investments. Investments are carried at their estimated fair values, with unrealized gains or losses resulting from changes in fair value reflected as a component of Net Gains (Losses) from Investment Activities in the consolidated statements of operations. Investments denominated in currencies other than the U.S. dollar are valued based on the spot rate of the respective currency at the end of the reporting period with changes related to exchange rate movements reflected as a component of Net Gains (Losses) from Investment Activities in the consolidated statements of operations. Security and loan transactions are recorded on a trade date basis. Further disclosure on investments is presented in Note 4, "Investments."

The following describes the types of securities held within each investment class.

*Private Equity* — Consists primarily of equity investments in operating businesses.

*Real Assets* — Consists primarily of investments in (i) energy related assets, principally oil and natural gas producing properties, (ii) infrastructure assets, and (iii) real estate, principally residential and commercial real estate assets and businesses, which, in each case, are held through consolidated investment vehicles.

*Credit* — Consists primarily of investments in below investment grade corporate debt securities (primarily high yield bonds and syndicated bank loans), distressed and opportunistic debt and interests in unconsolidated CLOs.

*Investments of Consolidated CFEs* — Consists primarily of (i) investments in below investment grade corporate debt securities (primarily high yield bonds and syndicated bank loans) held directly by the consolidated CLOs and (ii) investments in newly originated, fixed-rate mortgage loans held directly by the consolidated CMBS vehicles.

*Other* — Consists primarily of (i) investments in common stock, preferred stock, warrants and options of companies that are not private equity, real assets, credit or investments of consolidated CFEs and (ii) equity method investments.

### Energy Investments Held Through Consolidated Investment Vehicles

Certain energy investments are made through KKR's consolidated investment funds, including investments in working and royalty interests in oil and natural gas producing properties as well as investments in operating companies that operate in the energy industry. Since these investments are held through investment funds, such investments are reflected at fair value as of the end of the reporting period.

Investments in operating companies that are held through KKR's investment funds are generally classified within private equity investments and investments in working and royalty interests in oil and natural gas producing properties are generally classified as real asset investments. See also "Energy Investments held directly by KKR" within this footnote.

## Fair Value Measurements

Investments and other financial instruments are measured and carried at fair value. The majority of investments and other financial instruments are held by the consolidated funds and vehicles. KKR's funds are, for GAAP purposes, investment companies and reflect their investments and other financial instruments at fair value. KKR has retained the specialized accounting for the consolidated funds and vehicles in consolidation. Accordingly, the unrealized gains and losses resulting from changes in fair value of the investments held by KKR's funds are reflected as a component of Net Gains (Losses) from Investment Activities in the consolidated statements of operations.

For investments and other financial instruments that are not held in a consolidated fund or vehicle, KKR has elected the fair value option since these investments and other financial instruments are similar to those in the consolidated funds and vehicles. Such election is irrevocable and is applied on an investment by investment basis at initial recognition. Unrealized gains and losses resulting from changes in fair value are reflected as a component of Net Gains (Losses) from Investment Activities in the consolidated statements of operations. The methodology for measuring the fair value of such investments and other financial instruments is consistent with the methodologies applied to investments and other financial instruments that are held in consolidated funds and vehicles. In addition, KKR has elected the fair value option for the investments of consolidated CFEs.

The carrying amounts of Other Assets, Accounts Payable, Accrued Expenses and Other Liabilities recognized on the consolidated statements of financial condition (excluding fixed assets, goodwill, intangible assets, oil & gas assets, net, contingent consideration and certain debt obligations) approximate fair value due to their short term maturities. Further information on KKR's debt obligations are presented in Note 9, "Debt Obligations."

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation techniques are applied. These valuation techniques involve varying levels of management estimation and judgment, the degree of which is dependent on a variety of factors. See Note 5, "Fair Value Measurements" for further information on KKR's valuation techniques that involve unobservable inputs. Assets and liabilities recorded at fair value in the statements of financial condition are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, as defined under GAAP, are directly related to the amount of subjectivity associated with the inputs to the valuation of these assets and liabilities. The hierarchical levels defined under GAAP are as follows:

### *Level I*

Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. The type of investments and other financial instruments included in this category are publicly-listed equities, debt and securities sold short.

### *Level II*

Inputs are other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level II inputs include quoted prices for similar instruments in active markets, and inputs other than quoted prices that are observable for the asset or liability. The type of investments and other financial instruments included in this category are credit investments, investments and debt obligations of consolidated CMBS vehicles and consolidated CLO entities (beginning on January 1, 2015), convertible debt securities indexed to publicly-listed securities, less liquid and restricted equity securities and certain over-the-counter derivatives such as foreign currency option and forward contracts.

### *Level III*

Inputs are unobservable for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. The types of assets and liabilities generally included in this category are private portfolio companies, real assets investments, credit investments and debt obligations of consolidated CLOs (prior to January 1, 2015) for which a sufficiently liquid trading market does not exist.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. KKR's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset.

## Notes to Consolidated Financial Statements (Continued)

A significant decrease in the volume and level of activity for the asset or liability is an indication that transactions or quoted prices may not be representative of fair value because in such market conditions there may be increased instances of transactions that are not orderly. In those circumstances, further analysis of transactions or quoted prices is needed, and a significant adjustment to the transactions or quoted prices may be necessary to estimate fair value.

The availability of observable inputs can vary depending on the financial asset or liability and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument has recently been issued, whether the instrument is traded on an active exchange or in the secondary market, and current market conditions. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by KKR in determining fair value is greatest for instruments categorized in Level III. The variability and availability of the observable inputs affected by the factors described above may cause transfers between Levels I, II, and III, which KKR recognizes at the beginning of the reporting period.

Investments and other financial instruments that have readily observable market prices (such as those traded on a securities exchange) are stated at the last quoted sales price as of the reporting date. KKR does not adjust the quoted price for these investments, even in situations where KKR holds a large position and a sale could reasonably affect the quoted price.

Management's determination of fair value is based upon the best information available for a given circumstance and may incorporate assumptions that are management's best estimates after consideration of a variety of internal and external factors.

### ***Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity***

As of January 1, 2015, KKR has adopted the measurement alternative included in ASU 2014-13, "Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity" ("ASU 2014-13"), and has applied the amendments using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of January 1, 2015. Refer to the consolidated statements of changes in equity for the impact of this adjustment. Pursuant to ASU 2014-13, KKR measures both the financial assets and financial liabilities of the consolidated CFEs in its consolidated financial statements using the more observable of the fair value of the financial assets and the fair value of the financial liabilities.

Prior to the adoption of ASU 2014-13, KKR elected the fair value option for the assets and liabilities of the consolidated CLO vehicles. As of January 1, 2015, KKR did not hold any beneficial interests in any CMBS vehicle, and consequently did not consolidate any CMBS vehicles. KKR accounted for the difference between the fair value of the assets and the fair value of the liabilities of the consolidated CLOs in Net Gains (Losses) from Investment Activities in the consolidated statements of operations. This amount was attributed to KKR and third party beneficial interest holders based on each beneficial holder's residual interest in the consolidated CLOs. The amount attributed to third party beneficial interest holders was reflected in the consolidated statements of operations in Net Income (Loss) Attributable to Noncontrolling Interests and Appropriated Capital and in the consolidated statements of financial condition in Appropriated Capital within Equity. The amount was recorded as Appropriated Capital since the other holders of the CLOs' beneficial interests, not KKR, received the benefits or absorbed the losses associated with their proportionate share of the CLOs' assets and liabilities.

Pursuant to the adoption of ASU 2014-13, KKR is required to determine whether the fair value of the financial assets or financial liabilities are more observable. For the consolidated CLO entities, KKR has determined that the fair value of the financial assets of the consolidated CLOs, which are Level II assets within the GAAP hierarchical levels, are more observable than the fair value of the financial liabilities of the consolidated CLOs, which are Level III liabilities. As a result, the financial assets of the consolidated CLOs are being measured at fair value and the financial liabilities are being measured in consolidation as: (1) the sum of the fair value of the financial assets and the carrying value of any nonfinancial assets that are incidental to the operations of the CLOs less (2) the sum of the fair value of any beneficial interests retained by KKR (other than those that represent compensation for services) and KKR's carrying value of any beneficial interests that represent compensation for services. The resulting amount is allocated to the individual financial liabilities (other than the beneficial interests retained by KKR).

For the consolidated CMBS vehicles, KKR has determined that the fair value of the financial liabilities of the consolidated CMBS vehicles, which are Level II liabilities within the GAAP hierarchical levels, are more observable than the fair value of the financial assets of the consolidated CMBS vehicles, which are Level III assets. As a result, the financial liabilities of the consolidated CMBS vehicles are being measured at fair value and the financial assets are being measured in consolidation as: (1) the sum of the fair value of the financial liabilities (other than the beneficial interests retained by KKR), the fair value of the beneficial interests retained by KKR and the carrying value of any nonfinancial liabilities that are incidental to the operations of



## Notes to Consolidated Financial Statements (Continued)

the CMBS vehicles less (2) the carrying value of any nonfinancial assets that are incidental to the operations of the CMBS vehicles. The resulting amount is allocated to the individual financial assets.

Under the measurement alternative pursuant to ASU 2014-13, KKR's consolidated net income (loss) reflects KKR's own economic interests in the consolidated CFEs including (i) changes in the fair value of the beneficial interests retained by KKR and (ii) beneficial interests that represent compensation for services rendered.

### **Level II Valuation Methodologies**

Financial assets and liabilities categorized as Level II consist primarily of credit investments, investments and debt obligations of consolidated CFEs, convertible debt securities indexed to publicly-listed securities, less liquid and restricted equity securities and certain over-the-counter derivatives such as foreign currency option and forward contracts.

*Credit investments, investments of consolidated CLOs and CMBS debt obligations:* These instruments generally have bid and ask prices that can be observed in the marketplace. Bid prices reflect the highest price that KKR and others are willing to pay for an instrument. Ask prices represent the lowest price that KKR and others are willing to accept for an instrument. For financial assets and liabilities whose inputs are based on bid-ask prices obtained from third party pricing services, fair value may not always be a predetermined point in the bid-ask range. KKR's policy is generally to allow for mid-market pricing and adjusting to the point within the bid-ask range that meets KKR's best estimate of fair value.

*Securities indexed to publicly listed securities:* The securities are typically valued using standard convertible security pricing models. The key inputs into these models that require some amount of judgment are the credit spreads utilized and the volatility assumed. To the extent the company being valued has other outstanding debt securities that are publicly-traded, the implied credit spread on the company's other outstanding debt securities would be utilized in the valuation. To the extent the company being valued does not have other outstanding debt securities that are publicly-traded, the credit spread will be estimated based on the implied credit spreads observed in comparable publicly-traded debt securities. In certain cases, an additional spread will be added to reflect an illiquidity discount due to the fact that the security being valued is not publicly-traded. The volatility assumption is based upon the historically observed volatility of the underlying equity security into which the convertible debt security is convertible and/or the volatility implied by the prices of options on the underlying equity security.

*Restricted Equity Securities:* The valuation of certain equity securities is based on an observable price for an identical security adjusted for the effect of a restriction.

*Derivatives:* The valuation incorporates observable inputs comprising yield curves, foreign currency rates and credit spreads.

*CLO Debt Obligations:* Beginning on January 1, 2015 with the adoption of ASU 2014-13, KKR measures CLO debt obligations on the basis of the fair value of the financial assets of the CLO.

*Investments of consolidated CMBS vehicles:* KKR measures the investments of CMBS vehicles on the basis of the fair value of the financial liabilities of the CMBS.

### **Level III Valuation Methodologies**

Financial assets and liabilities categorized as Level III consist primarily of the following:

*Private Equity Investments:* KKR generally employs two valuation methodologies when determining the fair value of a private equity investment. The first methodology is typically a market comparables analysis that considers key financial inputs and recent public and private transactions and other available measures. The second methodology utilized is typically a discounted cash flow analysis, which incorporates significant assumptions and judgments. Estimates of key inputs used in this methodology include the weighted average cost of capital for the investment and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. Other inputs are also used in both methodologies. However, when a definitive agreement has been executed to sell an investment, KKR generally considers a significant determinant of fair value to be the consideration to be received by KKR pursuant to the executed definitive agreement.

Upon completion of the valuations conducted using these methodologies, a weighting is ascribed to each method, and an illiquidity discount is typically applied where appropriate. The ultimate fair value recorded for a particular investment will

## Notes to Consolidated Financial Statements (Continued)

generally be within a range suggested by the two methodologies, except that the value may be higher or lower than such range in the case of investments being sold pursuant to an executed definitive agreement.

When determining the weighting ascribed to each valuation methodology, KKR considers, among other factors, the availability of direct market comparables, the applicability of a discounted cash flow analysis, the expected hold period and manner of realization for the investment, and in the case of investments being sold pursuant to an executed definitive agreement, the probability of such sale being completed. These factors can result in different weightings among investments in the portfolio and in certain instances may result in up to a 100% weighting to a single methodology. Across the Level III private equity investment portfolio, approximately 80.0% of the fair value is derived from investments that are valued based exactly 50% on market comparables and 50% on a discounted cash flow analysis. Less than 5% of the fair value of the Level III private equity investment portfolio is derived from investments that are valued either based 100% on market comparables or 100% on a discounted cash flow analysis.

When an illiquidity discount is to be applied, KKR seeks to take a uniform approach across its portfolio and generally applies a minimum 5% discount to all private equity investments. KKR then evaluates such private equity investments to determine if factors exist that could make it more challenging to monetize the investment and, therefore, justify applying a higher illiquidity discount. These factors generally include (i) whether KKR is unable to sell the portfolio company or conduct an initial public offering of the portfolio company due to the consent rights of a third party or similar factors, (ii) whether the portfolio company is undergoing significant restructuring activity or similar factors and (iii) characteristics about the portfolio company regarding its size and/or whether the portfolio company is experiencing, or expected to experience, a significant decline in earnings. These factors generally make it less likely that a portfolio company would be sold or publicly offered in the near term at a price indicated by using just a market multiples and/or discounted cash flow analysis, and these factors tend to reduce the number of opportunities to sell an investment and/or increase the time horizon over which an investment may be monetized. Depending on the applicability of these factors, KKR determines the amount of any incremental illiquidity discount to be applied above the 5% minimum, and during the time KKR holds the investment, the illiquidity discount may be increased or decreased, from time to time, based on changes to these factors. The amount of illiquidity discount applied at any time requires considerable judgment about what a market participant would consider and is based on the facts and circumstances of each individual investment. Accordingly, the illiquidity discount ultimately considered by a market participant upon the realization of any investment may be higher or lower than that estimated by KKR in its valuations.

*Real Assets Investments:* Real asset investments in infrastructure, energy and real estate are valued using one or more of the discounted cash flow analysis, market comparables analysis and direct income capitalization, which in each case incorporates significant assumptions and judgments. Infrastructure investments are generally valued using the discounted cash flow analysis. Key inputs used in this methodology include the weighted average cost of capital and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. Energy investments are generally valued using a discounted cash flow analysis. Key inputs used in this methodology that require estimates include the weighted average cost of capital. In addition, the valuations of energy investments generally incorporate both commodity prices as quoted on indices and long-term commodity price forecasts, which may be substantially different from, and are currently higher than, commodity prices on certain indices for equivalent future dates. Certain energy investments do not include an illiquidity discount. Long-term commodity price forecasts are utilized to capture the value of the investments across a range of commodity prices within the energy investment portfolio associated with future development and to reflect a range of price expectations. Real estate investments are generally valued using a combination of direct income capitalization and discounted cash flow analysis. Key inputs used in such methodologies that require estimates include an unlevered discount rate and current capitalization rate, and certain real estate investments do not include a minimum illiquidity discount. The valuations of real assets investments also use other inputs.

*Credit Investments:* Credit investments are valued using values obtained from dealers or market makers, and where these values are not available, credit investments are valued by KKR based on ranges of valuations determined by an independent valuation firm. Valuation models are based on discounted cash flow analyses, for which the key inputs are determined based on market comparables, which incorporate similar instruments from similar issuers.

*Other Investments:* With respect to other investments including equity method investments for which the fair value election has been made, KKR generally employs the same valuation methodologies as described above for private equity investments when valuing these other investments.

*CLO Debt Obligations:* Prior to January 1, 2015 and the adoption of ASU 2014-13, collateralized loan obligation senior secured and subordinated notes were initially valued at the transaction price and were subsequently valued using a third party valuation service. The approach used to estimate the fair values was the discounted cash flow method, which includes consideration of the cash flows of the debt obligation based on projected quarterly interest payments and quarterly

## Notes to Consolidated Financial Statements (Continued)

amortization. The debt obligations were discounted based on the appropriate yield curve given the debt obligation's respective maturity and credit rating. The most significant inputs to the valuation of these financial instruments were default and loss expectations and discount margins. As described above in *Fair Value Measurements - Summary of Significant Accounting Policies - Level II Valuation Methodologies*, beginning on January 1, 2015, with the adoption of ASU 2014-13, KKR measures CLO debt obligations on the basis of the fair value of the financial assets of the CLO.

Key unobservable inputs that have a significant impact on KKR's Level III investment valuations as described above are included in Note 5 "Fair Value Measurements." KKR utilizes several unobservable pricing inputs and assumptions in determining the fair value of its Level III investments. These unobservable pricing inputs and assumptions may differ by investment and in the application of KKR's valuation methodologies. KKR's reported fair value estimates could vary materially if KKR had chosen to incorporate different unobservable pricing inputs and other assumptions or, for applicable investments, if KKR only used either the discounted cash flow methodology or the market comparables methodology instead of assigning a weighting to both methodologies.

### **Level III Valuation Process**

The valuation process involved for Level III measurements is completed on a quarterly basis and is designed to subject the valuation of Level III investments to an appropriate level of consistency, oversight, and review. As of December 31, 2015, the valuation process for Level III measurements, as described below, subjected valuations to the review and oversight of various committees. KKR has a Private Markets valuation committee for private equity and real assets investments and a valuation committee for credit and credit-related investments. The Private Markets valuation committee is assisted by subcommittees in the valuation of real asset and growth equity investments, and is also assisted by a valuation team. The Private Markets valuation committee is comprised only of employees who are not investment professionals responsible for preparing preliminary valuations or for oversight of the investments being valued. The valuation teams and subcommittees for real asset and growth equity investments, however, include investment professionals who participate in the preparation of preliminary valuations or are responsible for oversight for those investments. The credit valuation committee is also assisted by a valuation team. The credit valuation teams include investment professionals responsible for preparing preliminary valuations or for oversight of the investments being valued. The credit valuation committee is comprised of investment professionals with no responsibility for preparing preliminary valuations, but certain committee members are responsible for oversight of the investments being valued. The valuation committees and teams are responsible for coordinating and consistently implementing KKR's quarterly valuation policies, guidelines and processes. For Private Markets investments classified as Level III, investment professionals prepare preliminary valuations based on their evaluation of financial and operating data, company specific developments, market valuations of comparable companies and other factors. These preliminary valuations are reviewed with the investment professionals by the applicable valuation team and are also reviewed by an independent valuation firm engaged by KKR to perform certain procedures in order to assess the reasonableness of KKR's valuations annually for all Level III investments in Private Markets and quarterly for investments other than certain investments, which have values less than pre-set value thresholds and which in the aggregate comprise less than 5% of the total value of KKR's Level III Private Markets investments. For most investments classified as Level III in credit, in general, an independent valuation firm is engaged by KKR to provide third party valuations, or ranges of valuations from which KKR's investment professionals select a point in the range to determine the preliminary valuation, or an independent valuation firm is engaged by KKR to perform certain valuation procedures in order to assess the reasonableness and provide positive assurance of KKR's valuations. These preliminary valuations are reviewed by senior investment professionals for each credit strategy. All preliminary valuations in Private Markets and Public Markets are then reviewed by the applicable valuation committee, and after reflecting any input by their respective valuation committees, the preliminary valuations are presented to the firm's management committee. When these valuations are approved by this committee after reflecting any input from it, the valuations of Level III investments, as well as the valuations of Level I and Level II investments, are presented to the audit committee of KKR's board of directors and are then reported on to the board of directors.

### **Energy Investments Held Directly by KKR**

KKR makes certain energy investments directly in working and royalty interests in oil and natural gas producing properties outside its investment funds, which as a result of the acquisition of KKR Financial Holdings LLC ("KFH") on April 30, 2014 became more significant. Oil and natural gas producing activities are accounted for under the successful efforts method of accounting and such working interests are consolidated based on the proportion of the working interests held by KKR. Accordingly, KKR reflects its proportionate share of the underlying statements of financial condition and statements of operations of the consolidated working interests on a gross basis and changes in the value of these working interests are not reflected as unrealized gains and losses in the consolidated statements of operations. Under the successful efforts method, exploration costs, other than the costs of drilling exploratory wells, are charged to expense as incurred. Costs that are associated with the drilling of successful exploration wells are capitalized if proved reserves are found. Lease acquisition costs are

## Notes to Consolidated Financial Statements (Continued)

capitalized when incurred. Costs associated with the drilling of exploratory wells that do not find proved reserves, geological and geophysical costs and costs of certain nonproducing leasehold costs are charged to expense as incurred.

Expenditures for repairs and maintenance, including workovers, are charged to expense as incurred.

The capitalized costs of producing oil and natural gas properties are depleted on a field-by-field basis using the units-of production method based on the ratio of current production to estimated total net proved oil, natural gas and natural gas liquid reserves. Proved developed reserves are used in computing depletion rates for drilling and development costs and total proved reserves are used for depletion rates of leasehold costs.

Estimated dismantlement and abandonment costs for oil and natural gas properties, net of salvage value, are capitalized at their estimated net present value and amortized on a unit-of-production basis over the remaining life of the related proved developed reserves.

Whenever events or changes in circumstances indicate that the carrying amounts of oil and natural gas properties may not be recoverable, KKR evaluates the proved oil and natural gas properties and related equipment and facilities for impairment on a field-by-field basis. The determination of recoverability is made based upon estimated undiscounted future net cash flows. The amount of impairment loss, if any, is determined by comparing the fair value, as determined by a discounted cash flow analysis, with the carrying value of the related asset. Unproved oil and natural gas properties are assessed periodically and, at a minimum, annually on a property-by-property basis, and any impairment in value is recognized when incurred and is recorded in General, Administrative, and Other expense in the consolidated statements of operations.

### Fees and Other

Fees and other consist primarily of (i) transaction fees earned in connection with successful investment transactions and from capital markets activities, (ii) management and incentive fees from providing investment management services to unconsolidated funds, CLOs, other vehicles, and separately managed accounts, (iii) monitoring fees from providing services to portfolio companies, (iv) revenue earned by oil and gas-producing entities that are consolidated and (v) consulting fees earned by entities that employ non-employee operating consultants.

For the years ended December 31, 2015, 2014 and 2013, respectively, fees and other consisted of the following:

	<b>For the Years Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Transaction Fees	\$ 337,544	\$ 425,019	\$ 287,387
Monitoring Fees	336,159	190,584	161,796
Management Fees	201,006	215,266	177,961
Oil and Gas Revenue	112,328	186,876	22,105
Consulting Fees	40,316	41,573	47,930
Incentive Fees	16,415	50,690	65,367
<b>Total Fees and Other</b>	<b>\$ 1,043,768</b>	<b>\$ 1,110,008</b>	<b>\$ 762,546</b>

All fees presented in the table above, except for oil and gas revenue, are earned from KKR investment funds, vehicles and portfolio companies. Consulting fees are earned by certain consolidated entities that employ non-employee operating consultants from providing advisory and other services to portfolio companies and other companies and are recognized as the services are rendered. These fees are separately negotiated with each company for which services are provided and are not shared with KKR.

### Transaction Fees

Transaction fees are earned by KKR primarily in connection with successful investment transactions and capital markets activities. Transaction fees are recognized upon closing of the transaction. Fees are typically paid on or shortly after the closing of a transaction.

In connection with pursuing successful portfolio company investments, KKR receives reimbursement for certain transaction-related expenses. Transaction-related expenses, which are reimbursed by third parties, are typically deferred until the transaction is consummated and are recorded in Other Assets on the consolidated statements of financial condition on the

## Notes to Consolidated Financial Statements (Continued)

date incurred. The costs of successfully completed transactions are borne by the KKR investment funds and included as a component of the investment's cost basis. Subsequent to closing, investments are recorded at fair value each reporting period as described in the section above titled "Investments". Upon reimbursement from a third party, the cash receipt is recorded and the deferred amounts are relieved. No fees or expenses are recorded for these reimbursements.

### *Monitoring Fees*

Monitoring fees are earned by KKR for services provided to portfolio companies and are recognized as services are rendered. These fees are generally paid based on a fixed periodic schedule by the portfolio companies either in advance or in arrears and are separately negotiated for each portfolio company.

In connection with the monitoring of portfolio companies and certain unconsolidated funds, KKR receives reimbursement for certain expenses incurred on behalf of these entities. Costs incurred in monitoring these entities are classified as general, administrative and other expenses and reimbursements of such costs are classified as monitoring fees. In addition, certain monitoring fee provisions may provide for a termination payment following an initial public offering or change of control. These termination payments are recognized in the period when the related transaction closes.

### *Management Fees*

Management fees are recognized in the period during which the related services are performed in accordance with the contractual terms of the related agreement. Management fees earned from private equity funds and certain investment vehicles are based upon a percentage of capital committed or capital invested during the investment period, and thereafter generally based on remaining invested capital or net asset value. For certain other investment vehicles, CLOs, and separately managed accounts, management fees are recognized in the period during which the related services are performed and are based upon the net asset value, gross assets or as otherwise defined in the respective agreements.

Management fees received from KKR's consolidated funds and vehicles are eliminated in consolidation. However, because these amounts are funded by, and earned from, noncontrolling interests, KKR's allocated share of the net income from KKR's consolidated funds and vehicles is increased by the amount of fees that are eliminated. Accordingly, the elimination of these fees does not have an effect on the net income (loss) attributable to KKR or KKR partners' capital.

### *Private Equity Funds*

For KKR's consolidated and unconsolidated private equity funds, gross management fees generally range from 1% to 2% of committed capital during the fund's investment period and is generally 0.75% to 1.25% of invested capital after the expiration of the fund's investment period with subsequent reductions over time. Typically, an investment period is defined as a period of up to six years. The actual length of the investment period may be shorter based on the timing and deployment of committed capital.

Certain of KKR's private equity funds require the management company to refund up to 20% of any cash management fees earned from limited partners in the event that the funds recognize a carried interest. At such time as the fund recognizes a carried interest in an amount sufficient to cover 20% of the cash management fees earned or a portion thereof, a liability to the fund's limited partners is recorded and revenue is reduced for the amount of the carried interest recognized, not to exceed 20% of the cash management fees earned. The refunds to the limited partners are paid, and the liabilities relieved, at such time that the underlying investments are sold and the associated carried interests are realized. In the event that a fund's carried interest is not sufficient to cover all or a portion of the amount that represents 20% of the earned cash management fees, these fees would not be returned to the funds' limited partners, in accordance with the respective fund agreements.

### *Other Investment Vehicles*

Certain other investment vehicles that invest capital in real assets, credit and hedge fund strategies provide for management fees determined quarterly based on an annual rate generally ranging from 0.5% to 1.5%. Such rate may be based on the investment vehicles' average net asset value, capital commitments, or invested capital.

### *CLOs*

KKR's management agreements for its CLO vehicles provide for senior collateral management fees and subordinate collateral management fees. Senior collateral management fees are determined based on an annual rate ranging from 0.15% to 0.20% of collateral and subordinate collateral management fees are determined based on an annual rate ranging from 0.30% to

## Notes to Consolidated Financial Statements (Continued)

0.35% of collateral. If amounts distributable on any payment date are insufficient to pay the collateral management fees according to the priority of payments, any shortfall is deferred and payable on subsequent payment dates. KKR has the right to waive all or any portion of any collateral management fee. For the purpose of calculating the collateral management fees, collateral, the payment dates, and the priority of payments are terms defined in the management agreements.

### ***Oil and Gas Revenue Recognition***

Oil and gas revenues are recognized when production is sold to a purchaser at fixed or determinable prices, when delivery has occurred and title has transferred and collectability of the revenue is reasonably assured. The oil and gas producing entities consolidated by KKR follow the sales method of accounting for natural gas revenues. Under this method of accounting, revenues are recognized based on volumes sold, which may differ from the volume to which the entity is entitled based on KKR's working interest. An imbalance is recognized as a liability only when the estimated remaining reserves will not be sufficient to enable the under-produced owners to recoup their entitled share through future production. Under the sales method, no receivables are recorded when these entities have taken less than their share of production and no payables are recorded when it has taken more than its share of production unless reserves are not sufficient.

### ***Consulting Fees***

Consulting fees are earned by certain consolidated entities that employ non-employee operating consultants from providing advisory and other services to portfolio companies and other companies and are recognized as the services are rendered. These fees are separately negotiated with each company for which services are provided and are not shared with KKR.

### ***Incentive Fees***

Incentive fees earned on the performance of certain hedge fund structures are recognized based on fund performance, subject to the achievement of minimum return levels, and/or high water marks, in accordance with the respective terms set out in each fund's governing agreements. Incentive fee rates generally range from 5% to 20%. KKR does not record performance-based incentive fees until the end of each fund's measurement period (which is generally one year) when the performance-based incentive fees become fixed and determinable.

### **Investment Income**

Investment income consists primarily of the net impact of:

- (i) Realized and unrealized gains and losses on investments, securities sold short and debt obligations of consolidated CFEs which are recorded in Net Gains (Losses) from Investment Activities.
- (ii) Foreign exchange gains and losses relating to mark-to-market activity on foreign exchange forward contracts, foreign currency options and foreign denominated debt which are recorded in Net Gains (Losses) from Investment Activities.
- (iii) Dividends, which are recognized on the ex-dividend date, or in the absence of a formal declaration, on the date it is received.
- (iv) Interest income, which is recognized as earned.
- (v) Interest expense, which is recognized as incurred. In addition to these interest costs, KKR capitalizes debt financing costs incurred in connection with new debt arrangements. Such costs are amortized into interest expense using either the interest method or the straight-line method, as appropriate.

Unrealized gains or losses result from changes in fair value of investments during the period and are included in Net Gains (Losses) from Investment Activities. Upon disposition of an investment, previously recognized unrealized gains or losses are reversed and a realized gain or loss is recognized.

### ***Carried Interest***

Carried interest entitles the general partner of a fund to a greater allocable share of the fund's earnings from investments relative to the capital contributed by the general partner and correspondingly reduces noncontrolling interests' attributable share of those earnings. Amounts earned pursuant to carried interest are included as investment income (loss) in Net Gains (Losses)

## Notes to Consolidated Financial Statements (Continued)

from Investment Activities in the consolidated statements of operations and are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment returns decrease or turn negative in subsequent periods, recognized carried interest will be reversed and reflected as investment losses in Net Gains (Losses) from Investment Activities in the consolidated statements of operations. Carried interest is recognized based on the contractual formula set forth in the agreements governing the fund as if the fund was terminated at the reporting date with the then estimated fair values of the investments realized. Due to the extended durations of KKR's private equity funds and other investment vehicles, KKR believes that this approach results in income recognition that best reflects the periodic performance of KKR in the management of those funds. For funds that are consolidated, all investment income (loss), including the portion of a funds' investment income (loss) that is allocable to KKR's carried interest, is included in investment income (loss) on the consolidated statements of operations. The carried interest that KKR retains in net income (loss) attributable to KKR & Co. L.P. is reflected as an adjustment to net income (loss) attributable to noncontrolling interests. See Note 13 "Segment Reporting" for the amount of carried interest income earned or reversed for years ended December 31, 2015, 2014 and 2013.

The agreements governing KKR's private equity funds generally include a "clawback" or, in certain instances, a "net loss sharing" provision that, if triggered, may give rise to a contingent obligation that may require the general partner to return or contribute amounts to the fund for distribution to fund investors at the end of the life of the fund. See Note 17 "Commitments and Contingencies."

### Compensation and Benefits

Compensation and Benefits expense includes cash compensation consisting of salaries, bonuses, and benefits, as well as equity based compensation consisting of charges associated with the vesting of equity-based awards and carry pool allocations.

All KKR employees and employees of certain consolidated entities receive a base salary that is paid by KKR or its consolidated entities, and is accounted for as Compensation and Benefits expense in the consolidated statements of operations. These employees are also eligible to receive discretionary cash bonuses based on performance, overall profitability and other matters. While cash bonuses paid to most employees are borne by KKR and certain consolidated entities and result in customary compensation and benefits expense, cash bonuses that are paid to certain of KKR's principals are currently borne by KKR Holdings. These bonuses are funded with distributions that KKR Holdings receives on KKR Group Partnership Units held by KKR Holdings but are not then passed on to holders of unvested units of KKR Holdings. Because KKR principals are not entitled to receive distributions on units that are unvested, any amounts allocated to principals in excess of a principal's vested equity interests are reflected as employee compensation and benefits expense. These compensation charges are recorded based on the unvested portion of quarterly earnings distributions received by KKR Holdings at the time of the distribution.

Further disclosure regarding equity based compensation is presented in Note 11 "Equity Based Compensation."

### *Carry Pool Allocation*

With respect to KKR's active and future funds and co-investment vehicles that provide for carried interest, KKR allocates to its employees and employees of certain consolidated entities a portion of the carried interest earned in relation to these funds as part of its carry pool. KKR currently allocates approximately 40% of the carry it earns from these funds and vehicles to its carry pool. These amounts are accounted for as compensatory profit-sharing arrangements in Accounts Payable, Accrued Expenses and Other Liabilities within the accompanying consolidated statements of financial condition in conjunction with the related carried interest income and recorded as compensation expense for KKR employees and general, administrative and other expense for certain non-employee consultants and service providers in the consolidated statements of operations. See Note 13 "Segment Reporting" for the amount of carry pool allocation expense recognized for the years ended December 31, 2015, 2014 and 2013.

### *Profit Sharing Plan*

KKR provides certain profit sharing programs for KKR employees and other eligible personnel. In particular, KKR provides a 401(k) plan (the "Plan") for eligible employees in the United States. For certain professionals who are participants in the Plan, KKR may, in its discretion, contribute an amount after the end of the Plan year. For the years ended December 31, 2015, 2014 and 2013, KKR incurred expenses of \$7.9 million, \$6.9 million and \$7.7 million, respectively, in connection with the Plan and other profit sharing programs.

### General, Administrative and Other

General, administrative and other expense consists primarily of professional fees paid to legal advisors, accountants, advisors and consultants, insurance costs, travel and related expenses, communications and information services, depreciation and amortization charges, changes in fair value of contingent consideration, expenses incurred by oil and gas-producing entities (including impairment charges) that are consolidated and other general and operating expenses which are not borne by fund investors and are not offset by credits attributable to fund investors' noncontrolling interests in consolidated funds. General, administrative and other expense also consists of costs incurred in connection with pursuing potential investments that do not result in completed transactions, a substantial portion of which are borne by fund investors.

### Foreign Currency

Consolidated entities which have a functional currency that differs from KKR's reporting currency are primarily KKR's investment management and capital markets companies located outside the United States. Foreign currency denominated assets and liabilities are translated using the exchange rates prevailing at the end of each reporting period. Results of foreign operations are translated at the weighted average exchange rate for each reporting period. Translation adjustments are included as a component of accumulated other comprehensive income (loss) until realized. Foreign currency income or expenses resulting from transactions outside of the functional currency of a consolidated entity are recorded as incurred in general, administrative and other expense in the consolidated statements of operations.

### Derivatives

Derivative contracts include forward, swap and option contracts related to foreign currencies and credit standing of reference entities to manage foreign exchange risk and credit risk arising from certain assets and liabilities. All derivatives are recognized in Other Assets or Accounts Payable, Accrued Expenses and Other Liabilities and are presented gross in the consolidated statements of financial condition and measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. KKR's derivative financial instruments contain credit risk to the extent that its counterparties may be unable to meet the terms of the agreements. KKR attempts to minimize this risk by limiting its counterparties to major financial institutions with strong credit ratings.

### Securities Sold Short

Whether part of a hedging transaction or a transaction in its own right, securities sold short represent obligations of KKR to deliver the specified security at the contracted price at a future point in time, and thereby create a liability to repurchase the security in the market at the prevailing prices. The liability for such securities sold short, which is recorded in Accounts Payable, Accrued Expenses and Other Liabilities in the statement of financial condition, is marked to market based on the current fair value of the underlying security at the reporting date with changes in fair value recorded as unrealized gains or losses in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. These transactions may involve market risk in excess of the amount currently reflected in the accompanying consolidated statements of financial condition.

### Cash and Cash Equivalents

KKR considers all highly liquid short-term investments with original maturities of 90 days or less when purchased to be cash equivalents.

### Cash and Cash Equivalents Held at Consolidated Entities

Cash and cash equivalents held at consolidated entities represents cash that, although not legally restricted, is not available to fund general liquidity needs of KKR as the use of such funds is generally limited to the investment activities of KKR's investment funds and CFEs.

### Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents primarily represent amounts that are held by third parties under certain of KKR's financing and derivative transactions.



### Due from and Due to Affiliates

KKR considers its principals and their related entities, unconsolidated funds and the portfolio companies of its funds to be affiliates. Receivables from and payables to affiliates are recorded at their current settlement amount.

### Fixed Assets, Depreciation and Amortization

Fixed assets consist primarily of corporate real estate, leasehold improvements, furniture and computer hardware. Such amounts are recorded at cost less accumulated depreciation and amortization and are included in Other Assets within the accompanying consolidated statements of financial condition. Depreciation and amortization are calculated using the straight-line method over the assets' estimated economic useful lives, which for leasehold improvements are the lesser of the lease terms or the life of the asset, and three to seven years for other fixed assets.

### Comprehensive Income (Loss)

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances, excluding those resulting from contributions from and distributions to owners. In the accompanying consolidated financial statements, comprehensive income represents Net Income (Loss), as presented in the consolidated statements of operations and net foreign currency translation gains / (losses).

### Net Income (Loss) Attributable to KKR & Co. L.P. Per Common Unit

Basic Income (Loss) Attributable to KKR per common unit is calculated by dividing Net Income (Loss) Attributable to KKR by the weighted-average number of common units outstanding for the period. Diluted Income (Loss) Attributable to KKR per common unit reflects the assumed conversion of all dilutive securities. Diluted Income (Loss) Attributable to KKR per common unit excludes the anti-dilutive effect of KKR Holdings units, which are exchangeable on a one-for-one basis into common units of KKR & Co. L.P. The KKR Holdings units are excluded from the diluted calculation since the exchange of these units would not dilute KKR's respective ownership interests in the KKR Group Partnerships.

### Income Taxes

The consolidated entities of KKR are generally treated as partnerships or disregarded entities for U.S. and non-U.S. tax purposes. However, certain consolidated subsidiaries are treated as corporations for U.S. and non-U.S. tax purposes and are therefore subject to U.S. federal, state and/or local income taxes at the entity-level. In addition, certain consolidated entities which are treated as partnerships for U.S. tax purposes are subject to the New York City Unincorporated Business Tax or other local taxes.

Income taxes are accounted for using the asset and liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis, using tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets, which are recorded in Other Assets within the statement of financial condition, are reduced by a valuation allowance when, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. When evaluating the realizability of the deferred tax assets, all evidence, both positive and negative, is considered. Items considered when evaluating the need for a valuation allowance include the ability to carry back losses, future reversals of existing temporary differences, tax planning strategies, and expectations of future earnings.

For a particular tax-paying component of an entity and within a particular tax jurisdiction, deferred tax assets and liabilities are offset and presented as a single amount within Other Assets or Accounts Payable, Accrued and Other Liabilities, as applicable, in the accompanying statements of financial position.

KKR analyzes its tax filing positions in all of the U.S. federal, state, local and foreign tax jurisdictions where it is required to file income tax returns, as well as for all open tax years in these jurisdictions. If, based on this analysis, KKR determines that uncertainties in tax positions exist, a reserve is established. KKR recognizes accrued interest and penalties related to uncertain tax positions within the provision for income taxes in the consolidated statements of operations.

KKR records uncertain tax positions on the basis of a two-step process: (a) determination is made whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (b) those tax positions that

## Notes to Consolidated Financial Statements (Continued)

meet the more-likely-than-not threshold are recognized as the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

### Recently Issued Accounting Pronouncements

#### *Revenue from Contracts with Customers*

In May 2014, the FASB issued ASU 2014 -09 , Revenue from Contracts with Customers Topic 606 (“ASU 2014 -09 ”) which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. Revenue recorded under ASU 2014 -09 will depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In July 2015, the FASB deferred the effective date of ASU 2014 -09 to annual reporting periods beginning after December 15, 2017. Early adoption will be permitted as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within those annual periods. A full retrospective or modified retrospective approach is required. KKR is currently evaluating the impact the adoption of this guidance may have on its financial statements, including with respect to the timing of the recognition of carried interest.

#### *Measurement of Financial Assets and Liabilities - Consolidated Collateralized Financing Entities*

In August 2014, the FASB issued ASU 2014-13, “Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity” (“CFE”), such as CLO and CMBS vehicles. ASU 2014-13 provides an entity with an election to measure the financial assets and financial liabilities of a consolidated CFE on the basis of either the fair value of the CFE’s financial assets or financial liabilities, whichever is more observable. The guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted and this guidance was early adopted by KKR on January 1, 2015 using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the annual period. Refer above to *Variable Interest Entities - Collateralized Loan Obligations* .

#### *Consolidation*

In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis (“ASU 2015-02”). The guidance in ASU 2015-02 eliminates the presumption that a general partner should consolidate a limited partnership and also eliminates the consolidation model specific to limited partnerships. The amendments also clarify how to treat fees paid to an asset manager or other entity that makes the decisions for the investment vehicle and whether such fees should be considered in determining when a variable interest entity should be reported on an asset manager’s balance sheet. ASU 2015-02 is effective for reporting periods starting after December 15, 2015 and for interim periods within the fiscal year. Early adoption is permitted, and a full retrospective or modified retrospective approach is required. KKR is evaluating the impact on its financial statements and expects to deconsolidate a significant number of investment funds, vehicles and entities upon adoption of this guidance.

#### *Interest - Imputation of Interest*

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs (“ASU 2015-03”). The guidance in ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. In August 2015, the FASB clarified that line-of-credit arrangements are outside the scope of ASU 2015-03. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted, and a retrospective approach is required. The adoption of this guidance is not expected to have a material impact on KKR’s financial statements.

*Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share*

In May 2015, the FASB issued amended guidance on the disclosures for investments in certain entities that calculate net asset value per share (or its equivalent). The amendments remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The guidance is effective for fiscal years beginning after December 15, 2015 and for interim periods within those years. The guidance shall be applied retrospectively for all periods presented. Early application is permitted. The guidance is not expected to have a material impact on KKR's financial statements.

*Financial Instruments*

In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments (Topic 825): Recognition and Measurement of Financial Assets and Liabilities ("ASU 2016-01"). The amended guidance (i) requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; (ii) eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is currently required to be disclosed for financial instruments measured at fair value; (iii) requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments and (iv) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The amended guidance should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The amended guidance related to equity securities without readily determinable fair values (including the disclosure requirements) should be applied prospectively to equity investments that exist as of the date of adoption. KKR is currently evaluating the impact on the financial statements.

## Notes to Consolidated Financial Statements (Continued)

### 3. NET GAINS (LOSSES) FROM INVESTMENT ACTIVITIES

Net Gains (Losses) from Investment Activities in the consolidated statements of operations consist primarily of the realized and unrealized gains and losses on investments (including foreign exchange gains and losses attributable to foreign denominated investments and related activities) and other financial instruments, including those for which the fair value option has been elected. Unrealized gains or losses result from changes in the fair value of these investments and other financial instruments during a period. Upon disposition of an investment or financial instrument, previously recognized unrealized gains or losses are reversed and an offsetting realized gain or loss is recognized in the current period.

The following table summarizes total Net Gains (Losses) from Investment Activities for the years ended December 31, 2015, 2014 and 2013, respectively:

	For the Years Ended December 31,					
	2015		2014		2013	
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)
Private Equity (a)	\$ 4,452,593	\$ 1,140,377	\$ 4,985,786	\$ (399,593)	\$ 3,664,219	\$ 4,052,553
Credit and Other (a)	138,915	(800,027)	323,676	(229,004)	351,417	182,752
Investments of Consolidated CFEs (a)	(54,367)	(220,577)	15,921	(237,199)	—	—
Real Assets (a)	(2,035,727)	1,591,541	225,497	(548,788)	15,868	(64,667)
Foreign Exchange Forward Contracts and Options (b)	415,370	87,482	(10,620)	787,682	17,760	(235,794)
Securities Sold Short (b)	(6,860)	3,909	(59,071)	21,057	(105,513)	(19,205)
Other Derivatives	17,694	2,449	(34,319)	(15,384)	(24,223)	(2,030)
Debt Obligations - Net Gains (Losses) and Other (c)	74,266	(134,411)	(13,284)	(34,125)	(10,096)	3,041
<b>Total Net Gains (Losses) from Investment Activities</b>	<b>\$ 3,001,884</b>	<b>\$ 1,670,743</b>	<b>\$ 5,433,586</b>	<b>\$ (655,354)</b>	<b>\$ 3,909,432</b>	<b>\$ 3,916,650</b>

(a) See Note 4 "Investments."

(b) See Note 7 "Other Assets and Accounts Payable, Accrued Expenses and Other Liabilities."

(c) See Note 9 "Debt Obligations."

### 4. INVESTMENTS

Investments consist of the following:

	Fair Value		Cost	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Private Equity	\$ 36,398,474	\$ 38,222,255	\$ 26,370,241	\$ 29,317,314
Credit	6,300,004	6,702,740	7,144,934	6,906,583
Investments of Consolidated CFEs	12,735,309	8,559,967	13,203,483	8,815,286
Real Assets	4,048,281	3,130,404	4,681,228	5,354,191
Other	5,823,863	3,552,260	5,687,660	3,182,917
<b>Total Investments</b>	<b>\$ 65,305,931</b>	<b>\$ 60,167,626</b>	<b>\$ 57,087,546</b>	<b>\$ 53,576,291</b>

As of December 31, 2015, investments which represented greater than 5% of total investments consisted of Walgreens Boots Alliance, Inc. of \$5.1 billion and First Data Corporation of \$4.3 billion. As of December 31, 2014, investments which represented greater than 5% of total investments consisted of Walgreens Boots Alliance, Inc. of \$5.5 billion and First Data Corporation of \$3.8 billion. In addition, as of December 31, 2015 and 2014, investments totaling \$14.2 billion and \$11.4 billion, respectively, were pledged as direct collateral against various financing arrangements. See Note 9 "Debt Obligations." The majority of the securities underlying private equity investments represent equity securities.

## Notes to Consolidated Financial Statements (Continued)

The following table represents private equity investments by industry as of December 31, 2015 and 2014, respectively:

	Fair Value	
	December 31, 2015	December 31, 2014
Health Care	\$ 10,477,069	\$ 10,269,605
Financial Services	6,265,748	5,691,815
Technology	4,686,795	4,262,800
Retail	4,187,517	4,141,276
Manufacturing	3,602,594	4,227,859
Other	7,178,751	9,628,900
	<b>\$ 36,398,474</b>	<b>\$ 38,222,255</b>

In the table above, other investments represent private equity investments in the following industries: Consumer Products, Education, Energy, Forestry, Media, Services, Telecommunications, Transportation, Hotel/Leisure, Packaging, Mining, Agriculture and Recycling. None of these industries represents more than 10% of total private equity investments as of December 31, 2015.

### Equity Method

As of December 31, 2015 and 2014, KKR had equity method investments totaling \$1,929.6 million and \$1,467.4 million, respectively, which are recorded in Other Investments. Equity method investments include (i) certain investments in private equity funds, real assets funds and credit funds, which are not consolidated and (ii) certain investments in operating companies in which KKR is deemed to exert significant influence.

Under the equity method of accounting, KKR's share of earnings (losses) from equity method investments is reflected as a component of Net Gains (Losses) from Investment Activities in the consolidated statements of operations. Because the underlying investments of unconsolidated investment funds are reported at fair value, the carrying value of these equity method investments representing KKR's interests in unconsolidated funds approximates fair value. The carrying value of equity method investments in certain operating companies, which KKR is determined to exert significant influence, is determined based on the amounts invested by KKR, adjusted for the equity in earnings or losses of the investee allocated based on KKR's respective ownership percentage, less distributions. In some cases, KKR has elected the fair value option to account for certain of these equity method investments. With respect to equity method investments where KKR has elected the fair value option, KKR's share of the investee's underlying net income or loss predominantly represents fair value adjustments in the investments. Changes in estimated fair value are recorded in Net Gains (Losses) from Investment Activities in the consolidated statements of operations.

KKR evaluates each of its equity method investments to determine if any are significant as defined by guidance from the United States Securities and Exchange Commission. As of and for the years ended December 31, 2015, 2014 and 2013, no individual equity method investment held by KKR met the significance criteria. As such, KKR is not required to present separate financial statements for any of its equity method investments.

### Summarized Financial Information

The following table shows summarized financial information relating to the statements of financial condition for KKR's equity method investments assuming 100% ownership as of December 31, 2015 and 2014:

	December 31, 2015	December 31, 2014
<b>Total Assets</b>	\$ 8,759,354	\$ 7,157,281
<b>Total Liabilities</b>	\$ 2,387,866	\$ 1,814,781
<b>Total Equity</b>	\$ 6,371,488	\$ 5,342,500

**Notes to Consolidated Financial Statements (Continued)**

The following table shows summarized financial information relating to the statements of operations for KKR's equity method investments assuming 100% ownership for the years ended December 31, 2015, 2014 and 2013:

	For the years ended December 31,		
	2015	2014	2013
<b>Investment Related Revenues</b>	\$ 240,877	\$ 175,343	\$ 112,850
<b>Other Revenues</b>	623,714	409,984	333,382
<b>Investment Related Expenses</b>	53,081	29,157	8,238
<b>Other Expenses</b>	675,293	448,096	185,636
<b>Net Realized and Unrealized Gain/(Loss) from Investments</b>	(307,301)	350,248	(5,829)
<b>Net Income</b>	<u>\$ (171,084)</u>	<u>\$ 458,322</u>	<u>\$ 246,529</u>

**5. FAIR VALUE MEASUREMENTS**

The following tables summarize the valuation of KKR's assets and liabilities reported at fair value by the fair value hierarchy levels described in Note 2 "Summary of Significant Accounting Policies" as of December 31, 2015 and 2014 including those investments, other financial instruments and debt obligations of consolidated CFEs for which the fair value option has been elected. Equity Method Investments for which the fair value option has not been elected have been excluded from the tables below.

**Assets, at fair value:**

	December 31, 2015			
	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	Total
Private Equity	\$ 16,614,008	\$ 880,928	\$ 18,903,538	\$ 36,398,474
Credit	—	1,287,649	5,012,355	6,300,004
Investments of Consolidated CFEs	—	12,735,309	—	12,735,309
Real Assets	—	—	4,048,281	4,048,281
Other	817,328	449,715	3,472,794	4,739,837
<b>Total</b>	<u>17,431,336</u>	<u>15,353,601</u>	<u>31,436,968</u>	<u>64,221,905</u>
Foreign Exchange Contracts and Options	—	635,183	—	635,183
Other Derivatives	—	5,703	—	5,703
<b>Total Assets</b>	<u>\$ 17,431,336</u>	<u>\$ 15,994,487</u>	<u>\$ 31,436,968</u>	<u>\$ 64,862,791</u>

	December 31, 2014			
	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	Total
Private Equity	\$ 5,940,470	\$ 6,005,764	\$ 26,276,021	\$ 38,222,255
Credit	—	2,510,038	4,192,702	6,702,740
Investments of Consolidated CFEs	—	8,467,472	92,495	8,559,967
Real Assets	—	—	3,130,404	3,130,404
Other	573,983	276,051	2,133,001	2,983,035
<b>Total</b>	<u>6,514,453</u>	<u>17,259,325</u>	<u>35,824,623</u>	<u>59,598,401</u>
Foreign Exchange Contracts and Options	—	517,088	—	517,088
Other Derivatives	2,246	9,651	—	11,897
<b>Total Assets</b>	<u>\$ 6,516,699</u>	<u>\$ 17,786,064</u>	<u>\$ 35,824,623</u>	<u>\$ 60,127,386</u>

Notes to Consolidated Financial Statements (Continued)

Liabilities, at fair value:

	December 31, 2015			
	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	Total
Securities Sold Short	\$ 286,981	\$ 13,009	\$ —	\$ 299,990
Foreign Exchange Contracts and Options	—	83,748	—	83,748
Unfunded Revolver Commitments	—	15,533	—	15,533
Other Derivatives	—	104,518	—	104,518
Debt Obligations of Consolidated CFEs	—	12,365,222	—	12,365,222
<b>Total Liabilities</b>	<b>\$ 286,981</b>	<b>\$ 12,582,030</b>	<b>\$ —</b>	<b>\$ 12,869,011</b>

	December 31, 2014			
	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	Total
Securities Sold Short	\$ 630,794	\$ 2,338	\$ —	\$ 633,132
Foreign Exchange Contracts and Options	—	71,956	—	71,956
Unfunded Revolver Commitments	—	3,858	—	3,858
Other Derivatives	—	75,150	—	75,150
Debt Obligations of Consolidated CFEs	—	—	7,615,340	7,615,340
<b>Total Liabilities</b>	<b>\$ 630,794</b>	<b>\$ 153,302</b>	<b>\$ 7,615,340</b>	<b>\$ 8,399,436</b>

The following tables summarize changes in assets and liabilities reported at fair value for which Level III inputs have been used to determine fair value for the years ended December 31, 2015 and 2014, respectively:

	For the Year Ended December 31, 2015						
	Level III Assets						Level III Liabilities
	Private Equity	Credit	Investments of Consolidated CFEs	Real Assets	Other	Total Level III Assets	Debt Obligations of Consolidated CFEs
Balance, Beg. of Period	\$ 26,276,021	\$ 4,192,702	\$ 92,495	\$ 3,130,404	\$ 2,133,001	\$ 35,824,623	\$ 7,615,340
Transfers In (1)	—	45,461	108,340	—	1,187	154,988	—
Transfers Out (2)	(6,775,013)	(12,860)	(153,656)	—	(1,710)	(6,943,239)	—
Acquisitions	—	—	—	—	—	—	—
Purchases	1,822,388	2,641,247	1,308	1,489,967	1,615,298	7,570,208	—
Sales	(4,698,120)	(1,601,897)	(3,138)	(127,906)	(350,844)	(6,781,905)	—
Settlements	—	291,341	(883)	—	—	290,458	—
Net Realized Gains (Losses)	1,806,962	(33,943)	—	(2,035,726)	61,533	(201,174)	—
Net Unrealized Gains (Losses)	471,300	(496,416)	(44,466)	1,591,542	7,273	1,529,233	—
Change in Accounting Principle (3)	—	—	—	—	—	—	(7,615,340)
Change in Other Comprehensive Income	—	(13,280)	—	—	7,056	(6,224)	—
Balance, End of Period	<b>\$ 18,903,538</b>	<b>\$ 5,012,355</b>	<b>\$ —</b>	<b>\$ 4,048,281</b>	<b>\$ 3,472,794</b>	<b>\$ 31,436,968</b>	<b>\$ —</b>
Changes in Net Unrealized Gains (Losses) Included in Net Gains (Losses) from Investment Activities related to Level III Assets and Liabilities still held as of the Reporting Date	\$ 1,820,279	\$ (601,455)	\$ —	\$ (442,524)	\$ 26,992	\$ 803,292	\$ —

**Notes to Consolidated Financial Statements (Continued)**

**For the Year Ended December 31, 2014**

	Level III Assets						Level III Liabilities
	Private Equity	Credit	Investments of Consolidated CFEs	Real Assets	Other	Total Level III Assets	Debt Obligations of Consolidated CFEs
Balance, Beg. of Period	\$ 29,646,471	\$ 1,944,464	\$ —	\$ 2,736,708	\$ 348,486	\$ 34,676,129	\$ —
Transfers In (1)	—	614,289	—	—	54,397	668,686	—
Transfers Out (2)	(7,081,883)	(149,860)	—	—	(202,010)	(7,433,753)	—
Acquisitions	82,986	405,720	97,996	35,192	606,914	1,228,808	6,814,217
Purchases	6,341,501	2,360,565	4,884	1,163,161	1,497,251	11,367,362	2,463,639
Sales	(5,767,506)	(991,408)	(15,907)	(482,485)	(152,406)	(7,409,712)	(1,435,708)
Settlements	—	194,997	6,691	—	(2,054)	199,634	3,988
Net Realized Gains (Losses)	2,312,973	(3,643)	—	217,004	5,200	2,531,534	—
Net Unrealized Gains (Losses)	741,479	(156,221)	(1,169)	(539,176)	(22,777)	22,136	(23,840)
Change in Other Comprehensive Income	—	(26,201)	—	—	—	(26,201)	(206,956)
Balance, End of Period	<u>\$ 26,276,021</u>	<u>\$ 4,192,702</u>	<u>\$ 92,495</u>	<u>\$ 3,130,404</u>	<u>\$ 2,133,001</u>	<u>\$ 35,824,623</u>	<u>\$ 7,615,340</u>
Changes in Net Unrealized Gains (Losses) Included in Net Gains (Losses) from Investment Activities related to Level III Assets and Liabilities still held as of the Reporting Date	<u>\$ 3,200,086</u>	<u>\$ (127,323)</u>	<u>\$ (1,786)</u>	<u>\$ (543,891)</u>	<u>\$ (18,036)</u>	<u>\$ 2,509,050</u>	<u>\$ (23,840)</u>

- (1) The Transfers In noted in the tables above for credit, investments of consolidated CFEs and other investments are principally attributable to certain investments that experienced an insignificant level of market activity during the period and thus were valued in the absence of observable inputs.
- (2) The Transfers Out noted in the tables above for private equity investments are attributable to portfolio companies that are now valued using their publicly traded market price. The Transfers Out noted above for credit, investments of consolidated CFEs and other investments are principally attributable to certain investments that experienced a higher level of market activity during the period and thus were valued using observable inputs.
- (3) Upon adoption of ASU 2014-13, the debt obligations of consolidated CLOs are no longer Level III financial liabilities under the GAAP fair value hierarchy. As of December 31, 2015, the debt obligations of consolidated CLOs are measured on the basis of the fair value of the financial assets of the CLO and are classified as Level II financial liabilities. See Note 2 "Summary of Significant Accounting Policies".

Total realized and unrealized gains and losses recorded for Level III investments are reported in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. For private equity investments, there were three transfers for \$5,539.0 million for the year ended December 31, 2015 between Level I and Level II investments. There was one transfer for \$318.9 million between Level I and Level II for private equity investments during the year ended December 31, 2014. Transfers were attributable to portfolio companies that are now valued using their publicly traded market prices.

The following table presents additional information about valuation methodologies and significant unobservable inputs used for investments that are measured at fair value and categorized within Level III as of December 31, 2015 :

	Fair Value December 31, 2015	Valuation Methodologies	Unobservable Input(s) (1)	Weighted Average (2)	Range	Impact to Valuation from an Increase in Input (3)
<b>Private Equity Investments</b>	<b>\$ 18,903,538</b>					
<i>Retail</i>	\$ 3,583,195	Inputs to market comparable and discounted cash flow	Illiquidity Discount	8.2%	5.0% - 20.0%	Decrease
			Weight Ascribed to Market Comparables	49.9%	0% - 50.0%	(4)
			Weight Ascribed to Discounted Cash Flow	50.1%	50.0% - 100%	(5)
		Market comparables	Enterprise Value/LTM EBITDA Multiple	10.3x	5.6x - 13.6x	Increase
			Enterprise Value/Forward EBITDA Multiple	9.7x	5.5x - 13.2x	Increase
		Discounted cash flow	Weighted Average Cost of Capital	10.7%	9.1% - 24.7%	Decrease
			Enterprise Value/LTM EBITDA Exit Multiple	8.3x	6.0x - 10.0x	Increase



## Notes to Consolidated Financial Statements (Continued)

<b>Manufacturing</b>	\$	3,181,626	Inputs to market comparable, discounted cash flow and transaction cost	Illiquidity Discount	8.3%	5.0% - 15.0%	Decrease
				Weight Ascribed to Market Comparables	44.8%	33.3% - 50.0%	(4)
				Weight Ascribed to Discounted Cash Flow	53.6%	33.3% - 66.7%	(5)
				Weight Ascribed to Transaction Price	33.3%	33.3% - 33.3%	(6)
			Market comparables	Enterprise Value/LTM EBITDA Multiple	11.4x	8.0x - 16.5x	Increase
				Enterprise Value/Forward EBITDA Multiple	10.5x	7.8x - 12.9x	Increase
			Discounted cash flow	Control Premium	20.0%	20.0% - 20.0%	(7) Increase
				Weighted Average Cost of Capital	13.0%	10.0% - 20.1%	Decrease
			Enterprise Value/LTM EBITDA Exit Multiple	9.3x	7.0x - 10.5x	Increase	
<b>Technology</b>	\$	3,090,729	Inputs to market comparable, discounted cash flow and transaction cost	Illiquidity Discount	10.7%	5.0% - 15.0%	Decrease
				Weight Ascribed to Market Comparables	50.2%	0% - 100%	(4)
				Weight Ascribed to Discounted Cash Flow	45.4%	0% - 100%	(5)
				Weight Ascribed to Transaction Price	34.3%	25.0% - 100%	(6)
			Market comparables	Enterprise Value/LTM EBITDA Multiple	13.8x	6.0x - 18.0x	Increase
				Enterprise Value/Forward EBITDA Multiple	11.6x	5.1x - 15.4x	Increase
			Discounted cash flow	Weighted Average Cost of Capital	11.5%	7.2% - 31.3%	Decrease
				Enterprise Value/LTM EBITDA Exit Multiple	9.3x	5.5x - 11.0x	Increase
<b>Healthcare</b>	\$	2,276,992	Inputs to market comparable, discounted cash flow and transaction cost	Illiquidity Discount	8.9%	5.0% - 15.0%	Decrease
				Weight Ascribed to Market Comparables	38.2%	0% - 50.0%	(4)
				Weight Ascribed to Discounted Cash Flow	61.8%	50.0% - 100%	(5)
				Weight Ascribed to Transaction Price			(6)
			Market comparables	Enterprise Value/LTM EBITDA Multiple	10.7x	10.4x - 11.9x	Increase
				Enterprise Value/Forward EBITDA Multiple	10.2x	10.0x - 10.8x	Increase
			Discounted cash flow	Weighted Average Cost of Capital	10.2%	8.6% - 11.8%	Decrease
				Enterprise Value/LTM EBITDA Exit Multiple	8.6x	7.5x - 10.0x	Increase
<b>Other</b>	\$	6,770,996	Inputs to market comparable, discounted cash flow and transaction cost	Illiquidity Discount	11.8%	5.0% - 20.0%	Decrease
				Weight Ascribed to Market Comparables	45.3%	0% - 50.0%	(4)
				Weight Ascribed to Discounted Cash Flow	50.9%	12.5% - 100%	(5)
				Weight Ascribed to Transaction Price	56.1%	33.3% - 75.0%	(6)
			Market comparables	Enterprise Value/LTM EBITDA Multiple	12.4x	5.9x - 33.1x	Increase
				Enterprise Value/Forward EBITDA Multiple	10.5x	5.5x - 17.8x	Increase
			Discounted cash flow	Control Premium	15.7%	10.0% - 20.0%	(7) Increase
				Weighted Average Cost of Capital	11.5%	7.4% - 20.0%	Decrease
			Enterprise Value/LTM EBITDA Exit Multiple	10.1x	6.0x - 12.0x	Increase	
<b>Real Assets</b>							
<b>\$ 4,048,281</b>							
<b>Energy</b>	\$	1,221,243	Discounted cash flow	Weighted Average Cost of Capital	11.1%	8.1% - 17.0%	Decrease
				Average Price Per BOE (10)	\$34.37	\$24.39- \$41.70	Increase
<b>Infrastructure</b>	\$	1,657,950	Discounted cash flow	Weighted Average Cost of Capital	7.6%	5.4% - 9.8%	Decrease
				Enterprise Value/LTM EBITDA Exit Multiple	10.4x	7.8x - 15.0x	Increase
<b>Real Estate</b>	\$	1,169,088	Inputs to direct income capitalization and discounted cash flow	Weight Ascribed to Direct Income Capitalization	40.4%	0% - 100%	(9)
				Weight Ascribed to Discounted Cash Flow	59.6%	0% - 100%	(5)
			Direct Income Capitalization	Current Capitalization Rate	6.6%	5.1% - 10.9%	Decrease
			Discounted cash flow	Unlevered Discount Rate	10.9%	6.8% - 20.0%	Decrease
<b>Credit</b>	\$	5,012,355	(8) Yield Analysis	Yield	9.4%	5.5% - 30.3%	Decrease
				Net Leverage	4.6x	0.5x - 18.3x	Decrease



## Notes to Consolidated Financial Statements (Continued)

In the table above, Other Investments, within private equity investments, represents the following industries: Financial Services, Consumer Products, Education, Energy, Forestry, Media, Services, Telecommunications, Transportation, Hotels/Leisure, Packaging, Agriculture and Recycling. None of these industries represents more than 10% of total Level III private equity investments as of December 31, 2015 .

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- (1) In determining certain of these inputs, management evaluates a variety of factors including economic conditions, industry and market developments, market valuations of comparable companies and company specific developments including exit strategies and realization opportunities. Management has determined that market participants would take these inputs into account when valuing the investments. LTM means Last Twelve Months and EBITDA means Earnings Before Interest Taxes Depreciation and Amortization.
  - (2) Inputs were weighted based on the fair value of the investments included in the range.
  - (3) Unless otherwise noted, this column represents the directional change in the fair value of the Level III investments that would result from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect. Significant increases and decreases in these inputs in isolation could result in significantly higher or lower fair value measurements.
  - (4) The directional change from an increase in the weight ascribed to the market comparables approach would increase the fair value of the Level III investments if the market comparables approach results in a higher valuation than the discounted cash flow approach and transaction price. The opposite would be true if the market comparables approach results in a lower valuation than the discounted cash flow approach and transaction price.
  - (5) The directional change from an increase in the weight ascribed to the discounted cash flow approach would increase the fair value of the Level III investments if the discounted cash flow approach results in a higher valuation than the market comparables approach, transaction price and direct income capitalization approach. The opposite would be true if the discounted cash flow approach results in a lower valuation than the market comparables approach and transaction price.
  - (6) The directional change from an increase in the weight ascribed to the transaction price would increase the fair value of the Level III investments if the transaction price results in a higher valuation than the market comparables and discounted cash flow approach. The opposite would be true if the transaction price results in a lower valuation than the market comparables approach and discounted cash flow approach.
  - (7) Level III private equity investments whose valuations include a control premium represent less than 10% of total Level III private equity investments. The valuations for the remaining investments do not include a control premium.
  - (8) Amounts include \$546.4 million of investments that were valued using dealer quotes or third party valuation firms.
  - (9) The directional change from an increase in the weight ascribed to the direct income capitalization approach would increase the fair value of the Level III investments if the direct income capitalization approach results in a higher valuation than the discounted cash flow approach. The opposite would be true if the direct income capitalization approach results in a lower valuation than the discounted cash flow approach.
  - (10) The total Energy fair value amount includes multiple investments (in multiple locations throughout North America) that are held in multiple investment funds and produce varying quantities of oil, condensate, natural gas liquids, and natural gas. Commodity price may be measured using a common volumetric equivalent where one barrel of oil equivalent, or BOE, is determined using the ratio of six thousand cubic feet of natural gas to one barrel of oil, condensate or natural gas liquids. The price per BOE is provided to show the aggregate of all price inputs for the various investments over a common volumetric equivalent although the valuations for specific investments may use price inputs specific to the asset for purposes of our valuations. The discounted cash flows include forecasted production of liquids (oil, condensate, and natural gas liquids) and natural gas with a forecasted revenue ratio of approximately 68% liquids and 32% natural gas.

In the table above, certain private equity investments may be valued at cost for a period of time after an acquisition as the best indicator of fair value. In addition, certain valuations of private equity investments may be entirely or partially derived by reference to observable valuation measures for a pending or consummated transaction.

The table above excludes Other Investments in the amount of \$3.5 billion comprised primarily of privately-held equity and equity-like securities (e.g. warrants) in companies that are neither private equity, real assets nor credit investments. These investments were valued using Level III valuation methodologies that are generally the same as those shown for private equity investments.

The various unobservable inputs used to determine the Level III valuations may have similar or diverging impacts on valuation. Significant increases and decreases in these inputs in isolation and interrelationships between those inputs could result in significantly higher or lower fair value measurements as noted in the table above.

Notes to Consolidated Financial Statements (Continued)

6. NET INCOME (LOSS) ATTRIBUTABLE TO KKR & CO. L.P. PER COMMON UNIT

For the years ended December 31, 2015, 2014, and 2013, basic and diluted Net Income (Loss) attributable to KKR & Co. L.P. per common unit were calculated as follows:

	For the Years Ended December 31,		
	2015	2014	2013
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P.</b>	<b>\$ 488,482</b>	<b>\$ 477,611</b>	<b>\$ 691,226</b>
<i>Basic Net Income (Loss) Per Common Unit</i>			
Weighted Average Common Units Outstanding - Basic	448,884,185	381,092,394	274,910,628
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P. Per Common Unit - Basic</b>	<b>\$ 1.09</b>	<b>\$ 1.25</b>	<b>\$ 2.51</b>
<i>Diluted Net Income (Loss) Per Common Unit</i>			
Weighted Average Common Units Outstanding - Basic	448,884,185	381,092,394	274,910,628
Weighted Average Unvested Common Units and Other Exchangeable Securities	33,815,009	30,956,881	25,343,462
Weighted Average Common Units Outstanding - Diluted	482,699,194	412,049,275	300,254,090
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P. Per Common Unit - Diluted</b>	<b>\$ 1.01</b>	<b>\$ 1.16</b>	<b>\$ 2.30</b>

Weighted Average Common Units Outstanding—Diluted primarily includes unvested equity awards that have been granted under the Equity Incentive Plan as well as exchangeable equity securities issued in connection with the acquisition of Avoca. Vesting or exchanges of these equity interests dilute KKR and KKR Holdings pro rata in accordance with their respective ownership interests in the KKR Group Partnerships.

	For the Years Ended December 31,		
	2015	2014	2013
Weighted Average KKR Holdings Units Outstanding	368,399,872	388,198,713	414,581,851

For the years ended December 31, 2015, 2014 and 2013, KKR Holdings units have been excluded from the calculation of Net Income (Loss) attributable to KKR & Co. L.P. per common unit - diluted since the exchange of these units would not dilute KKR's respective ownership interests in the KKR Group Partnerships.

**Notes to Consolidated Financial Statements (Continued)**

**7. OTHER ASSETS AND ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES**

Other Assets consist of the following:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Foreign Exchange Contracts and Options (a)	\$ 635,183	\$ 517,088
Interest, Dividend and Notes Receivable (b)	372,699	594,288
Due from Broker (c)	365,678	561,554
Oil & Gas Assets, net (d)	355,537	460,658
Deferred Tax Assets, net	275,391	237,982
Fixed Assets, net (e)	226,340	76,247
Intangible Assets, net (f)	176,987	209,202
Goodwill (f)	89,000	89,000
Deferred Financing Costs	80,645	46,058
Receivables	78,297	55,876
Unsettled Investment Sales (g)	74,862	176,622
Deferred Transaction Related Expenses	35,422	14,981
Prepaid Taxes	24,326	31,267
Prepaid Expenses	13,697	8,812
Derivative Assets	5,703	11,897
Other	14,790	72,685
<b>Total</b>	<b>\$ 2,824,557</b>	<b>\$ 3,164,217</b>

- (a) Represents derivative financial instruments used to manage foreign exchange risk arising from certain foreign denominated investments. Such instruments are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. The cost bases for these instruments at December 31, 2015 and 2014 was \$27,191 and \$2,332, respectively. See Note 3 "Net Gains (Losses) from Investment Activities" for the net changes in fair value associated with these instruments.
- (b) Represents interest and dividend receivables and promissory notes due from third parties. The promissory notes bear interest at rates ranging from 2.0% - 3.0% per annum and mature between 2016 and 2018.
- (c) Represents amounts held at clearing brokers resulting from securities transactions.
- (d) Includes proved and unproved oil and natural gas properties under the successful efforts method of accounting, which is net of impairment write-downs, accumulated depreciation, depletion and amortization. Depreciation, depletion and amortization amounted to \$69.6 million and \$86.2 million for the years ended December 31, 2015 and 2014, respectively. Whenever events or changes in circumstances indicate that the carrying amounts of such oil and natural gas properties may not be recoverable, KKR evaluates its proved and unproved oil and natural gas properties and related equipment and facilities for impairment on a field-by-field basis. For the years ended December 31, 2015 and 2014, KKR recorded impairment charges totaling approximately \$54.0 million and \$220.1 million, respectively, to write down certain of its oil and natural gas properties. The impairment charge is recorded in General, Administrative and Other in the consolidated statements of operations.
- (e) Net of accumulated depreciation and amortization of \$135,487 and \$122,908 as of December 31, 2015 and 2014, respectively. Depreciation and amortization expense of \$15,418, \$15,923 and \$14,714 for the years ended December 31, 2015, 2014 and 2013, respectively, is included in General, Administrative and Other in the accompanying consolidated statements of operations.
- (f) See Note 16 "Goodwill and Intangible Assets."
- (g) Represents amounts due from third parties for investments sold for which cash settlement has not occurred.

**Notes to Consolidated Financial Statements (Continued)**

Accounts Payable, Accrued Expenses and Other Liabilities consist of the following:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Amounts Payable to Carry Pool (a)	\$ 1,199,000	\$ 1,100,943
Unsettled Investment Purchases (b)	594,152	891,649
Securities Sold Short (c)	299,990	633,132
Accounts Payable and Accrued Expenses	112,007	119,491
Interest Payable	102,195	61,643
Foreign Exchange Contracts and Options (d)	83,748	71,956
Derivative Liabilities	104,518	75,150
Contingent Consideration Obligation (e)	46,600	40,600
Income Taxes Payable	8,770	6,362
Due to Broker (f)	27,121	72,509
Deferred Rent and Income	21,706	26,894
Accrued Compensation and Benefits	17,765	17,799
Other Liabilities	97,778	81,224
<b>Total</b>	<b>\$ 2,715,350</b>	<b>\$ 3,199,352</b>

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- (a) Represents the amount of carried interest payable to principals, professionals and other individuals with respect to KKR's active funds and co-investment vehicles that provide for carried interest.
  - (b) Represents amounts owed to third parties for investment purchases for which cash settlement has not occurred.
  - (c) Represents the obligations of KKR to deliver a specified security at a future point in time. Such securities are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. See Note 3 "Net Gains (Losses) from Investment Activities" for the net changes in fair value associated with these instruments. The cost bases for these instruments at December 31, 2015 and 2014 were \$298,838 and \$628,071, respectively.
  - (d) Represents derivative financial instruments used to manage foreign exchange risk arising from certain foreign denominated investments. Such instruments are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. The cost bases for these instruments at December 31, 2015 and 2014 was \$6,038 and \$0, respectively. See Note 3 "Net Gains (Losses) from Investment Activities" for the net changes in fair value associated with these instruments.
  - (e) Represents the fair value of the contingent consideration related to the acquisition of Prisma. During the year ended December 31, 2014, a portion of the obligation recorded as of June 30, 2014 was settled for \$123.6 million. Of this amount, approximately \$84.1 million was settled with the issuance of 3.7 million KKR & Co. L.P. common units.
  - (f) Represents amounts owed for securities transactions initiated at clearing brokers.

**8. VARIABLE INTEREST ENTITIES***Consolidated VIEs*

KKR consolidates certain VIEs in which it is determined that KKR is the primary beneficiary, which predominately are CFEs. In developing its conclusion that it is the primary beneficiary of these CFEs, KKR determined that it has more than an insignificant variable interest in these CFEs by virtue of its residual interest in these CFEs and, in certain cases, the presence of an incentive fee. These two variable interests were determined to expose KKR to a more than insignificant amount of these CFEs' variability relative to its anticipated economic performance. In addition, KKR has the power to direct the activities that most significantly impact the economic performance of the entities. In each case, KKR's variable interests represent an obligation to absorb losses of or a right to receive benefits from the entity that could potentially be significant to the entity. In consideration of these factors, KKR concluded that it was the primary beneficiary of these CFEs for consolidation accounting purposes. The primary purpose of these CFEs is to provide investment opportunities with the objective of generating current income for these CFE investors. The investment strategies of these CFEs are similar and the fundamental risks of these CFEs have similar characteristics, which include loss of invested capital and loss of management fees and/or incentive based fees in certain cases. KKR does not provide performance guarantees and has no other financial obligation to provide funding to these consolidated CFEs.

*Unconsolidated VIEs*

KKR holds variable interests in certain VIEs which are not consolidated as it is determined that KKR is not the primary beneficiary. VIEs that are not consolidated include (i) certain investment funds sponsored by KKR where the equity at risk to KKR is not considered substantive and (ii) certain CLO vehicles where KKR does not hold a variable interest that exposes KKR to a more than insignificant amount of the CLO vehicle's variability.

*Investments in Unconsolidated Investment Funds*

KKR's investment strategies differ by investment fund; however, the fundamental risks have similar characteristics, including loss of invested capital and loss of management fees and carried interests. KKR's maximum exposure to loss as a result of its investments in the unconsolidated investment funds is the carrying value of such investments, which was \$262.7 million at December 31, 2015. Accordingly disaggregation of KKR's involvement by type of unconsolidated investment fund would not provide more useful information. For these unconsolidated investment funds in which KKR is the sponsor, KKR may have an obligation as general partner to provide commitments to such investment funds. As of December 31, 2015, KKR's commitments to these unconsolidated investment funds was \$10.0 million. KKR has not provided any financial support other than its obligated amount as of December 31, 2015.

*Investments in Unconsolidated CLO Vehicles*

KKR provides collateral management services for, and has made nominal investments in, certain CLO vehicles that it does not consolidate. KKR's investments in the unconsolidated CLO vehicles, if any, are carried at fair value in the consolidated statements of financial condition. KKR earns management fees, including subordinated collateral management fees, for managing the collateral of the CLO vehicles. At December 31, 2015, combined assets under management in the pools of unconsolidated CLO vehicles were \$1.4 billion. KKR's maximum exposure to loss as a result of its investments in the residual interests of unconsolidated CLO vehicles is the carrying value of such investments, which was \$1.6 million at December 31, 2015. CLO investors in the CLO vehicles may only use the assets of the CLO to settle the debt of the related CLO, and otherwise have no recourse against KKR for any losses sustained in the CLO structures.

As of December 31, 2015 and 2014, the maximum exposure to loss, before allocations to the carry pool, if any, for those VIEs in which KKR is determined not to be the primary beneficiary but in which it has a variable interest is as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Investments	\$ 264,277	\$ 375,061
Due from Affiliates, net	4,315	3,478
<b>Maximum Exposure to Loss</b>	<b>\$ 268,592</b>	<b>\$ 378,539</b>

**Notes to Consolidated Financial Statements (Continued)**

**9. DEBT OBLIGATIONS**

KKR borrows and enters into credit agreements and issues debt for its general operating and investment purposes and certain of its investment funds borrow to meet financing needs of their operating and investing activities. In connection with the acquisition of KFN on April 30, 2014, KKR consolidates and reports KFN's debt obligations which are non-recourse to KKR beyond the assets of KFN.

Fund financing facilities have been established for the benefit of certain KKR investment funds. When a KKR investment fund borrows from the facility in which it participates, the proceeds from the borrowings are strictly limited for their intended use by the borrowing investment fund. KKR's obligations with respect to these financing arrangements are generally limited to KKR's pro-rata equity interest in such funds.

In addition, consolidated CFE vehicles issue debt securities to third party investors which are collateralized by assets held by the CFE vehicle. KKR bears no obligation with respect to financing arrangements at KKR's consolidated CFEs. Debt securities issued by CFEs are supported solely by the assets held at the CFEs and are not collateralized by assets of any other KKR entity.

KKR's borrowings consisted of the following:

	December 31,					
	2015			2014		
	Financing Available	Borrowing Outstanding	Fair Value	Financing Available	Borrowing Outstanding	Fair Value
<b>Revolving Credit Facilities:</b>						
Corporate Credit Agreement	\$ 1,000,000	\$ —	\$ —	\$ 1,000,000	\$ —	\$ —
KCM Credit Agreement	500,000	—	—	473,000	27,000	27,000 (j)
<b>Notes Issued:</b>						
KKR Issued 6.375% Notes Due 2020 (a)	—	499,012	578,510 (k)	—	498,804	583,692 (k)
KKR Issued 5.500% Notes Due 2043 (b)	—	494,836	517,880 (k)	—	494,644	566,250 (k)
KKR Issued 5.125% Notes Due 2044 (c)	—	998,589	994,960 (k)	—	493,214	539,797 (k)
KFN Issued 8.375% Notes Due 2041 (d)	—	289,660	273,965 (l)	—	290,861	287,359 (l)
KFN Issued 7.500% Notes Due 2042 (e)	—	123,346	120,425 (l)	—	123,663	125,856 (l)
KFN Issued Junior Subordinated Notes (f)	—	248,498	216,757	—	246,907	228,087
<b>Other Consolidated Debt Obligations:</b>						
Fund Financing Facilities (g)	3,465,238	3,710,854	3,710,854 (m)	2,150,819	1,047,351	1,047,351 (m)
CLO Debt Obligations (h)	—	8,093,141	8,093,141	—	7,615,340	7,615,340
CMBS Debt Obligations (i)	—	4,272,081	4,272,081	—	—	—
	<u>\$ 4,965,238</u>	<u>\$ 18,730,017</u>	<u>\$ 18,778,573</u>	<u>\$ 3,623,819</u>	<u>\$ 10,837,784</u>	<u>\$ 11,020,732</u>

- (a) \$500 million aggregate principal amount of 6.375% senior notes of KKR due 2020.
- (b) \$500 million aggregate principal amount of 5.500% senior notes of KKR due 2043.
- (c) \$1.0 billion aggregate principal amount of 5.125% senior notes of KKR due 2044.
- (d) KKR consolidates KFN and thus reports KFN's outstanding \$259 million aggregate principal amount of 8.375% senior notes due 2041.
- (e) KKR consolidates KFN and thus reports KFN's outstanding \$115 million aggregate principal amount of 7.500% senior notes due 2042.
- (f) KKR consolidates KFN and thus reports KFN's outstanding \$284 million aggregate principal amount of junior subordinated notes. The weighted average interest rate is 5.4% and the weighted average years to maturity is 21.0 years as of December 31, 2015. These debt obligations are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.
- (g) Certain of KKR's investment funds have entered into financing arrangements with major financial institutions, generally to enable such investment funds to make investments prior to or without receiving capital from fund limited partners. The weighted average interest rate is 2.3% and 2.9% as of December 31, 2015 and 2014, respectively. In addition, the weighted average years to maturity is 2.5 years and 2.9 years as of December 31, 2015 and 2014, respectively.
- (h) CLO debt obligations are carried at fair value and are classified as Level II within the fair value hierarchy. See Note 5 "Fair Value Measurements."
- (i) CMBS debt obligations are carried at fair value and are classified as Level II within the fair value hierarchy. See Note 5 "Fair Value Measurements."
- (j) Carrying value approximates fair value given the credit facility's interest rate is variable.



## Notes to Consolidated Financial Statements (Continued)

- (k) The notes are classified as Level II within the fair value hierarchy and fair value is determined by third party broker quotes.
- (l) The notes are classified as Level I within the fair value hierarchy and fair value is determined by quoted prices in active markets since the debt is publicly listed.
- (m) Carrying value approximates fair value given the fund financing facilities' interest rates are variable.

### Revolving Credit Facilities

#### *Corporate Credit Agreement*

On October 22, 2014, Kohlberg Kravis Roberts & Co. L.P. and the KKR Group Partnerships, as borrowers, entered into a credit agreement with certain lending institutions and HSBC Bank USA, National Association, as Administrative Agent (the "Corporate Credit Agreement"). The Corporate Credit Agreement provides the borrowers with a senior unsecured multicurrency revolving credit facility in an aggregate principal amount of \$1.0 billion, as of the closing date, with the option to request an increase in the facility amount of up to an additional \$250 million, for an aggregate principal amount of \$1.25 billion, subject to certain conditions, including obtaining new or increased commitments from new or existing lenders. The credit facility is a five-year facility, scheduled to mature on October 22, 2019, with the borrowers' option to extend the maturity date, subject to the consent of the applicable lenders, and the borrowers may prepay, terminate or reduce the commitments under the credit facility at any time without penalty. Interest on borrowings under the credit facility are based on either London Interbank Offered Rate (LIBOR) or Alternate Base Rate, with the applicable margin (per annum in excess of LIBOR or the Alternate Base Rate) based on a corporate ratings-based pricing grid ranging from 69 basis points to 120 basis points (for LIBOR borrowings). Borrowings under the credit facility are guaranteed by KKR & Co. L.P. and any other entity (other than the borrowers) that guarantees the 2020 Senior Notes, 2043 Senior Notes or the 2044 Senior Notes. The Corporate Credit Agreement replaces a credit agreement dated February 26, 2008, which was terminated on October 22, 2014. For the years ended December 31, 2015 and 2014, no amounts were borrowed under the credit facility, except for a letter of credit of \$15.0 million.

#### *KCM Credit Agreement*

On February 27, 2008, KKR Capital Markets entered into a revolving credit agreement with a major financial institution (the "KCM Credit Agreement") for use in KKR's capital markets business. This financial institution also holds an ownership interest in our capital markets business. The KCM Credit Agreement, as amended, provides for revolving borrowings of up to \$500 million with a \$500 million sublimit for letters of credit.

On March 30, 2012, an agreement was made to extend the maturity of the KCM Credit Agreement from February 27, 2013 to March 30, 2017. In addition to extending the term, certain other terms of the KCM Credit Agreement were renegotiated including a reduction of the cost of funding on amounts drawn and a reduced commitment fee. If a borrowing is made on the KCM Credit Agreement, the interest rate will vary depending on the type of drawdown requested. If the loan is a Eurocurrency Loan, it will be based on the LIBOR Rate plus the applicable margin which ranges initially between 1.25% and 2.50%, depending on the amount and nature of the loan. If the loan is an ABR Loan, it will be based on the Prime Rate plus the applicable margin which ranges initially between 0.25% and 1.50% depending on the amount and nature of the loan. Borrowings under this facility may only be used for KKR's capital markets business, and its only obligors are entities involved in our capital markets business, and its liabilities are non-recourse to other parts of KKR's business.

For the year ended December 31, 2015, a total of \$97 million was borrowed under the KCM Credit Agreement. Repayments under the KCM Credit Agreement were \$124 million for the year ended December 31, 2015. For the year ended December 31, 2014, \$751.0 million was borrowed and \$724.0 million was repaid under the credit facility.

### Notes Issued

#### *KKR Issued 6.375% Notes Due 2020*

On September 29, 2010, KKR Group Finance Co. LLC, a subsidiary of KKR Management Holdings Corp., issued \$500 million aggregate principal amount of 6.375% Senior Notes (the "2020 Senior Notes"), which were issued at a price of 99.584%. The 2020 Senior Notes are unsecured and unsubordinated obligations of KKR Group Finance Co. LLC and will mature on September 29, 2020, unless earlier redeemed or repurchased. The 2020 Senior Notes are fully and unconditionally guaranteed, jointly and severally, by KKR & Co. L.P. and the KKR Group Partnerships. The guarantees are unsecured and unsubordinated obligations of the guarantors.

The 2020 Senior Notes bear interest at a rate of 6.375% per annum, accruing from September 29, 2010. Interest is payable semi-annually in arrears on March 29 and September 29 of each year.

## Notes to Consolidated Financial Statements (Continued)

The indenture, as supplemented by a first supplemental indenture, relating to the 2020 Senior Notes includes covenants, including limitations on KKR Group Finance Co. LLC and the guarantors' ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The indenture, as supplemented, also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding 2020 Senior Notes may declare the 2020 Senior Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the 2020 Senior Notes and any accrued and unpaid interest on the 2020 Senior Notes automatically becomes due and payable. All or a portion of the 2020 Senior Notes may be redeemed at the issuer's option in whole or in part, at any time, and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the 2020 Senior Notes. If a change of control repurchase event occurs, the 2020 Senior Notes are subject to repurchase by the issuer at a repurchase price in cash equal to 101% of the aggregate principal amount of the 2020 Senior Notes repurchased plus any accrued and unpaid interest on the 2020 Senior Notes repurchased to, but not including, the date of repurchase.

### *KKR Issued 5.500% Notes Due 2043*

On February 1, 2013, KKR Group Finance Co. II LLC, a subsidiary of KKR Management Holdings Corp., issued \$500 million aggregate principal amount of 5.50% Senior Notes (the "2043 Senior Notes"), which were issued at a price of 98.856%. The 2043 Senior Notes are unsecured and unsubordinated obligations of KKR Group Finance Co. II LLC and will mature on February 1, 2043, unless earlier redeemed or repurchased. The 2043 Senior Notes are fully and unconditionally guaranteed, jointly and severally, by KKR & Co. L.P. and the KKR Group Partnerships. The guarantees are unsecured and unsubordinated obligations of the guarantors.

The 2043 Senior Notes bear interest at a rate of 5.50% per annum, accruing from February 1, 2013. Interest is payable semi-annually in arrears on February 1 and August 1 of each year.

The indenture, as supplemented by a first supplemental indenture, relating to the 2043 Senior Notes includes covenants, including limitations on KKR Group Finance Co. II LLC and the guarantors' ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The indenture, as supplemented, also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding 2043 Senior Notes may declare the 2043 Senior Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the 2043 Senior Notes and any accrued and unpaid interest on the 2043 Senior Notes automatically becomes due and payable. All or a portion of the 2043 Senior Notes may be redeemed at the issuer's option in whole or in part, at any time, and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the 2043 Senior Notes. If a change of control repurchase event occurs, the 2043 Senior Notes are subject to repurchase by the issuer at a repurchase price in cash equal to 101% of the aggregate principal amount of the 2043 Senior Notes repurchased plus any accrued and unpaid interest on the 2043 Senior Notes repurchased to, but not including, the date of repurchase.

### *KKR Issued 5.125% Notes Due 2044*

On May 29, 2014, KKR Group Finance Co. III LLC, a subsidiary of KKR Management Holdings Corp., issued \$500 million aggregate principal amount of 5.125% Senior Notes due 2044 (the "2044 Senior Notes"), which were issued at a price of 98.612%. The 2044 Senior Notes are unsecured and unsubordinated obligations of the issuer and will mature on June 1, 2044, unless earlier redeemed or repurchased. The 2044 Senior Notes are fully and unconditionally guaranteed, jointly and severally, by KKR & Co. L.P. and the KKR Group Partnerships. The guarantees are unsecured and unsubordinated obligations of the guarantors.

The 2044 Senior Notes bear interest at a rate of 5.125% per annum, accruing from May 29, 2014. Interest is payable semi-annually in arrears on June 1 and December 1 of each year, commencing on December 1, 2014.

The indenture, as supplemented by a first supplemental indenture, relating to the 2044 Senior Notes includes covenants, including limitations on the issuer's and the guarantors' ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The indenture, as supplemented, also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding 2044 Senior Notes may declare the 2044 Senior Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the 2044 Senior Notes and any accrued and unpaid interest on the 2044 Senior Notes automatically becomes due and

## Notes to Consolidated Financial Statements (Continued)

payable. All or a portion of the 2044 Senior Notes may be redeemed at the issuer's option in whole or in part, at any time, and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the 2044 Senior Notes. If a change of control repurchase event occurs, the 2044 Senior Notes are subject to repurchase by the issuer at a repurchase price in cash equal to 101% of the aggregate principal amount of the 2044 Senior Notes repurchased plus any accrued and unpaid interest on the 2044 Senior Notes repurchased to, but not including, the date of repurchase.

On March 18, 2015, KKR Group Finance Co. III LLC, a subsidiary of KKR Management Holdings Corp., issued an additional \$500 million aggregate principal amount of its 2044 Notes, which were priced at 101.062%. The 2044 Notes issued in March 2015 form a single series with the 2044 Notes issued in May 2014, and the terms are identical to each other except for the issue date, issue price, the first payment date, June 1, 2015, and the date from which interest begins to accrue for the 2044 Notes issued in March 2015.

### *KFN Issued 8.375% Notes Due 2041*

On November 15, 2011, KFN issued \$258.8 million par amount of 8.375% Senior Notes ("KFN 2041 Senior Notes"), resulting in net proceeds to KFN of \$250.7 million. The notes trade under the ticker symbol "KFH" on the NYSE. Interest on the 8.375% Senior Notes is payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year. The KFN 2041 Senior Notes will mature on November 15, 2041 unless previously redeemed or repurchased in accordance with their terms prior to such date. KFN may redeem the KFN 2041 Senior Notes, in whole or in part, at any time on or after November 15, 2016 at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest to the redemption date. Upon a change of control and reduction in the KFN 2041 Senior Notes' ratings to below investment grade by two nationally recognized statistical ratings organizations, as defined in the indenture, KFN will be required to make an offer to repurchase all outstanding KFN 2041 Senior Notes at a price in cash equal to 101% of the principal amount of the notes, plus accrued and unpaid interest to, but not including, the repurchase date. The KFN 2041 Senior Notes contain certain restrictions on KFN's ability to create liens over its equity interests in its subsidiaries and to merge, consolidate or sell all or substantially all of its assets. If an event of default with respect to the KFN 2041 Senior Notes occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the notes then outstanding may declare the principal of the notes to be due and payable immediately.

### *KFN Issued 7.500% Notes Due 2042*

On March 20, 2012, KFN issued \$115.0 million par amount of 7.500% Senior Notes ("KFN 2042 Senior Notes"), resulting in net proceeds to KFN of \$111.4 million. The notes trade under the ticker symbol "KFI" on the NYSE. Interest on the 7.500% Senior Notes is payable quarterly in arrears on June 20, September 20, December 20 and March 20 of each year. The KFN 2042 Senior Notes will mature on March 20, 2042 unless previously redeemed or repurchased in accordance with their terms prior to such date. KFN may redeem the KFN 2042 Senior Notes, in whole or in part, at any time on or after March 20, 2017 at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest to the redemption date. Upon a change of control and reduction in the KFN 2042 Senior Notes' ratings to below investment grade by two nationally recognized statistical ratings organizations, all terms as defined in the applicable indenture, KFN will be required to make an offer to repurchase all outstanding KFN 2042 Senior Notes at a price in cash equal to 101% of the principal amount of the notes, plus accrued and unpaid interest to, but not including, the repurchase date. The KFN 2042 Senior Notes contain certain restrictions on KFN's ability to create liens over its equity interests in its subsidiaries and to merge, consolidate or sell all or substantially all of its assets, subject to qualifications and limitations set forth in the applicable indenture. Otherwise, the Indenture does not contain any provisions that would limit KFN's ability to incur indebtedness. If an event of default with respect to the KFN 2042 Senior Notes occurs and is continuing, the trustee or the holders of at least 25% in aggregate principal amount of the notes then outstanding may declare the principal of the notes to be due and payable immediately.

### *KFN Issued Junior Subordinated Notes*

KFN has also established six 30-year trusts from 2006 through 2007 for the sole purpose of issuing trust preferred securities. These trusts issued preferred securities to unaffiliated investors and common securities to KFN. The combined proceeds were invested by the trusts in junior subordinated notes issued by KFN. The junior subordinated notes are the sole assets of trusts and mature between 2036 and 2037. Interest is payable quarterly and are fixed, floating or a combination among the six trusts.

## **Other Consolidated Debt Obligations**

### *Fund Financing Facilities*

Certain of KKR's investment funds have entered into financing arrangements with major financial institutions, generally in connection with the management of capital calls to fund limited partners to provide liquidity to such investment funds. These

## Notes to Consolidated Financial Statements (Continued)

financing arrangements are generally not direct obligations of the general partners of KKR's investment funds or its management companies. Such borrowings have varying maturities and bear interest at floating rates. Borrowings are generally secured by the investment purchased with the proceeds of the borrowing and/or the uncalled capital commitment of each respective fund. When an investment vehicle borrows, the proceeds are available only for use by that investment vehicle and are not available for the benefit of other investment vehicles or KKR. Collateral within each investment vehicle is also available only against borrowings by that investment vehicle and not against the borrowings of other investment vehicles or KKR. For the years ended December 31, 2015 and 2014, \$7.2 billion was borrowed and \$3.6 billion was repaid and \$2.4 billion was borrowed and \$2.2 billion was repaid, respectively.

### *Debt Obligations of Consolidated CFEs*

As of December 31, 2015, debt obligations of consolidated CFEs consisted of the following:

	<b>Borrowing Outstanding</b>	<b>Weighted Average Interest Rate</b>	<b>Weighted Average Remaining Maturity in Years</b>
Senior Secured Notes of Consolidated CLOs	\$ 7,802,665	2.2%	9.8
Debt Obligations of Consolidated CMBS Vehicles	4,272,081	3.4%	33.0
Subordinated Notes of Consolidated CLOs	290,476	(a)	8.9
	<b>\$ 12,365,222</b>		

(a) The subordinated notes do not have contractual interest rates but instead receive a pro rata amount of the net distributions from the excess cash flows of the respective CLO vehicle. Accordingly, weighted average borrowing rates for the subordinated notes are based on cash distributions during the period, if any.

Debt obligations of consolidated CFEs are collateralized by assets held by each respective CFE vehicle and assets of one CFE vehicle may not be used to satisfy the liabilities of another. As of December 31, 2015, the fair value of the consolidated CFE assets was \$13.8 billion. This collateral consisted of Cash and Cash Equivalents Held at Consolidated Entities, Investments, and Other Assets.

As part of KKR's borrowing arrangements, KKR is subject to certain financial and operating covenants. KKR was in compliance with all of its debt covenants as of December 31, 2015.

Scheduled principal payments for debt obligations at December 31, 2015 are as follows:

	<b>Revolving Credit Facilities</b>	<b>Notes Issued</b>	<b>Other Consolidated Debt Obligations</b>	<b>Total</b>
2016	\$ —	\$ —	\$ 1,512,122	\$ 1,512,122
2017 - 2018	—	—	1,594,913	1,594,913
2019 - 2020	—	500,000	892,839	1,392,839
2021 and Thereafter	—	2,157,250	12,156,682	14,313,932
	<b>\$ —</b>	<b>\$ 2,657,250</b>	<b>\$ 16,156,556</b>	<b>\$ 18,813,806</b>

Notes to Consolidated Financial Statements (Continued)

10. INCOME TAXES

The provision (benefit) for income taxes consists of the following:

	For the Years Ended December 31,		
	2015	2014	2013
<b>Current</b>			
Federal Income Tax	\$ 27,978	\$ 29,388	\$ 35,234
State and Local Income Tax	6,320	8,921	6,269
Foreign Income Tax	42,036	31,972	22,740
Subtotal	76,334	70,281	64,243
<b>Deferred</b>			
Federal Income Tax	(19,133)	(6,327)	(21,277)
State and Local Income Tax	8,264	344	(4,319)
Foreign Income Tax	1,171	(629)	(721)
Subtotal	(9,698)	(6,612)	(26,317)
<b>Total Income Taxes</b>	<b>\$ 66,636</b>	<b>\$ 63,669</b>	<b>\$ 37,926</b>

The following table reconciles the U.S. Federal Statutory Tax Rate to the Effective Income Tax Rate:

	For the Years Ended December 31,		
	2015	2014	2013
Statutory U.S. Federal Income Tax Rate	35.00 %	35.00 %	35.00 %
Income not attributable to KKR Management Holdings Corp. (a)	(36.04)%	(36.36)%	(35.84)%
Foreign Income Taxes	0.81 %	0.58 %	0.28 %
State and Local Income Taxes	0.21 %	0.13 %	0.00 %
Compensation Charges Borne by KKR Holdings	1.92 %	2.08 %	1.35 %
Change in Valuation Allowance	0.29 %	0.08 %	— %
Other	(0.94)%	(0.34)%	(0.31)%
<b>Effective Income Tax Rate</b>	<b>1.25 %</b>	<b>1.17 %</b>	<b>0.48 %</b>

(a) Represents primarily income attributable to (i) redeemable noncontrolling interests, (ii) noncontrolling interests and appropriated capital and (iii) investment income of certain entities and net carried interest of certain general partners of KKR investment funds that are not controlled and consolidated by KKR Management Holdings L.P.

**Notes to Consolidated Financial Statements (Continued)**

Deferred income taxes reflect the net tax effects of temporary differences that may exist between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using enacted tax rates in effect for the year in which the differences are expected to reverse. A summary of the tax effects of the temporary differences is as follows:

	As of December 31,	
	2015	2014
<b>Deferred Tax Assets</b>		
Fund Management Fees	\$ 76,017	\$ 74,775
Equity Based Compensation	32,193	27,373
KKR Holdings Unit Exchanges (a)	156,202	147,531
Depreciation and Amortization	34,128	30,571
Federal Foreign Tax Credit	25,041	6,389
Other	10,291	904
<b>Total Deferred Tax Assets before Valuation Allowance</b>	<b>333,872</b>	<b>287,543</b>
Valuation Allowance	(19,781)	(4,153)
<b>Total Deferred Tax Assets</b>	<b>314,091</b>	<b>283,390</b>
<b>Deferred Tax Liabilities</b>		
Investment Basis Differences / Net Unrealized Gains	38,700	45,408
<b>Total Deferred Tax Liabilities</b>	<b>38,700</b>	<b>45,408</b>
<b>Total Deferred Taxes, Net</b>	<b>\$ 275,391</b>	<b>\$ 237,982</b>

- (a) In connection with exchanges of KKR Holdings units into common units of KKR & Co. L.P., KKR records a deferred tax asset associated with an increase in KKR Management Holdings Corp.'s share of the tax basis of the tangible and intangible assets of KKR Management Holdings L.P. This amount was offset by an adjustment to record amounts due to KKR Holdings and principals under the tax receivable agreement, which is included within Due to Affiliates in the consolidated statements of financial condition. The net impact of these adjustments was recorded as an adjustment to equity at the time of the exchanges.

Future realization of the above deferred tax assets is dependent on KKR generating sufficient taxable income within the period of time that the tax benefits are expected to reverse. KKR considers projections of taxable income in evaluating its ability to utilize those deferred tax assets. In projecting its taxable income, KKR begins with historical results and incorporates assumptions concerning the amount and timing of future pretax operating income. Those assumptions require significant judgment and are consistent with the plans and estimates that KKR uses to manage its business. As of December 31, 2015, KKR had a federal foreign tax credit ("FTC") carryforward of \$25 million. The FTCs are related to taxes paid in foreign jurisdictions, which if not utilized, will begin to expire in 2024. KKR has determined that a portion of the FTC carryforward will not ultimately be realized due to federal limitations on FTC utilization. Therefore, KKR has established a valuation allowance of \$19.8 million as of December 31, 2015 against the deferred tax asset. For all other deferred tax assets, KKR has determined that it is more likely than not that they will be realized and that a valuation allowance is not needed as of December 31, 2015. In addition, because KKR has not recorded an operating loss since its inception, KKR has not recorded a deferred tax asset for any federal or state net operating tax loss carry forwards.

KKR files its tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, KKR is subject to examination by federal and certain state, local and foreign tax regulators. As of December 31, 2015, the federal, state and local tax returns of KKR and its predecessor entities for the years 2012 through 2014 are open under normal statute of limitations and are therefore subject to examination.

**Notes to Consolidated Financial Statements (Continued)**

At December 31, 2015, 2014 and 2013, KKR's unrecognized tax benefits, excluding related interest and penalties, were:

	<b>For the Years Ended December 31,</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Unrecognized Tax Benefits, beginning of period</b>	\$ 7,180	\$ 6,028	\$ 4,627
Gross increases in tax positions in prior periods	—	44	—
Gross decreases in tax positions in prior periods	(116)	—	(33)
Gross increases in tax positions in current period	15,959	1,369	2,741
Lapse of statute of limitations	(231)	(261)	(1,307)
<b>Unrecognized Tax Benefits, end of period</b>	<b>\$ 22,792</b>	<b>\$ 7,180</b>	<b>\$ 6,028</b>

If the above tax benefits were recognized it would reduce the annual effective income tax rate. KKR believes that there will not be a significant increase or decrease to the tax positions within 12 months of the reporting date.

The unrecognized tax benefits are recorded in Accounts Payable, Accrued Expenses and Other Liabilities. KKR recognizes interest and penalties accrued related to unrecognized tax positions in income taxes. For the years ended December 31, 2015, 2014 and 2013, interest and penalties included in KKR's tax provision were immaterial.

## 11. EQUITY BASED COMPENSATION

The following table summarizes the expense associated with equity based compensation for the years ended December 31, 2015, 2014 and 2013, respectively.

	Year Ended December 31,		
	2015	2014	2013
Equity Incentive Plan Units	\$ 186,346	\$ 158,927	\$ 114,709
Other Exchangeable Securities	16,119	22,464	—
KKR Holdings Principal Awards	6,726	29,838	88,641
KKR Holdings Restricted Equity Units	132	887	3,768
Discretionary Compensation	52,256	98,287	100,396
<b>Total</b>	<b>\$ 261,579</b>	<b>\$ 310,403</b>	<b>\$ 307,514</b>

*Equity Incentive Plan*

Under the Equity Incentive Plan, KKR is permitted to grant equity awards representing ownership interests in KKR & Co. L.P. common units. Vested awards under the Equity Incentive Plan dilute KKR & Co. L.P. common unitholders and KKR Holdings pro rata in accordance with their respective percentage interests in the KKR Group Partnerships.

The total number of common units that may be issued under the Equity Incentive Plan is equivalent to 15% of the number of fully diluted common units outstanding, subject to annual adjustment. Equity awards have been granted under the Equity Incentive Plan and are generally subject to service based vesting, typically over a three to five year period from the date of grant. In certain cases, these awards are subject to transfer restrictions and/or minimum retained ownership requirements. The transfer restriction period, if applicable, lasts for (i) one year with respect to one-half of the interests vesting on any vesting date and (ii) two years with respect to the other one-half of the interests vesting on such vesting date. While providing services to KKR, if applicable, certain of these recipients are also subject to minimum retained ownership rules requiring them to continuously hold common unit equivalents equal to at least 15% of their cumulatively vested interests.

Expense associated with the vesting of these awards is based on the closing price of the KKR & Co. L.P. common units on the date of grant, discounted for the lack of participation rights in the expected distributions on unvested units, which ranges from 8% to 56% (for awards granted prior to December 31, 2015) multiplied by the number of unvested units on the grant date. The grant date fair value of a KKR & Co. L.P. common unit reflects a discount for lack of distribution participation rights, because equity awards are not entitled to receive distributions while unvested. The discount range for awards granted prior to December 31, 2015 was based on management's estimates of future distributions that unvested equity awards will not be entitled to receive between the grant date and the vesting date. Therefore, units granted prior to December 31, 2015 that vest in earlier periods have a lower discount as compared to units that vest in later periods, which have a higher discount. The discount range will generally increase when the level of expected annual distributions increased relative to the grant date fair value of a KKR & Co. L.P. common unit. A decrease in expected annual distributions relative to the grant date fair value of a KKR & Co. L.P. common unit would generally have the opposite effect.

In connection with the change to KKR's distribution policy effective beginning with the distribution declared on February 11, 2016, KKR intends to make equal quarterly distributions to holders of its common units in an amount of \$0.16 per common unit per quarter (\$0.64 per year). Accordingly, for grants under the Equity Incentive Plan made subsequent to December 31, 2015, the discount for the lack of participation rights in the expected distributions on unvested units will be based on the \$0.64 expected annual distribution.

Expense is recognized on a straight line basis over the life of the award and assumes a forfeiture rate of up to 8% annually based upon expected turnover by class of recipient.



## Notes to Consolidated Financial Statements (Continued)

As of December 31, 2015, there was approximately \$225.3 million of estimated unrecognized expense related to unvested awards. That cost is expected to be recognized as follows:

Year	Unrecognized Expense (in millions)
2016	\$ 130.0
2017	76.0
2018	18.7
2019	0.6
<b>Total</b>	<b>\$ 225.3</b>

A summary of the status of unvested awards granted under the Equity Incentive Plan from January 1, 2015 through December 31, 2015 is presented below:

	Units	Weighted Average Grant Date Fair Value
Balance, January 1, 2015	20,488,737	\$ 12.33
Granted	16,104,931	16.98
Vested	(10,648,392)	13.85
Forfeited	(2,817,048)	14.44
Balance, December 31, 2015	<b>23,128,228</b>	<b>\$ 14.61</b>

The weighted average remaining vesting period over which unvested awards are expected to vest is 1.1 years.

A summary of the remaining vesting tranches of awards granted under the Equity Incentive Plan is presented below:

Vesting Date	Units
April 1, 2016	7,136,962
October 1, 2016	4,189,133
April 1, 2017	5,320,984
October 1, 2017	1,338,201
April 1, 2018	4,055,043
October 1, 2018	997,308
April 1, 2019	6,947
October 1, 2019	83,650
	<b>23,128,228</b>

Subsequent to December 31, 2015, approximately 13.3 million common units were issued under the Equity Incentive Plan with terms and conditions substantially the same as the units described above.

### Other Exchangeable Securities

In connection with the acquisition of Avoca, KKR issued 2,545,602 equity securities of a subsidiary of a KKR Group Partnership and of KKR & Co. L.P. both of which are exchangeable into common units of KKR & Co. L.P. on a one -for-one basis ("Other Exchangeable Securities"). Certain Other Exchangeable Securities are subject to time based vesting (generally over a three -year period from February 19, 2014) and are not exchangeable into common units until vested, and in certain cases are subject to minimum retained ownership requirements and transfer restrictions. Consistent with grants of KKR Holdings awards and grants made under the KKR Equity Incentive Plan, holders of Other Exchangeable Securities are not entitled to receive distributions while unvested.

The fair value of Other Exchangeable Securities is based on the closing price of KKR & Co. L.P. common units on the date of grant. KKR determined this to be the best evidence of fair value as a KKR & Co. L.P. common unit is traded in an active market and has an observable market price. Additionally, Other Exchangeable Securities are instruments with terms and

## Notes to Consolidated Financial Statements (Continued)

conditions similar to those of a KKR & Co. L.P. common unit. Specifically, these Other Exchangeable Securities are exchangeable into KKR & Co. L.P. common units on a one -for-one basis upon vesting.

Expense associated with the vesting of these Other Exchangeable Securities is based on the closing price of a KKR & Co. L.P. common unit on the date of grant, discounted for the lack of participation rights in the expected distributions on unvested Other Exchangeable Securities, which currently ranges from 8% to 56% (for awards granted prior to December 31, 2015) multiplied by the number of unvested Other Exchangeable Securities on the issuance date. The discount range was based on management's estimates of future distributions that unvested Other Exchangeable Securities will not be entitled to receive between the issuance date and the vesting date. Therefore, Other Exchangeable Securities granted prior to December 31, 2015 that vest in earlier periods have a lower discount as compared to Other Exchangeable Securities that vest in later periods, which have a higher discount. The discount range will generally increase when the level of expected annual distributions increases relative to the issuance date fair value of a KKR & Co. L.P. common unit. A decrease in expected annual distributions relative to the grant date fair value of a KKR & Co. L.P. common unit would generally have the opposite effect. No Other Exchangeable Securities are anticipated to be issued subsequent to December 31, 2015. Expense is recognized on a straight line basis over the life of the security and assumes a forfeiture rate of up to 8% annually based upon expected turnover by class of recipient.

As of December 31, 2015, there was approximately \$9.6 million of estimated unrecognized expense related to unvested Other Exchangeable Securities. That cost is expected to be recognized by October 1, 2016.

A summary of the status of unvested Other Exchangeable Securities from January 1, 2015 through December 31, 2015 is presented below:

	Units	Weighted Average Grant Date Fair Value
Balance, January 1, 2015	1,695,972	\$ 18.45
Granted	—	—
Vested	(847,983)	19.62
Forfeited	—	—
Balance, December 31, 2015	<b>847,989</b>	<b>\$ 17.28</b>

The weighted average remaining vesting period over which unvested Other Exchangeable Securities are expected to vest is less than one year and all units will vest on October 1, 2016.

### KKR Holdings—Principal Awards

Certain KKR employees and non-employee operating consultants and other service providers received grants of KKR Holdings units ("Principal Awards") which are exchangeable for KKR Group Partnership Units. These units are generally subject to minimum retained ownership requirements and allow for their exchange into common units of KKR & Co. L.P. on a one -for-one basis. As of December 31, 2015 and 2014, KKR Holdings owned approximately 44.1%, or 361,346,588 and 46.5%, or 377,196,749, respectively, of the outstanding KKR Group Partnership Units. Substantially all Principal Awards are fully vested as of October 1, 2015 and there is no material unrecognized expense with respect to them.

### KKR Holdings—Restricted Equity Units

Grants of restricted equity units based on KKR Group Partnership Units held by KKR Holdings were made to professionals, support staff, and other personnel ("Holdings REU Awards"). These grants are funded by KKR Holdings and do not dilute KKR's interests in the KKR Group Partnerships. Substantially all Holdings REU Awards were fully vested as of April 1, 2015 and there is no material unrecognized expense with respect to them.

### KKR Holdings - Market Condition Awards

In 2016, certain KKR employees and non-employee operating consultants received grants of approximately 28.9 million KKR Holdings units subject to price and service-based vesting requirements ("Market Condition Awards"). Tranches of these Market Condition Awards become eligible to vest periodically over a three year period beginning on January 1, 2018, upon satisfaction of a service-based vesting condition and also a price vesting condition based on the price of KKR common units reaching and maintaining certain specified price thresholds for a specified period of time. None of these Market Condition

## Notes to Consolidated Financial Statements (Continued)

Awards are eligible to vest prior to January 1, 2018 and if applicable price targets are not achieved by the close of business on January 1, 2021, any unvested Market Condition Awards will be automatically canceled and forfeited. These Market Condition Awards are not subject to additional transfer restrictions after vesting but are subject to minimum retained ownership requirements.

The Market Condition Awards are outstanding but previously unallocated units, and consequently these grants will not increase the number of KKR Holdings units outstanding and if and when vested and exchanged, these Incentive Awards would not dilute KKR's respective ownership interests in the KKR Group Partnerships.

### **Discretionary Compensation**

All KKR employees and certain employees of certain consolidated entities are eligible to receive discretionary cash bonuses. While cash bonuses paid to most employees are borne by KKR and certain consolidated entities and result in customary compensation and benefits expense, cash bonuses that are paid to certain principals are currently borne by KKR Holdings. These bonuses are funded with distributions that KKR Holdings receives on KKR Group Partnership Units held by KKR Holdings but are not then passed on to holders of unvested units of KKR Holdings. Because principals are not entitled to receive distributions on units that are unvested, any amounts allocated to principals in excess of a principal's vested equity interests are reflected as employee compensation and benefits expense. These compensation charges are recorded based on the unvested portion of quarterly earnings distributions received by KKR Holdings at the time of the distribution.

## 12. RELATED PARTY TRANSACTIONS

## Due from Affiliates consists of:

	December 31, 2015	December 31, 2014
Amounts due from portfolio companies	\$ 46,716	\$ 64,989
Amounts due from unconsolidated investment funds	74,409	47,229
Amounts due from related entities	18,658	34,838
<b>Due from Affiliates</b>	<b>\$ 139,783</b>	<b>\$ 147,056</b>

## Due to Affiliates consists of:

	December 31, 2015	December 31, 2014
Amounts due to KKR Holdings in connection with the tax receivable agreement	\$ 127,962	\$ 121,803
Amounts due to related entities	16,845	9,745
<b>Due to Affiliates</b>	<b>\$ 144,807</b>	<b>\$ 131,548</b>

*Tax Receivable Agreement*

KKR and certain intermediate holding companies that are taxable corporations for U.S. federal, state and local income tax purposes, may be required to acquire KKR Group Partnership Units from time to time pursuant to the exchange agreement with KKR Holdings. KKR Management Holdings L.P. made an election under Section 754 of the Internal Revenue Code that will remain in effect for each taxable year in which an exchange of KKR Group Partnership Units for common units occurs, which may result in an increase in KKR's intermediate holding companies' share of the tax basis of the assets of the KKR Group Partnerships at the time of an exchange of KKR Group Partnership Units. Certain of these exchanges are expected to result in an increase in KKR's intermediate holding companies' share of the tax basis of the tangible and intangible assets of the KKR Group Partnerships, primarily attributable to a portion of the goodwill inherent in KKR's business that would not otherwise have been available. This increase in tax basis may increase depreciation and amortization deductions for tax purposes and therefore reduce the amount of income tax KKR's intermediate holding companies would otherwise be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

KKR has entered into a tax receivable agreement with KKR Holdings, which requires KKR's intermediate holding companies to pay to KKR Holdings, or to current and former principals who have exchanged KKR Holdings units for KKR common units (as transferees of KKR Group Partnership Units), 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that the intermediate holding companies realize as a result of the increase in tax basis described above, as well as 85% of the amount of any such savings the intermediate holding companies realize as a result of increases in tax basis that arise due to future payments under the agreement. A termination of the agreement or a change of control could give rise to similar payments based on tax savings that KKR would be deemed to realize in connection with such events. In the event that other of KKR's current or future subsidiaries become taxable as corporations and acquire KKR Group Partnership Units in the future, or if KKR becomes taxable as a corporation for U.S. federal income tax purposes, KKR expects that each will become subject to a tax receivable agreement with substantially similar terms.

These payment obligations are obligations of KKR's intermediate holding companies and not the KKR Group Partnerships and are recorded within Due to Affiliates in the accompanying consolidated statements of financial condition. As such, cash payments received by common unitholders may vary from those received by holders of KKR Group Partnership Units held by KKR Holdings and KKR's current and former principals to the extent payments are made to those parties under the tax receivable agreement. Payments made under the tax receivable agreement are required to be made within 90 days of the filing of the tax returns of KKR's intermediate holding companies which may result in a timing difference between the tax savings received by KKR's intermediate holdings companies and the cash payments made to the selling holders of KKR Group Partnership Units.

For the years ended December 31, 2015, 2014 and 2013, cash payments that have been made under the tax receivable agreement were \$5.7 million, \$5.7 million and \$4.7 million, respectively. KKR expects its intermediate holding companies to benefit from the remaining 15% of cash savings, if any, in income tax that they realize. As of December 31, 2015, \$3.4 million of cumulative income tax savings have been realized.

***Discretionary Investments***

Certain of KKR's investment professionals, including its principals and other qualifying personnel are permitted to invest, and have invested, their own capital in side-by-side investments with KKR's investment vehicles and with KKR in its strategic partnerships with and seed investments in other asset managers. Side-by-side investments are made on the same terms and conditions as those acquired by the applicable investment vehicle, except that the side-by-side investments do not subject the investor to management fees, incentive fees or a carried interest. The cash invested by these individuals aggregated \$434.9 million, \$398.3 million and \$292.8 million for the years ended December 31, 2015, 2014 and 2013, respectively.

***Aircraft and Other Services***

Certain of the Senior Principals own aircraft that KKR uses for business purposes in the ordinary course of its operations. These Senior Principals paid for the purchase of these aircraft with personal funds and bear all operating, personnel and maintenance costs associated with their operation. The hourly rates that KKR pays for the use of these aircraft are based on current market rates for chartering private aircraft of the same type. KKR incurred \$4.4 million, \$3.4 million and \$4.2 million for the use of these aircraft for the years ended December 31, 2015, 2014 and 2013, respectively.

***Facilities***

Certain trusts, whose beneficiaries include children of Mr. Kravis and Mr. Roberts, and certain other Senior Principals who are not executive officers of KKR, are partners in a real-estate based partnership that maintains an ownership interest in KKR's Menlo Park location. Payments made to this partnership were \$7.3 million, \$7.2 million and \$7.2 million for the years ended December 31, 2015, 2014 and 2013, respectively.

### 13. SEGMENT REPORTING

KKR operates through four reportable business segments. These segments, which are differentiated primarily by their business objectives and investment strategies are presented below. These financial results represent the combined financial results of the KKR Group Partnerships on a segment basis.

#### *Private Markets*

Through KKR's Private Markets segment, KKR manages and sponsors a group of private equity funds and co-investment vehicles that invest capital for long-term appreciation, either through controlling ownership of a company or strategic minority positions. KKR also manages and sponsors a group of funds and co-investment vehicles that invest capital in real assets, such as infrastructure, energy and real estate. These funds, vehicles and accounts are managed by Kohlberg Kravis Roberts & Co. L.P., an SEC registered investment adviser.

#### *Public Markets*

KKR operates and reports its combined credit and hedge funds businesses through the Public Markets segment. KKR's credit business advises funds, CLOs, separately managed accounts, and investment companies registered under the Investment Company Act, including a business development company or BDC, undertakings for collective investment in transferable securities or UCITS, and alternative investment funds or AIFs, which invest capital in (i) leveraged credit strategies, such as leveraged loans, high yield bonds and opportunistic credit, and (ii) alternative credit strategies such as mezzanine investments, direct lending investments, special situations investments, and long/short credit investment strategies. The funds, accounts, registered investment companies and CLOs in KKR's leveraged credit and alternative credit strategies are managed by KKR Credit Advisors (US) LLC, which is an SEC-registered investment adviser, KKR Credit Advisors (Ireland), regulated by the Central Bank of Ireland, and KKR Credit Advisors (UK) LLP, regulated by the United Kingdom Financial Conduct Authority or FCA. KKR's Public Markets segment also includes its hedge funds business that offers a variety of investment strategies, including customized hedge fund portfolios and hedge fund-of-fund solutions. The funds and accounts in our hedge fund business are managed by Prisma Capital Partners LP (KKR Prisma or Prisma), an SEC-registered investment adviser. Through our Public Markets segment, we also have developed strategic partnerships by acquiring minority stakes in other hedge fund managers.

#### *Capital Markets*

The Capital Markets segment is comprised primarily of KKR's global capital markets business. KKR's capital markets business supports the firm, portfolio companies, and third-party clients by developing and implementing both traditional and non-traditional capital solutions for investments or companies seeking financing. These services include arranging debt and equity financing for transactions, placing and underwriting securities offerings and providing other types of capital markets services. When KKR underwrites an offering of securities or a loan on a firm commitment basis, KKR commits to buy and sell an issue of securities or indebtedness and generate revenue by purchasing the securities or indebtedness at a discount or for a fee. When KKR acts in an agency capacity, KKR generates revenue for arranging financing or placing securities or debt with capital markets investors. We may also provide issuers with capital markets advice on security selection, access to markets, marketing considerations, securities pricing, and other aspects of capital markets transactions in exchange for a fee. KKR Capital Markets LLC is an SEC-registered broker-dealer and a FINRA member, and KKR is also registered or authorized to carry out certain broker-dealer activities in various countries in North America, Europe, Asia-Pacific and the Middle East. KKR's third party capital markets activities are generally carried out through Merchant Capital Solutions LLC, a joint venture with one other unaffiliated partner, and non-bank financial companies, or NBFCs, in India.

#### *Principal Activities*

Through KKR's Principal Activities segment, we manage the firm's assets and deploy capital to support and grow our businesses.

We use KKR's Principal Activities assets to support KKR's investment management and capital markets businesses. Typically, the funds in our Private Markets and Public Markets businesses contractually require KKR, as general partner of the funds, to make sizable capital commitments from time to time. KKR also deploys Principal Activities assets in order to help establish a track record for fundraising purposes in new strategies. KKR may also use its own capital to seed investments for new funds, to bridge capital selectively for its funds' investments or finance strategic acquisitions and partnerships, although the financial results of an acquired businesses or strategic partnership may be reported in our Public Markets segment.

## Notes to Consolidated Financial Statements (Continued)

Principal Activities assets also provide the required capital to fund the various commitments of the Capital Markets business when underwriting or syndicating securities, or when providing term loan commitments for transactions involving portfolio companies and for third parties. Principal Activities assets also may be utilized to satisfy regulatory requirements for the Capital Markets business and risk retention requirements for CLOs.

KKR earns the majority of its fees from subsidiaries located in the United States.

### ***Key Performance Measure - Economic Net Income (“ENI”)***

ENI is used by management in making operating and resource deployment decisions as well as assessing the overall performance of each of KKR’s reportable business segments. The reportable segments for KKR’s business are presented prior to giving effect to the allocation of income (loss) between KKR & Co. L.P. and KKR Holdings and as such represents the business in total. In addition, KKR’s reportable segments are presented without giving effect to the consolidation of the funds that KKR manages.

ENI is a measure of profitability for KKR’s reportable segments and is used by management as an alternative measurement of the operating and investment earnings of KKR and its business segments. ENI is comprised of total segment revenues; less total segment expenses and certain economic interests in KKR’s segments held by third parties. ENI differs from net income (loss) on a GAAP basis as a result of: (i) the inclusion of management fees earned from consolidated funds that were eliminated in consolidation; (ii) the exclusion of fees and expenses of certain consolidated entities; (iii) the exclusion of charges relating to the amortization of intangible assets; (iv) the exclusion of non-cash equity-based charges and other non-cash compensation charges borne by KKR Holdings or incurred under the Equity Incentive Plan and other securities that are exchangeable for common units of KKR & Co. L.P.; (v) the exclusion of certain non-recurring items; (vi) the exclusion of investment income (loss) relating to noncontrolling interests; and (vii) the exclusion of income taxes.

### ***Modification of Segment Information***

KKR’s management has reevaluated the manner in which it makes operational and resource deployment decisions and assesses the overall performance of each of KKR’s operating segments. As a result, KKR has modified the presentation of its segment financial information. In addition, since becoming a public company, KKR’s principal assets have grown in significance and are a meaningful contributor to its financial results.

Certain of the more significant changes between KKR’s current segment presentation and its previously reported segment presentation are described in the following commentary.

### ***Inclusion of a Fourth Segment***

All income (loss) on investments is attributed to a new fourth segment called Principal Activities. Previously, income on investments held directly by KKR was reported in the Private Markets segment, Public Markets segment or Capital Markets segment based on the character of the income generated. For example, income from private equity investments was previously included in the Private Markets segment. However, the financial results of acquired businesses and strategic partnerships have been reported in our other segments.

### ***Expense Allocations***

KKR has changed the manner in which expenses are allocated among its operating segments. Specifically, as described below, (i) a portion of expenses, except for broken deal expenses, previously reflected in the Private Markets, Public Markets or Capital Markets segments are now reflected in the Principal Activities segment and (ii) corporate expenses are allocated across all segments.

### ***Expenses Allocated to Principal Activities***

A portion of the cash compensation and benefits, occupancy and related charges and other operating expenses previously included in the Private Markets, Public Markets and Capital Markets segments is now allocated to the Principal Activities segment. The Principal Activities segment incurs its own direct costs, and an allocation from the other segments is also made to reflect the estimated amount of costs that are necessary to operate the Principal Activities segment, which are incremental to those costs incurred directly by the Principal Activities segment. The total amount of expenses (other than its direct costs) that is allocated to Principal Activities is based on the proportion of revenue earned by Principal Activities, relative to other

## Notes to Consolidated Financial Statements (Continued)

operating segments, over the preceding four annual periods. This allocation percentage is updated annually or more frequently if there are material changes to KKR's business.

Once the total amount of expense to be allocated to the Principal Activities segment is estimated for each reporting period, the amount of this expense will be allocated from the Private Markets, Public Markets and Capital Markets segments based on the proportion of headcount in each of these three segments.

### *Allocations of Corporate Overhead*

Corporate expenses are allocated to each of the Private Markets, Public Markets, Capital Markets and Principal Activities segments based on the proportion of revenues earned by each segment over the preceding four calendar years. In KKR's previously reported segment presentation, all corporate expenses were allocated to the Private Markets segment.

In connection with these modifications, segment information for the years ended December 31, 2014 and 2013 has been presented in conformity with KKR's current segment presentation. Consequently, this information will not be consistent with historical segment financial results previously reported. While the modified segment presentation impacted the amount of economic net income reported by each operating segment, it had no impact on KKR's economic net income on a total reportable segment basis.



**Notes to Consolidated Financial Statements (Continued)**

The following tables present the financial data for KKR's reportable segments:

	<b>As of and for the Year Ended December 31, 2015</b>				
	<b>Private Markets</b>	<b>Public Markets</b>	<b>Capital Markets</b>	<b>Principal Activities</b>	<b>Total Reportable Segments</b>
<b>Segment Revenues</b>					
<b>Management, Monitoring and Transaction Fees, Net</b>					
Management Fees	\$ 465,575	\$ 266,458	\$ —	\$ —	\$ 732,033
Monitoring Fees	264,643	—	—	—	264,643
Transaction Fees	144,652	28,872	191,470	—	364,994
Fee Credits (1)	(195,025)	(24,595)	—	—	(219,620)
<b>Total Management, Monitoring and Transaction Fees, Net</b>	<b>679,845</b>	<b>270,735</b>	<b>191,470</b>	<b>—</b>	<b>1,142,050</b>
<b>Performance Income</b>					
Realized Incentive Fees	—	19,647	—	—	19,647
Realized Carried Interest	1,018,201	8,953	—	—	1,027,154
Unrealized Carried Interest	182,628	(19,083)	—	—	163,545
<b>Total Performance Income</b>	<b>1,200,829</b>	<b>9,517</b>	<b>—</b>	<b>—</b>	<b>1,210,346</b>
<b>Investment Income (Loss)</b>					
Net Realized Gains (Losses)	—	—	—	337,023	337,023
Net Unrealized Gains (Losses)	—	—	—	(391,962)	(391,962)
Total Realized and Unrealized	—	—	—	(54,939)	(54,939)
Interest Income and Dividends	—	—	—	411,536	411,536
Interest Expense	—	—	—	(203,085)	(203,085)
Net Interest and Dividends	—	—	—	208,451	208,451
<b>Total Investment Income (Loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>153,512</b>	<b>153,512</b>
<b>Total Segment Revenues</b>	<b>1,880,674</b>	<b>280,252</b>	<b>191,470</b>	<b>153,512</b>	<b>2,505,908</b>
<b>Segment Expenses</b>					
<b>Compensation and Benefits</b>					
Cash Compensation and Benefits	193,995	73,863	34,562	107,572	409,992
Realized Performance Income Compensation	407,280	11,438	—	—	418,718
Unrealized Performance Income Compensation	74,560	(7,633)	—	—	66,927
Total Compensation and Benefits	675,835	77,668	34,562	107,572	895,637
Occupancy and Related Charges	33,640	9,808	2,641	16,568	62,657
Other Operating Expenses	127,836	40,591	14,618	50,573	233,618
<b>Total Segment Expenses</b>	<b>837,311</b>	<b>128,067</b>	<b>51,821</b>	<b>174,713</b>	<b>1,191,912</b>
Income (Loss) attributable to noncontrolling interests	1,645	1,259	13,103	—	16,007
<b>Economic Net Income (Loss)</b>	<b>\$ 1,041,718</b>	<b>\$ 150,926</b>	<b>\$ 126,546</b>	<b>\$ (21,201)</b>	<b>\$ 1,297,989</b>
<b>Total Assets</b>	<b>\$ 1,831,716</b>	<b>\$ 1,232,404</b>	<b>\$ 521,927</b>	<b>\$ 9,843,251</b>	<b>\$ 13,429,298</b>

- (1) KKR's agreements with the fund investors of certain of its investment funds require KKR to share with these fund investors an agreed upon percentage of certain fees, including monitoring and transaction fees received from portfolio companies ("Fee Credits"). Fund investors receive Fee Credits only with respect to monitoring and transaction fees that are allocable to the fund's investment in the portfolio company and not, for example, any fees allocable to capital invested through co-investment vehicles. Fee Credits are calculated after deducting certain fund-related expenses and generally amount to 80% or 100% of allocable monitoring and transaction fees after fund-related expenses are recovered, although the actual percentage may vary from fund to fund as well as among different classes of investors within a fund.

Notes to Consolidated Financial Statements (Continued)

As of and for the Year Ended December 31, 2014

	Private Markets	Public Markets	Capital Markets	Principal Activities	Total Reportable Segments
<b>Segment Revenues</b>					
<b>Management, Monitoring and Transaction Fees, Net</b>					
Management Fees	\$ 453,210	\$ 272,833	\$ —	—	\$ 726,043
Monitoring Fees	135,160	—	—	—	135,160
Transaction Fees	214,612	27,145	217,920	—	459,677
Fee Credits (1)	(198,680)	(23,357)	—	—	(222,037)
<b>Total Management, Monitoring and Transaction Fees, Net</b>	<b>604,302</b>	<b>276,621</b>	<b>217,920</b>	<b>—</b>	<b>1,098,843</b>
<b>Performance Income</b>					
Realized Incentive Fees	—	47,807	—	—	47,807
Realized Carried Interest	1,159,011	34,650	—	—	1,193,661
Unrealized Carried Interest	70,058	40,075	—	—	110,133
<b>Total Performance Income</b>	<b>1,229,069</b>	<b>122,532</b>	<b>—</b>	<b>—</b>	<b>1,351,601</b>
<b>Investment Income (Loss)</b>					
Net Realized Gains (Losses)	—	—	—	628,403	628,403
Net Unrealized Gains (Losses)	—	—	—	(396,425)	(396,425)
Total Realized and Unrealized	—	—	—	231,978	231,978
Interest Income and Dividends	—	—	—	408,084	408,084
Interest Expense	—	—	—	(134,909)	(134,909)
Net Interest and Dividends	—	—	—	273,175	273,175
<b>Total Investment Income (Loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>505,153</b>	<b>505,153</b>
<b>Total Segment Revenues</b>	<b>1,833,371</b>	<b>399,153</b>	<b>217,920</b>	<b>505,153</b>	<b>2,955,597</b>
<b>Segment Expenses</b>					
<b>Compensation and Benefits</b>					
Cash Compensation and Benefits	153,339	64,530	41,551	121,161	380,581
Realized Performance Income Compensation	463,605	32,984	—	—	496,589
Unrealized Performance Income Compensation	33,430	16,029	—	—	49,459
Total Compensation and Benefits	650,374	113,543	41,551	121,161	926,629
Occupancy and Related Charges	30,946	7,214	1,523	18,104	57,787
Other Operating Expenses	125,398	31,501	11,497	60,673	229,069
<b>Total Segment Expenses</b>	<b>806,718</b>	<b>152,258</b>	<b>54,571</b>	<b>199,938</b>	<b>1,213,485</b>
Income (Loss) attributable to noncontrolling interests	1,424	1,636	11,886	—	14,946
<b>Economic Net Income (Loss)</b>	<b>\$ 1,025,229</b>	<b>\$ 245,259</b>	<b>\$ 151,463</b>	<b>\$ 305,215</b>	<b>\$ 1,727,166</b>
<b>Total Assets</b>	<b>\$ 1,658,164</b>	<b>\$ 685,809</b>	<b>\$ 462,072</b>	<b>\$ 10,405,622</b>	<b>\$ 13,211,667</b>

- (1) KKR's agreements with the fund investors of certain of its investment funds require KKR to share with these fund investors an agreed upon percentage of certain fees, including monitoring and transaction fees received from portfolio companies ("Fee Credits"). Fund investors receive Fee Credits only with respect to monitoring and transaction fees that are allocable to the fund's investment in the portfolio company and not, for example, any fees allocable to capital invested through co-investment vehicles. Fee Credits are calculated after deducting certain fund-related expenses and generally amount to 80% or 100% of allocable monitoring and transaction fees after fund-related expenses are recovered, although the actual percentage may vary from fund to fund as well as among different classes of investors within a fund.

Notes to Consolidated Financial Statements (Continued)

	As of and for the Year Ended December 31, 2013				
	Private Markets	Public Markets	Capital Markets	Principal Activities	Total Reportable Segments
<b>Segment Revenues</b>					
<b>Management, Monitoring and Transaction Fees, Net</b>					
Management Fees	\$ 459,496	\$ 206,134	\$ —	\$ —	\$ 665,630
Monitoring Fees	120,267	—	—	—	120,267
Transaction Fees	150,118	40,314	146,254	—	336,686
Fee Credits (1)	(136,662)	(29,950)	—	—	(166,612)
<b>Total Management, Monitoring and Transaction Fees, Net</b>	<b>593,219</b>	<b>216,498</b>	<b>146,254</b>	<b>—</b>	<b>955,971</b>
<b>Performance Income</b>					
Realized Incentive Fees	—	72,359	—	—	72,359
Realized Carried Interest	690,027	—	—	—	690,027
Unrealized Carried Interest	661,803	62,338	—	—	724,141
<b>Total Performance Income</b>	<b>1,351,830</b>	<b>134,697</b>	<b>—</b>	<b>—</b>	<b>1,486,527</b>
<b>Investment Income (Loss)</b>					
Net Realized Gains (Losses)	—	—	—	635,633	635,633
Net Unrealized Gains (Losses)	—	—	—	301,262	301,262
Total Realized and Unrealized	—	—	—	936,895	936,895
Interest Income and Dividends	—	—	—	87,168	87,168
Interest Expense	—	—	—	(65,662)	(65,662)
Net Interest and Dividends	—	—	—	21,506	21,506
<b>Total Investment Income (Loss)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>958,401</b>	<b>958,401</b>
<b>Total Segment Revenues</b>	<b>1,945,049</b>	<b>351,195</b>	<b>146,254</b>	<b>958,401</b>	<b>3,400,899</b>
<b>Segment Expenses</b>					
<b>Compensation and Benefits</b>					
Cash Compensation and Benefits	148,557	24,696	31,118	110,457	314,828
Realized Performance Income Compensation	276,011	28,944	—	—	304,955
Unrealized Performance Income Compensation	282,003	24,935	—	—	306,938
Total Compensation and Benefits	706,571	78,575	31,118	110,457	926,721
Occupancy and Related Charges	31,769	2,837	877	20,844	56,327
Other Operating Expenses	106,917	36,006	9,698	63,262	215,883
<b>Total Segment Expenses</b>	<b>845,257</b>	<b>117,418</b>	<b>41,693</b>	<b>194,563</b>	<b>1,198,931</b>
Income (Loss) attributable to noncontrolling interests	1,498	1,560	3,329	—	6,387
<b>Economic Net Income (Loss)</b>	<b>\$ 1,098,294</b>	<b>\$ 232,217</b>	<b>\$ 101,232</b>	<b>\$ 763,838</b>	<b>\$ 2,195,581</b>
<b>Total Assets</b>	<b>\$ 1,600,433</b>	<b>\$ 360,891</b>	<b>\$ 441,012</b>	<b>\$ 6,580,721</b>	<b>\$ 8,983,057</b>

- (1) KKR's agreements with the fund investors of certain of its investment funds require KKR to share with these fund investors an agreed upon percentage of certain fees, including monitoring and transaction fees received from portfolio companies ("Fee Credits"). Fund investors receive Fee Credits only with respect to monitoring and transaction fees that are allocable to the fund's investment in the portfolio company and not, for example, any fees allocable to capital invested through co-investment vehicles. Fee Credits are calculated after deducting certain fund-related expenses and generally amount to 80% or 100% of allocable monitoring and transaction fees after fund-related expenses are recovered, although the actual percentage may vary from fund to fund as well as among different classes of investors within a fund.

## Notes to Consolidated Financial Statements (Continued)

The following tables reconcile KKR's total reportable segments to the most directly comparable financial measures calculated and presented in accordance with GAAP:

### *Fees*

	For the Years Ended December 31,		
	2015	2014	2013
Total Segment Revenues	\$ 2,505,908	\$ 2,955,597	\$ 3,400,899
Management fees relating to consolidated funds and other entities	(531,027)	(510,777)	(487,669)
Fee credits relating to consolidated funds	202,269	203,466	144,416
Net realized and unrealized carried interest	(1,190,699)	(1,303,794)	(1,414,168)
Total investment income (loss)	(153,512)	(505,153)	(958,401)
Revenue earned by oil & gas producing entities	112,328	186,876	22,105
Reimbursable expenses	66,144	55,424	41,529
Other	32,357	28,369	13,835
<b>Fees and Other</b>	<b>\$ 1,043,768</b>	<b>\$ 1,110,008</b>	<b>\$ 762,546</b>

### *Expenses*

	For the Years Ended December 31,		
	2015	2014	2013
Total Segment Expenses	\$ 1,191,912	\$ 1,213,485	\$ 1,198,931
Equity based compensation	261,579	310,403	307,514
Reimbursable expenses	103,307	92,366	58,358
Operating expenses relating to consolidated funds and other entities	65,012	93,182	26,835
Expenses incurred by oil & gas producing entities	153,611	333,123	20,442
Intangible amortization, acquisition, litigation and certain non-recurring costs	49,766	102,877	92,593
Other	46,038	50,631	62,465
<b>Total Expenses</b>	<b>\$ 1,871,225</b>	<b>\$ 2,196,067</b>	<b>\$ 1,767,138</b>

### *Income (Loss) Before Taxes*

	For the Years Ended December 31,		
	2015	2014	2013
Economic net income	\$ 1,297,989	\$ 1,727,166	\$ 2,195,581
Income tax (benefit)	(66,636)	(63,669)	(37,926)
Amortization of intangibles and other, net	(47,599)	(290,348)	(102,789)
Equity based compensation	(261,579)	(310,403)	(307,514)
Net income (loss) attributable to noncontrolling interests held by KKR Holdings	(433,693)	(585,135)	(1,056,126)
Net income (loss) attributable to KKR & Co. L.P.	\$ 488,482	\$ 477,611	\$ 691,226
Net income (loss) attributable to noncontrolling interests and appropriated capital	4,791,062	4,920,750	7,100,747
Net income (loss) attributable to redeemable noncontrolling interests	(4,512)	(3,341)	62,255
Income tax (benefit)	66,636	63,669	37,926
<b>Income (loss) before taxes</b>	<b>\$ 5,341,668</b>	<b>\$ 5,458,689</b>	<b>\$ 7,892,154</b>

**Notes to Consolidated Financial Statements (Continued)**

The items that reconcile KKR's total reportable segments to the corresponding consolidated amounts calculated and presented in accordance with GAAP for net income (loss) attributable to redeemable noncontrolling interests and income (loss) attributable to noncontrolling interests and appropriated capital are primarily attributable to the impact of the consolidation of KKR's funds and certain other entities.

*Assets*

	As of December 31,	
	2015	2014
<b>Total Segment Assets</b>	\$ 13,429,298	\$ 13,211,667
Consolidation of KKR Funds, CFEs and other entities	57,581,456	52,617,368
Accounting basis difference for oil & natural gas properties	47,005	43,710
<b>Total Assets</b>	<b>\$ 71,057,759</b>	<b>\$ 65,872,745</b>

**14. ACQUISITIONS*****Acquisition of KFN***

On April 30, 2014, KKR completed its acquisition of KFN by merger (the “Merger”) contemplated by an Agreement and Plan of Merger (the “Merger Agreement”), pursuant to which KFN became a subsidiary of KKR. KFN is a specialty finance company with expertise in a range of asset classes in which it invests, consisting primarily of corporate loans, also known as leveraged loans, high yield debt securities, interests in joint ventures and partnerships, and interests in oil and gas properties. The addition of KFN provided KKR with over \$2 billion of permanent equity capital to support the continued growth of its business.

The total consideration paid was approximately \$2.4 billion consisting entirely of the issuance of 104.3 million KKR common units as follows (amounts in thousands except unit data):

Number of KKR common units issued	104,340,028
KKR common unit price on April 30, 2014	\$ 22.71
Estimated fair value of KKR common units issued	<b>\$ 2,369,559</b>

The following is a summary of the estimated fair values of the assets acquired and liabilities as of April 30, 2014, the date they were assumed (amounts in thousands):

Cash and cash equivalents	\$ 210,413
Cash and cash equivalents held at consolidated entities	614,929
Restricted cash and cash equivalents	35,038
Investments	1,235,813
Investments of consolidated CLOs	6,742,768
Other assets	642,721
Other assets of consolidated CLOs	133,036
Total assets	<u>9,614,718</u>
Debt obligations	724,509
Debt obligations of consolidated CLOs	5,663,666
Accounts payable, accrued expenses and other liabilities	118,427
Other liabilities of consolidated CLOs	344,660
Total liabilities	<u>6,851,262</u>
Noncontrolling interests	<u>378,983</u>
Fair value of Net Assets Acquired	2,384,473
Less: Fair value of consideration transferred	2,369,559
Gain on acquisition	<b>\$ 14,914</b>

As of April 30, 2014, the fair value of the net assets acquired exceeded the fair value of consideration transferred by approximately \$14.9 million and relates primarily to the difference between the fair value of the assets and liabilities of CLOs consolidated by KFN. This amount has been recorded in net gains (losses) from investment activities in the consolidated statements of operations.

The consolidated statement of operations for the year ended December 31, 2014 includes the financial results of KFN since the date of acquisition, April 30, 2014, through December 31, 2014. During this period, KFN’s revenues and net income (loss) attributable to KKR & Co. L.P. were \$57.6 million and \$(113.2) million, respectively. Fees for KFN represent oil and gas revenue from working and royalty interests in oil and natural gas producing properties consolidated by KKR. Additionally, the portion of net income that is allocable to KKR reflects KKR’s approximate ownership interest in the KKR Group Partnerships after applicable corporate and local income taxes for the year ended December 31, 2014.

On a segment basis, the financial results of KFN are included within the Principal Activities segment.

KKR incurred \$8.3 million of acquisition related costs through the date of closing, which were expensed as incurred and are reflected within General, Administrative and Other.

### *Acquisition of Avoca Capital*

On February 19, 2014, KKR closed its acquisition of 100% of the equity interests of Avoca Capital and its affiliates (“Avoca”). Avoca, now renamed KKR Credit Advisors (Ireland), was a European credit investment manager with approximately \$8.2 billion in assets under management at the time of acquisition. The addition of Avoca provided KKR with a greater presence in the European leveraged credit markets.

The total consideration included \$83.3 million in cash and \$56.5 million in securities of a subsidiary of a KKR Group Partnership and of KKR & Co. L.P. that are exchangeable into approximately 2.4 million KKR & Co. L.P. common units, at any time, at the election of the holders of the securities. In connection with this transaction, there is no contingent consideration payable in the future.

The following is a summary of the estimated fair values of the assets acquired and liabilities as of February 19, 2014, the date they were assumed:

Cash and cash equivalents	\$	24,381
Investments		20,905
Investments of consolidated CLOs		1,226,174
Other assets of consolidated CLOs		186,609
Other assets		7,370
Intangible assets		65,880
<b>Total assets</b>		<b>1,531,319</b>
<b>Liabilities</b>		<b>13,584</b>
Debt obligations of consolidated CLOs		1,150,551
Other liabilities of consolidated CLOs		140,308
<b>Total liabilities</b>		<b>1,304,443</b>
Fair Value of Net Assets Acquired		226,876
Less: Fair value of subordinated notes of consolidated CLOs held by KKR prior to acquisition (a)		74,029
Less: Fair value of consideration transferred		139,798
<b>Gain on acquisition</b>	<b>\$</b>	<b>13,049</b>

(a) Represents subordinated notes in one of the consolidated CLOs held by KKR prior to the acquisition of Avoca. Upon acquisition of Avoca, KKR’s investment in the subordinated notes was offset against the corresponding debt obligations of the consolidated CLO in purchase accounting.

As of February 19, 2014, the fair value of the net assets acquired exceeded the fair value of consideration transferred by approximately \$13.0 million and relates primarily to the difference between the fair value of the assets and liabilities of CLOs required to be consolidated in connection with the Avoca transaction. This amount has been recorded in net gains (losses) from investment activities in the consolidated statements of operations.

The consolidated statement of operations for the year ended December 31, 2014 includes the financial results of Avoca since the date of acquisition, February 19, 2014, through December 31, 2014. During this period, Avoca’s revenues and net income (loss) attributable to KKR & Co. L.P. were \$39.7 million and \$(3.3) million, respectively. This net income (loss) attributable to KKR & Co. L.P. reflects amortization of intangible assets and equity based compensation charges associated with Avoca since the date of the acquisition. Additionally, the portion of net income that is allocable to KKR reflects KKR’s approximate ownership interest in the KKR Group Partnerships after applicable corporate and local income taxes for the year ended December 31, 2014.

On a segment basis, the financial results of Avoca are included within the Public Markets segment.

KKR incurred \$4.4 million of acquisition related costs through the date of closing, which were expensed as incurred and are reflected within General, Administrative and Other.

**Pro Forma Financial Information**

The information that follows provides supplemental information about pro forma revenues and net income (loss) attributable to KKR & Co. L.P. as if the acquisitions of KFN and Avoca had been consummated as of January 1, 2013. Such information is unaudited and is based on estimates and assumptions which KKR believes are reasonable. These results are not necessarily indicative of the consolidated statements of operations in future periods or the results that would have actually been realized had KKR, KFN and Avoca been a combined entity during 2014 and 2013 (amounts in thousands except unit data).

<b>Selected Pro Forma Financial Information</b>	<b>Year Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
Revenues	\$ 1,152,397	\$ 871,144
Net Income (Loss) attributable to KKR & Co. L.P.	\$ 533,828	\$ 820,352
Net Income (Loss) attributable to KKR & Co. L.P. per common unit-basic	\$ 1.28	\$ 2.16
Net Income (Loss) attributable to KKR & Co. L.P. per common unit-diluted	\$ 1.19	\$ 2.00



## 15. TOTAL EQUITY

### *Unit Repurchase Program*

On October 27, 2015, KKR announced the authorization of a program providing for the repurchase by KKR of up to \$500 million in the aggregate of its outstanding common units. Under this unit repurchase program, units may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing, manner, price and amount of any unit repurchases will be determined by KKR in its discretion and will depend on a variety of factors, including legal requirements, price and economic and market conditions. KKR expects that the program, which has no expiration date, will be in effect until the maximum approved dollar amount has been used to repurchase common units. The program does not require KKR to repurchase any specific number of common units, and the program may be suspended, extended, modified or discontinued at any time. Since inception of the unit repurchase program through December 31, 2015, KKR has repurchased approximately 9.9 million of outstanding common units.

### *Distribution Policy*

On October 27, 2015, KKR announced a change to its distribution policy effective beginning with the distribution declared on February 11, 2016 with respect to the quarter ending December 31, 2015. Under the new distribution policy, KKR intends to make equal quarterly distributions to holders of its common units in an amount of \$0.16 per common unit per quarter. The declaration and payment of any distributions are subject to the discretion of the board of directors of the general partner of KKR and the terms of its limited partnership agreement. There can be no assurance that distributions will be made as intended or at all, that unitholders will receive sufficient distributions to satisfy payment of their tax liabilities as limited partners of KKR or that any particular distribution policy will be maintained.

## 16. GOODWILL AND INTANGIBLE ASSETS

*Goodwill*

Goodwill from the acquisition of Prisma Capital Partners LP and its affiliates ("Prisma") represents the excess of acquisition costs over the fair value of net tangible and intangible assets acquired and is primarily attributed to synergies expected to arise after the acquisition of Prisma. The carrying value of goodwill was \$89.0 million as of December 31, 2015 and December 31, 2014, and is recorded within Other Assets on the consolidated statements of financial condition. Goodwill has been allocated entirely to the Public Markets segment. As of December 31, 2015, the fair value of KKR's reporting units substantially exceeded their respective carrying values. All of the goodwill is currently expected to be deductible for tax purposes. See Note 7 "Other Assets and Accounts Payable, Accrued Expenses and Other Liabilities."

*Intangible Assets*

Intangible Assets, Net consists of the following:

	As of	
	December 31, 2015	December 31, 2014
Finite-Lived Intangible Assets	\$ 284,766	\$ 284,766
Accumulated Amortization (includes foreign exchange)	(107,779)	(75,564)
<b>Intangible Assets, Net</b>	<b>\$ 176,987</b>	<b>\$ 209,202</b>

Changes in Intangible Assets, Net consists of the following:

	Years Ended	
	December 31, 2015	December 31, 2014
Balance, Beginning of Period	\$ 209,202	\$ 177,545
Avoca Acquisition	—	65,880
Amortization Expense	(27,004)	(27,080)
Foreign Exchange	(5,211)	(7,143)
<b>Balance, End of Period</b>	<b>\$ 176,987</b>	<b>\$ 209,202</b>

Amortization expense including foreign exchange relating to intangible assets held at December 31, 2015 is expected to be as follows:

2016	\$ 26,907
2017	26,357
2018	19,922
2019	16,988
2020	16,836
2021 and thereafter	69,977
<b>Total Amortization Expense of Intangible Assets</b>	<b>\$ 176,987</b>

The intangible assets as of December 31, 2015 are expected to amortize over a weighted-average period of 8.9 years.

## 17. COMMITMENTS AND CONTINGENCIES

*Debt Covenants*

Borrowings of KKR contain various debt covenants. These covenants do not, in management's opinion, materially restrict KKR's operating business or investment strategies. KKR is in compliance with its debt covenants in all material respects as of December 31, 2015 .

*Investment Commitments*

As of December 31, 2015 , KKR had unfunded commitments consisting of (i) \$1,353.8 million to its active private equity and other investment vehicles and (ii) \$191.1 million in connection with commitments by KKR's capital markets business, (iii) \$128.6 million relating to Merchant Capital Solutions LLC and (iv) other investment commitments of \$171.6 million . Whether these amounts are actually funded, in whole or in part depends on the terms of such commitments, including the satisfaction or waiver of any conditions to funding.

*Non-cancelable Operating Leases*

KKR's non-cancelable operating leases consist primarily of leases of office space around the world. There are no material rent holidays, contingent rent, rent concessions or leasehold improvement incentives associated with any of these property leases. In addition to base rentals, certain lease agreements are subject to escalation provisions and rent expense is recognized on a straight-line basis over the term of the lease agreement.

As of December 31, 2015 , the approximate aggregate minimum future lease payments, net of sublease income, required on the operating leases are as follows:

2016	\$	52,965
2017		48,181
2018		43,353
2019		39,292
2020 and thereafter		62,018
<b>Total minimum payments required</b>	<b>\$</b>	<b>245,809</b>

*Contingent Repayment Guarantees*

The partnership documents governing KKR's carry-paying funds, including funds relating to private equity, infrastructure, energy, real estate, mezzanine, direct lending and special situations investments, generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. Under a clawback obligation, upon the liquidation of a fund, the general partner is required to return, typically on an after-tax basis, previously distributed carry to the extent that, due to the diminished performance of later investments, the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, including the effects of any performance thresholds. Excluding carried interest received by the general partners of funds that were not contributed to KKR in the acquisition of the assets and liabilities of KKR & Co. (Guernsey) L.P. (formerly known as KKR Private Equity Investors, L.P.) on October 1, 2009 (the "KPE Transaction"), as of December 31, 2015 , no carried interest was subject to this clawback obligation, assuming that all applicable carry paying funds were liquidated at their December 31, 2015 fair values. Had the investments in such funds been liquidated at zero value, the clawback obligation would have been \$2,423.4 million . Carried interest is recognized in the statement of operations based on the contractual conditions set forth in the agreements governing the fund as if the fund were terminated and liquidated at the reporting date and the fund's investments were realized at the then estimated fair values. Amounts earned pursuant to carried interest are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment amounts earned decrease or turn negative in subsequent periods, recognized carried interest will be reversed and to the extent that the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, a clawback obligation would be recorded. For funds that are consolidated, this clawback obligation, if any, is reflected as an increase in noncontrolling interests in the consolidated statements of financial condition. For funds that are not consolidated, this clawback obligation, if any, is reflected as a reduction of KKR's investment balance as this is where carried interest is initially recorded.

## Notes to Consolidated Financial Statements (Continued)

Certain private equity funds that were contributed to KKR in the KPE Transaction in 2009 also include a “net loss sharing provision.” Upon the liquidation of an investment vehicle to which a net loss sharing obligation applies, the general partner is required to contribute capital to the vehicle, to fund 20% of the net losses on investments. In these vehicles, such losses would be required to be paid by KKR to the fund investors in those vehicles in the event of a liquidation of the fund regardless of whether any carried interest had previously been distributed, and a greater share of investment losses would be allocable to KKR relative to the capital that KKR contributed to it as general partner. Based on the fair market values as of December 31, 2015, there would have been no net loss sharing obligation. If the vehicles were liquidated at zero value, the net loss sharing obligation would have been zero as of December 31, 2015.

Prior to the KPE Transaction in 2009, certain principals who received carried interest distributions with respect to certain private equity funds contributed to KKR had personally guaranteed, on a several basis and subject to a cap, the contingent obligations of the general partners of such private equity funds to repay amounts to fund investors pursuant to the general partners’ clawback obligations. The terms of the KPE Transaction require that principals remain responsible for any clawback obligations relating to carry distributions received prior to the KPE Transaction, up to a maximum of \$223.6 million. Through investment realizations, KKR’s potential exposure has been reduced to \$159.7 million as of December 31, 2015. Using valuations as of December 31, 2015, no amounts are due with respect to the clawback obligation required to be funded by principals. Carry distributions arising subsequent to the KPE Transaction may give rise to clawback obligations that may be allocated generally to KKR and persons who participate in the carry pool. Unlike the clawback obligation, KKR will be responsible for all amounts due under a net loss sharing obligation and will indemnify principals for any personal guarantees that they have provided with respect to such amounts. In addition, guarantees of or similar arrangements relating to clawback or net loss sharing obligations in favor of third party investors in an individual investment partnership by entities KKR owns may limit distributions of carried interest more generally.

### *Indemnifications*

In the normal course of business, KKR enters into contracts that contain a variety of representations and warranties that provide general indemnifications and other indemnities relating to contractual performance. In addition, certain of KKR’s consolidated funds and KFN have provided certain indemnities relating to environmental and other matters and has provided nonrecourse carve-out guarantees for fraud, willful misconduct and other customary wrongful acts, each in connection with the financing of certain real estate investments that KKR has made. KKR’s maximum exposure under these arrangements is unknown as this would involve future claims that may be made against KKR that have not yet occurred. However, based on experience, KKR expects the risk of material loss to be low.

### *Litigation*

From time to time, KKR is involved in various legal proceedings, lawsuits and claims incidental to the conduct of KKR’s business. KKR’s business is also subject to extensive regulation, which may result in regulatory proceedings against it.

KKR currently is and expects to continue to become, from time to time, subject to examinations, inquiries and investigations by various U.S. and non U.S. governmental and regulatory agencies, including but not limited to the U.S. Securities and Exchange Commission, or SEC, Department of Justice, state attorney generals, Financial Industry Regulatory Authority, or FINRA, and the U.K. Financial Conduct Authority. Such examinations, inquiries and investigations may result in the commencement of civil, criminal or administrative proceedings against KKR or its personnel.

Moreover, in the ordinary course of business, KKR is and can be both the defendant and the plaintiff in numerous lawsuits with respect to acquisitions, bankruptcy, insolvency and other types of proceedings. Such lawsuits may involve claims that adversely affect the value of certain investments owned by KKR’s funds.

KKR establishes an accrued liability for legal proceedings only when those matters present loss contingencies that are both probable and reasonably estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. No loss contingency is recorded for matters where such losses are either not probable or reasonably estimable (or both) at the time of determination. Such matters may be subject to many uncertainties, including among others (i) the proceedings may be in early stages; (ii) damages sought may be unspecified, unsupported, unexplained or uncertain; (iii) discovery may not have been started or is incomplete; (iv) there may be uncertainty as to the outcome of pending appeals or motions; (v) there may be significant factual issues to be resolved; or (vi) there may be novel legal issues or unsettled legal theories to be presented or a large number of parties. Consequently, management is unable to estimate a range of potential loss, if any, related to these matters. In addition, loss contingencies may be, in part or in whole, subject to insurance or other payments such as contributions and/or indemnity, which may reduce any ultimate loss.

## Notes to Consolidated Financial Statements (Continued)

It is not possible to predict the ultimate outcome of all pending legal proceedings, and some of the matters discussed above seek or may seek potentially large and/or indeterminate amounts. As of such date, based on information known by management, management has not concluded that the final resolutions of the matters above will have a material effect upon the consolidated financial statements. However, given the potentially large and/or indeterminate amounts sought or may be sought in certain of these matters and the inherent unpredictability of investigations and litigations, it is possible that an adverse outcome in certain matters could, from time to time, have a material effect on KKR's financial results in any particular period.

### 18. REGULATORY CAPITAL REQUIREMENTS

KKR has a registered broker-dealer subsidiary which is subject to the minimum net capital requirements of the SEC and the FINRA. Additionally, KKR entities based in London and Ireland are subject to the regulatory capital requirements of the U.K. Financial Conduct Authority and the Central Bank of Ireland, respectively. In addition, KKR has an entity based in Hong Kong which is subject to the capital requirements of the Hong Kong Securities and Futures Ordinance, an entity based in Japan subject to the capital requirements of Financial Services Authority of Japan, and two entities based in Mumbai which are subject to capital requirements of the Reserve Bank of India or RBI and the Securities and Exchange Board of India or SEBI. All of these entities have continuously operated in excess of their respective minimum regulatory capital requirements.

The regulatory capital requirements referred to above may restrict KKR's ability to withdraw capital from its registered broker-dealer entities. At December 31, 2015, approximately \$152.6 million of cash at KKR's registered broker-dealer entities may be restricted as to the payment of cash dividends and advances to KKR.

### 19. QUARTERLY FINANCIAL DATA (UNAUDITED)

	Three Months Ended,			
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
<b>Statement of Operations Data:</b>				
Fees and Other	\$ 291,345	\$ 255,874	\$ 188,626	\$ 307,923
Less: Total Expenses	515,033	554,177	276,920	525,095
Total Investment Income (Loss)	2,182,835	3,634,718	(1,136,991)	1,488,563
Income (Loss) Before Taxes	1,959,147	3,336,415	(1,225,285)	1,271,391
Income Tax / (Benefit)	16,138	30,547	(7,390)	27,341
Net Income (Loss)	1,943,009	3,305,868	(1,217,895)	1,244,050
Less: Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	1,933	(891)	(12,925)	7,371
Less: Net Income (Loss) Attributable to Noncontrolling Interests and Appropriated Capital	1,670,569	2,930,453	(1,014,382)	1,204,422
Net Income (Loss) Attributable to KKR & Co. L.P.	\$ 270,507	\$ 376,306	\$ (190,588)	\$ 32,257
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P. Per Common Unit</b>				
Basic	\$ 0.62	\$ 0.84	\$ (0.42)	\$ 0.07
Diluted	\$ 0.57	\$ 0.78	\$ (0.42)	\$ 0.07
<b>Weighted Average Common Units Outstanding</b>				
Basic	434,874,820	446,794,950	452,165,697	461,374,013
Diluted	472,225,344	482,651,491	452,165,697	489,704,787

**Notes to Consolidated Financial Statements (Continued)**

	<b>Three Months Ended,</b>			
	<b>March 31, 2014</b>	<b>June 30, 2014</b>	<b>September 30, 2014</b>	<b>December 31, 2014</b>
<b>Statement of Operations Data:</b>				
Fees and Other	\$ 302,926	\$ 249,370	\$ 344,768	\$ 212,944
Less: Total Expenses	473,171	585,325	504,410	633,161
Total Investment Income (Loss)	2,196,113	2,394,627	1,060,953	893,055
Income (Loss) Before Taxes	2,025,868	2,058,672	901,311	472,838
Income Tax / (Benefit)	21,702	6,176	29,267	6,524
Net Income (Loss)	2,004,166	2,052,496	872,044	466,314
Less: Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	10,637	(6,809)	(2,462)	(4,707)
Less: Net Income (Loss) Attributable to Noncontrolling Interests and Appropriated Capital	1,783,488	1,881,090	784,568	471,604
Net Income (Loss) Attributable to KKR & Co. L.P.	\$ 210,041	\$ 178,215	\$ 89,938	\$ (583)
<b>Net Income (Loss) Attributable to KKR &amp; Co. L.P. Per Common Unit</b>				
Basic	\$ 0.72	\$ 0.47	\$ 0.21	\$ 0.00
Diluted	\$ 0.65	\$ 0.43	\$ 0.20	\$ 0.00
<b>Weighted Average Common Units Outstanding</b>				
Basic	293,490,461	377,542,161	419,961,455	431,432,521
Diluted	325,104,229	410,179,838	452,019,742	458,982,859

**20. SUBSEQUENT EVENTS**

***Distribution***

A distribution of \$0.16 per KKR & Co. L.P. common unit was announced on February 11, 2016, and will be paid on March 8, 2016 to unitholders of record as of the close of business on February 22, 2016. KKR Holdings will receive its pro rata share of the distribution from the KKR Group Partnerships.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

### Item 9A. CONTROLS AND PROCEDURES

Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Our management, with the participation of our Co-Chief Executive Officers and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, our Co-Chief Executive Officers and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are at the reasonable assurance level: (i) effective in recording, processing, summarizing, and reporting information on a timely basis that we are required to disclose in the reports that we file or submit under the Exchange Act; and (ii) effective in ensuring that information that we are required to disclose in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Co-Chief Executive Officers and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

#### Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) is a process designed by, or under the supervision of, a company's principal executive and principal financial officers and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework, that was issued in 2013.

Based on its assessment, our management has concluded that, as of December 31, 2015, our internal control over financial reporting is effective.

#### Changes in Internal Control Over Financial Reporting

No changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) of the Exchange Act) occurred during the fourth quarter of 2015 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### Attestation Report of the Independent Registered Public Accounting Firm

Our independent registered public accounting firm, Deloitte & Touche LLP, has issued its attestation report on our internal control over financial reporting which is included in Item 8. Financial Statements and Supplementary Data.

**ITEM 9B. OTHER INFORMATION**

On February 23, 2016, the board of directors of our Managing Partner authorized grants of restricted equity units as deferred equity bonus compensation to each of our Chief Administrative Officer, Chief Financial Officer, and General Counsel. See "Executive Compensation—Compensation Discussion and Analysis—Compensation Elements—Year-End Bonus Compensation" for more information regarding the number of units granted and the terms of the awards, which is incorporated herein by reference.

On February 23, 2016, board of directors of our Managing Partner consented to the grant by KKR Holdings L.P. of units in KKR Holdings L.P. to each of our Chief Administrative Officer, Chief Financial Officer, and General Counsel. See "Executive Compensation—Compensation Discussion and Analysis—Compensation Elements—KKR Holdings Market Condition Awards" for more information regarding the number of units granted and the terms of the awards, which is incorporated herein by reference.



**PART III****ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE****Our Managing Partner**

As is commonly the case with limited partnerships, our limited partnership agreement provides for the management of our business and affairs by a general partner rather than a board of directors. Our Managing Partner serves as our sole general partner. Our Managing Partner has a board of directors that is co-chaired by our founders Henry Kravis and George Roberts, who also serve as our Co-Chief Executive Officers and are authorized to appoint our other officers. Our Managing Partner does not have any economic interest in our partnership.

**Directors and Executive Officers**

The following table presents certain information concerning the board of directors and executive officers of our Managing Partner.

<b>Name</b>	<b>Age</b>	<b>Position with Managing Partner</b>
Henry R. Kravis	72	Co-Chief Executive Officer, Co-Chairman and Director
George R. Roberts	72	Co-Chief Executive Officer, Co-Chairman and Director
David C. Drummond	52	Director
Joseph A. Grundfest	64	Director
John B. Hess	61	Director
Patricia F. Russo	63	Director
Thomas M. Schoewe	63	Director
Robert W. Scully	66	Director
Todd A. Fisher	50	Chief Administrative Officer
William J. Janetschek	53	Chief Financial Officer
David J. Sorkin	56	General Counsel and Secretary

**Henry R. Kravis** co-founded KKR in 1976 and is Co-Chairman and Co-Chief Executive Officer of our Managing Partner. He is actively involved in managing the firm and serves on regional Private Equity Investment and Portfolio Management Committees. Mr. Kravis currently serves on the boards of First Data Corporation and ICONIQ Capital, LLC. He also serves as a director, chairman emeritus or trustee of several cultural, professional, and educational institutions, including The Business Council, Claremont McKenna College, Columbia Business School, Mount Sinai Hospital, Partnership for New York City, Partnership Fund for New York City, Rockefeller University, Sponsors for Educational Opportunity and Tsinghua University School of Economics and Management. He earned a B.A. from Claremont McKenna College in 1967 and an M.B.A. from the Columbia Business School in 1969. Mr. Kravis has more than four decades of experience financing, analyzing, and investing in public and private companies, as well as serving on the boards of a number of KKR portfolio companies. As our co-founder and Co-Chief Executive Officer, Mr. Kravis has an intimate knowledge of KKR's business, which allows him to provide insight into various aspects of our business and is of significant value to the board of directors. Mr. Kravis is a first cousin of Mr. Roberts.

**George R. Roberts** co-founded KKR in 1976 and is Co-Chairman and Co-Chief Executive Officer of our Managing Partner. He is actively involved in managing the firm and serves on regional Private Equity Investment and Portfolio Management Committees. Mr. Roberts serves as a director or trustee of several cultural and educational institutions, including Claremont McKenna College. He is also founder and chairman of the board of directors of REDF, a San Francisco nonprofit organization. He earned a B.A. from Claremont McKenna College in 1966 and a J.D. from the University of California (Hastings) Law School in 1969. Mr. Roberts has more than four decades of experience financing, analyzing, and investing in public and private companies, as well as serving on the boards of a number of KKR portfolio companies. As our co-founder and Co-Chief Executive Officer, Mr. Roberts has an intimate knowledge of KKR's business, which allows him to provide insight into various aspects of our business and is of significant value to the board of directors. Mr. Roberts is a first cousin of Mr. Kravis.

**David C. Drummond** has been a member of the board of directors of our Managing Partner since March 14, 2014. Mr. Drummond has served as the senior vice president, corporate development of Alphabet Inc. (and its predecessor Google Inc.) since January 2006, as its chief legal officer since December 2006, and as its secretary since 2002. Previously, he served as Google Inc.'s vice president, corporate development and general counsel since February 2002. Prior to joining Google Inc., from July 1999 to February 2002, Mr. Drummond served as chief financial officer of SmartForce, an educational software applications company. Prior to that, Mr. Drummond was a partner at the law firm of Wilson Sonsini Goodrich & Rosati. Mr. Drummond holds a Juris Doctor degree from Stanford University and a Bachelor of Arts degree in history from Santa Clara University. Mr. Drummond provides significant value to the oversight and development of our business through his management and leadership roles at a publicly-traded global technology business and his insight into legal developments affecting global enterprises.

**Joseph A. Grundfest** has been a member of the board of directors of our Managing Partner since July 15, 2010. Mr. Grundfest has been a member of the faculty of Stanford Law School since 1990, where he is the William A. Franke Professor of Law and Business. He is also senior faculty of the Arthur and Toni Rembe Rock Center for Corporate Governance at Stanford University; founder and director of Directors' College, a venue for the professional education of directors of publicly traded corporations; and co-founder of Financial Engines, Inc., a provider of services and advice to participants in employer-sponsored retirement plans, where he has served as a director since its inception in 1996. Mr. Grundfest was a Commissioner of the SEC from 1985 to 1990. He holds a B.A. in Economics from Yale University and a J.D. from Stanford Law School. Mr. Grundfest's knowledge and expertise in capital markets, corporate governance, and securities laws provides significant value to the oversight and development of our business.

**John B. Hess** has been a member of the board of directors of our Managing Partner since July 28, 2011. Mr. Hess has been the chief executive officer of Hess Corporation since 1995 and a director since 1978. He was also director of Dow Chemical Co. from 2006 to 2013. He serves on the Secretary of Energy Advisory Board Quadrennial Review Task Force and as a director on the Business Council, the Trilateral Commission and the Council on Foreign Relations and on the executive committee of the American Petroleum Institute. Mr. Hess is a member of the board of trustees at the New York Public Library, Mount Sinai Hospital, the Lincoln Center for the Performing Arts and the Dean's Advisors at Harvard Business School, and chairs The Harvard Business School Campaign. Mr. Hess earned a B.A. from Harvard College and an M.B.A. from Harvard Business School. Mr. Hess provides significant value to the oversight and development of our business through his management and leadership roles at a global energy business, and his involvement with major businesses and public policy organizations also provides valuable perspectives for our company.

**Patricia F. Russo** has been a member of the board of directors of our Managing Partner since April 15, 2011. Ms. Russo served as chief executive officer of Alcatel-Lucent from 2006 to 2008. Prior to the merger of Alcatel and Lucent in 2006, she served as chairman and chief executive officer of Lucent Technologies, Inc. from 2003 to 2006, and as president and chief executive officer from 2002 to 2003. Before rejoining Lucent in 2002, Ms. Russo was president and chief operating officer of Eastman Kodak Company from March 2001 to December 2001. Since November 2015, Ms. Russo has been the chairman of Hewlett Packard Enterprise Company, which was spun off from Hewlett-Packard Company, where Ms. Russo served as a director from 2011 to November 2011. She also serves a director of Alcoa Inc. since 2008, Merck & Co., Inc. since 2009 and General Motors Company since 2009. Prior to its merger with Merck in 2009, Ms. Russo served as a director of Schering-Plough since 1995. She graduated from Georgetown University with a bachelor's degree in political science and history, and obtained an Advanced Management Degree from Harvard Business School's Advanced Management Program. Ms. Russo's management and leadership experience as chief executive officer of complex global companies as well as her experience with corporate strategy, mergers and acquisitions, and sales and marketing brings important expertise to the oversight and development of our business. Ms. Russo also brings extensive experience in corporate governance as a member of boards and board committees of other public companies.

**Thomas M. Schoewe** has been a member of the board of directors of our Managing Partner since March 14, 2011. Mr. Schoewe was executive vice president and chief financial officer for Wal-Mart Stores, Inc., a position he held from 2000 to 2010, and was employed by Walmart in a transitional capacity to January 2011. Prior to his employment at Walmart, Mr. Schoewe served as senior vice president and chief financial officer for Black and Decker Corp., a position he held from 1993 to 1999. Prior to that, he served for four years as Black and Decker's vice president of finance. He previously held the position of vice president of business planning and analysis. He joined Black and Decker in 1986 after serving at Chicago-based Beatrice Companies, where he was chief financial officer and controller of Beatrice Consumer Durables, Inc. He has served on the board of directors of Northrop Grumman Corporation and General Motors Company since 2011. From 2001 to May 2012, he served on the board of directors of PulteGroup Inc., which merged with Centex Corporation in 2009 and previously served on the Centex board. Mr. Schoewe graduated from Loyola University of Chicago with a bachelor's of business administration degree in finance. Mr. Schoewe's experience in financial reporting, accounting and control, and business planning and analysis brings important expertise to the oversight and development of our business.

**Robert W. Scully** has been a member of the board of directors of our Managing Partner since July 15, 2010. Mr. Scully was a member of the Office of the Chairman of Morgan Stanley from 2007 until his retirement in 2009, where he had previously been co-president, chairman of global capital markets and vice chairman of investment banking. Prior to joining Morgan Stanley, he served as a managing director at Lehman Brothers and at Salomon Brothers. Mr. Scully has served as a director of Zoetis Inc. since June 2013 and Chubb Limited (formerly ACE Limited) since May 2014 and as a public governor of the Financial Industry Regulatory Authority, or FINRA, since November 2014. Previously, he was a director of Bank of America Corporation until May 2013 and has also served as a director of GMAC Financial Services and MSCI Inc. He holds an A.B. from Princeton University and an MBA from Harvard Business School. Mr. Scully's 35-year career in the financial services industry brings important expertise to the oversight of our business. In addition, his leadership experience with a global financial services company brings an industry perspective to our business development within and outside the U.S. as well as issues such as talent development, senior client relationship management, strategic initiatives, risk management and audit and financial reporting.

**Todd A. Fisher** joined KKR in 1993 and is Chief Administrative Officer of our Managing Partner. Mr. Fisher is responsible for overseeing the finance, legal, information technology, human resources, public affairs and office operations functions, coordinating with the various businesses and geographies of KKR and overseeing the firm's efforts in real estate investments. He is a member of KKR's Real Estate Investment and Portfolio Management Committees and also chairs the firm's Risk Committee. He served as a director of Maxeda B.V. until October 2015, as a director of Rockwood Holdings, Inc. until January 2013 and Northgate Information Solutions plc until 2012. Prior to joining KKR, Mr. Fisher worked for Goldman, Sachs & Co. in New York and for Drexel Burnham Lambert in Los Angeles. Mr. Fisher holds a B.A. from Brown University, an M.A. in International Affairs from Johns Hopkins University, and an M.B.A. from the Wharton School of the University of Pennsylvania. He is currently a member of the Board of Trustees of Brown University, the Board of Advisors for The Johns Hopkins University School for Advanced International Studies, the Advisory Board of the Clinton Health Access Initiative, the United States Holocaust Memorial Council and the Council on Foreign Relations.

**William J. Janetschek** joined KKR in 1997 and is Chief Financial Officer of our Managing Partner. He has also been the president and chief executive officer of KKR Financial Services LLC since June 2014 and a director since May 2014. Prior to joining KKR, he was a Tax Partner at Deloitte & Touche LLP. He holds a B.S. from St. John's University and an M.S., Taxation from Pace University. Mr. Janetschek is actively involved in the community, serving as a sponsor and member of a variety of non-profit organizations including Student Sponsor Partners and St. John's University.

**David J. Sorkin** joined KKR in 2007 and is General Counsel and Secretary of our Managing Partner. Prior to joining KKR, Mr. Sorkin was with Simpson Thacher & Bartlett LLP for 22 years. He served as a partner at the law firm and also served on the executive committee and was one of KKR's principal outside counsels. He received a B.A., summa cum laude, from Williams College and a J.D., cum laude, from Harvard Law School.

### **Independence and Composition of the Board of Directors**

Our Managing Partner's board of directors consists of eight directors, six of whom, Messrs. Drummond, Grundfest, Hess, Schoewe and Scully and Ms. Russo, are independent under NYSE rules relating to corporate governance matters and the independence standards described in our corporate governance guidelines. In addition, Dieter Rampl, who served as a director for a portion of the fiscal year ended December 31, 2015, was an independent director during such time. While we are exempt from NYSE rules relating to board independence, our Managing Partner intends to maintain a board of directors that consists of at least a majority of directors who are independent under NYSE rules relating to corporate governance matters. In addition, the board has considered transactions and relationships between KKR and the companies and organizations on whose boards or other similar governing bodies where our directors also serve or where our directors serve as executive officers.

### **Board Committees**

Our Managing Partner's board of directors has four standing committees: an audit committee, a conflicts committee, a nominating and corporate governance committee and an executive committee that operate pursuant to written charters as described below. Because we are a limited partnership, our Managing Partner's board is not required by NYSE rules to establish a compensation committee or a nominating and corporate governance committee or to meet other substantive NYSE corporate governance requirements. While the board has established a nominating and governance committee, we rely on available exemptions concerning the committee's composition and mandate.

*Audit Committee*

The audit committee consists of Messrs. Grundfest (Chairman), Schoewe and Scully. The purpose of the audit committee is to provide assistance to the board of directors in fulfilling its responsibility with respect to its oversight of: (i) the quality and integrity of our financial statements, including investment valuations; (ii) our compliance with legal and regulatory requirements; (iii) our independent registered public accounting firm's qualifications, independence and performance; and (iv) the performance of our internal audit function. The members of the audit committee meet the independence standards and financial literacy requirements for service on an audit committee of a board of directors pursuant to the Exchange Act and NYSE rules applicable to audit committees. The Managing Partner's board of directors has determined that each of Messrs. Grundfest, Schoewe and Scully is an "audit committee financial expert" within the meaning of Item 407(d)(5) of Regulation S-K. The audit committee has a charter which is available at the Investor Center section of our internet website at [www.kkr.com](http://www.kkr.com).

*Conflicts Committee*

The conflicts committee consists of Messrs. Drummond, Grundfest, Hess, Schoewe and Scully and Ms. Russo. The conflicts committee is responsible for reviewing specific matters that the board of directors believes may involve a conflict of interest and for enforcing our rights under any of the exchange agreement, the tax receivable agreement, the limited partnership agreement of any KKR Group Partnership or our limited partnership agreement, which we refer collectively to as the covered agreements, against KKR Holdings and certain of its subsidiaries and designees, a general partner or limited partner of KKR Holdings, or a person who holds a partnership or equity interest in the foregoing entities. The conflicts committee is also authorized to take any action pursuant to any authority or rights granted to such committee under any covered agreement or with respect to any amendment, supplement, modification or waiver to any such agreement that would purport to modify such authority or rights. In addition, the conflicts committee shall approve any amendment to any of the covered agreements that in the reasonable judgment of our Managing Partner's board of directors is or will result in a conflict of interest. The conflicts committee will determine if the resolution of any conflict of interest submitted to it is fair and reasonable to our partnership. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to our partnership and not a breach of any duties that may be owed to our unitholders. In addition, the conflicts committee may review and approve any related person transactions, other than those that are approved pursuant to our related person policy, as described under "Certain Relationships and Related Transactions, and Director Independence—Statement of Policy Regarding Transactions with Related Persons," and may establish guidelines or rules to cover specific categories of transactions. The members of the conflicts committee meet the independence standards under our corporate governance guidelines as required for service on the conflicts committee in accordance with its charter.

*Nominating and Corporate Governance Committee*

The nominating and corporate governance committee consists of Messrs. Kravis, Roberts and Scully. The nominating and corporate governance committee is responsible for identifying and recommending candidates for appointment to the board of directors and for assisting and advising the board of directors with respect to matters relating to the general operation of the board and corporate governance matters. Mr. Scully meets the independence standards under the rules of the NYSE as required for service on the nominating and corporate governance committee in accordance with its charter.

*Executive Committee*

The executive committee consists of Messrs. Kravis and Roberts. The purpose of the executive committee is to act, when necessary, in place of our Managing Partner's full board of directors during periods in which the board is not in session. The executive committee is authorized and empowered to act as if it were the full board of directors in overseeing our business and affairs, except that it is not authorized or empowered to take actions that have been specifically delegated to other board committees or to take actions with respect to: (i) the declaration of distributions on our common units; (ii) a merger or consolidation of our partnership with or into another entity; (iii) a sale, lease or exchange of all or substantially all of our assets; (iv) a liquidation or dissolution of our partnership; (v) any action that must be submitted to a vote of our Managing Partner's members or our unitholders; or (vi) any action that may not be delegated to a board committee under our Managing Partner's limited liability company agreement or the Delaware Limited Liability Company Act.

## **Code of Business Conduct and Ethics**

We have a Code of Business Conduct and Ethics which applies to our principal executive officers, principal financial officer and principal accounting officer and is available on our internet website at [www.kkr.com](http://www.kkr.com) under the "Investor Center" section. In accordance with, and to the extent required by the rules and regulations of the Securities and Exchange Commission, we intend to disclose any amendment to or waiver of the Code of Business Conduct and Ethics on behalf of an executive officer or director either on our internet website or in a Current Report on Form 8-K filing.

## **Corporate Governance Guidelines**

Our Managing Partner's board of directors has a governance policy which addresses matters such as the board of directors' responsibilities and duties, the board of directors' composition and compensation and director independence. The governance guidelines are available on our internet website at [www.kkr.com](http://www.kkr.com) under the "Investor Center" section.

## **Communications to the Board of Directors**

The non-management members of our Managing Partner's board of directors meet regularly. At each meeting of the non-management members, the non-management directors choose a director to lead the meeting. All interested parties, including any employee or unitholder, may send communications to the non-management members of our Managing Partner's board of directors by writing to: the General Counsel, KKR & Co. L.P., 9 West 57th Street, Suite 4200, New York, New York 10019.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act, requires the executive officers and directors of our general partner, and persons who beneficially own more than ten percent of a registered class of the Partnership's equity securities to file initial reports of ownership and reports of changes in ownership with the SEC and furnish the Partnership with copies of all Section 16(a) forms they file. To our knowledge, based solely on our review of the copies of such reports or written representations from such persons that they were not required to file a Form 5 to report previously unreported ownership or changes in ownership, we believe that, with respect to the fiscal year ended December 31, 2015, such persons complied with all such filing requirements except that KKR Holdings had one late Form 4 filing relating to one transaction.

## **ITEM 11. EXECUTIVE COMPENSATION**

### *Compensation Discussion and Analysis*

#### **Compensation Philosophy**

Our compensation program has three primary objectives: (1) to attract, motivate and retain our employees, (2) to align their interests with those of our unitholders and fund investors, and (3) to reinforce our culture and values.

**Our employees.** Our business as an investment firm is dependent on the services of our employees, including our named executive officers. Among other things, we depend on their ability to find, select and execute investments, manage and improve portfolio company operations, find and develop relationships with fund investors and other sources of capital, and provide other services, and we cannot compete without their continued employment with us. Therefore, it is important that our key employees are compensated in a manner that motivates them to excel consistently and encourages them to remain with the firm.

**Alignment of interests.** Management equity ownership in the businesses in which we invest has been a guiding principle throughout our firm's history, and we apply that principle to ourselves: every employee of the firm is expected to have an equity interest in KKR. This equity ownership serves to align the interests of our employees with those of our unitholders. In addition, because we invest in and alongside our investment funds and have a carry pool from which we can allocate to our employees 40% of the carried interest that we generate through our business, we believe that our employees' interests are also aligned with those of our investors in the funds, vehicles and accounts that we manage, which in turn benefits our unitholders.

**Culture and values.** One of our most important values is our "one- firm" approach with shared responsibility and success, and we also subscribe to a culture of meritocracy and fairness. Therefore, compensation is based on the performance of the firm as a whole as well as on an individual's contributions to the firm. For example, we do not compensate people based merely on an individual's accomplishments in relation to the profits and losses of his or her business unit. In addition, we conduct, at least annually, an evaluation process based on input from a wide range of persons regarding each employee's contribution to the

firm, including his or her commitment to the firm's culture and values. We believe that using this kind of an evaluation process also promotes a measure of objectivity as a balance to a single manager's judgment.

We refer to our two Co-Chief Executive Officers, our Chief Administrative Officer, our Chief Financial Officer and our General Counsel as our "named executive officers." We believe that the elements of compensation discussed below for our named executive officers serve these primary objectives. We, as a limited partnership with no annual meeting of unitholders, are not required to conduct say-on-pay or say-on-frequency votes as provided in the Dodd-Frank Act. However, we intend periodically to review the elements of our compensation, and we may make changes to the compensation structure relating to one or more named executive officers based on the outcome of such reviews from time to time.

### **KKR Holdings**

Each of our named executive officers holds interests in our business through KKR Holdings, which is the entity that indirectly owns all of the outstanding KKR Group Partnership Units that are not allocable to us.

KKR Holdings units are, subject to certain restrictions, exchangeable for our common units, on a one-for-one basis, and generally cannot be sold to third parties for monetary value unless they are first exchanged for our common units. Because KKR Holdings units are exchangeable for our common units, we believe that our named executive officers' interests are aligned with those of our unitholders.

KKR Holdings, from time to time, receives distributions that are made on KKR Group Partnership Units that are held by it. To the extent such distributions are received on KKR Group Partnership Units that underlie any KKR Holdings units that have satisfied their respective vesting requirements, if any, at the time distributions are declared on the underlying KKR Group Partnership Units, such distributions will be allocated and further distributed to the named executive officers as and when received. To the extent that such distributions are made on KKR Group Partnership Units underlying any KKR Holdings units that have not satisfied all vesting requirements at the time distributions are declared on the underlying KKR Group Partnership Units, such distributions may be allocated or otherwise applied in such amounts and in such manner as our Co-Chief Executive Officers, acting through the general partner of KKR Holdings, may determine. KKR Holdings units subject solely to service-based vesting requirements generally vested three to five years from the date of grant. KKR Holdings units subject to price and service-based vesting requirements, which were first granted to certain of our named executive officers in 2016, are eligible to vest periodically in tranches over a three year period starting on January 1, 2018 subject to the satisfaction of certain price and service-based vesting requirements. See "-Compensation Elements - Year-End Bonus Compensation" for a description of these grants. As of February 22, 2016, approximately 7.7 million KKR Holdings units remain unallocated or unvested.

In 2015, our named executive officers received distributions on their vested KKR Holdings units, and because these distributions are not considered to be compensation, they have not been reported in the Summary Compensation Table.

### **Compensation Elements**

#### ***Base Salary***

For 2015, each of our named executive officers was paid an annual salary of \$300,000. We believe that the base salary of our named executive officers should typically not be the most significant component of total compensation. Our Co-Chief Executive Officers determined that this amount was a sufficient minimum base salary for our named executive officers and decided that it should be the same for all named executive officers. We are responsible for funding this base salary.

#### ***Year-End Bonus Compensation***

Other than their salary and certain incidental benefits noted below under "Other Compensation," our Co-Chief Executive Officers did not receive any additional compensation in 2015. They have decided at this time not to receive any bonus or other amounts from us or from KKR Holdings in excess of distributions payable with respect to their KKR Holdings units. Instead, they have decided that year-end bonus payments from KKR Holdings for 2015 should be made to our other employees in order to motivate and retain them for the benefit of the firm.

In 2015, our Chief Administrative Officer, Chief Financial Officer and General Counsel were awarded additional year-end compensation as bonus payments that were determined by our Co-Chief Executive Officers. Our Co-Chief Executive Officers made their subjective determinations by assessing our overall performance and the contributions that our Chief Administrative Officer, Chief Financial Officer and General Counsel made to our development and success, as a firm, during the year. Certain factors that were considered when determining the size of the bonus payments for our Chief Administrative Officer, Chief

Financial Officer and General Counsel include (i) their respective contributions and accomplishments in 2015 in terms of driving commercial results for the firm, leading and managing people, and living the firm's values; (ii) their respective performance and contributions relative to other senior employees at the firm, (iii) their respective performance and contributions in 2015 as compared to the prior year, and (iv) the overall financial performance of the firm in 2015 as compared to the prior year based on certain financial measures considered by management, including but not limited to cash earnings. More specifically, in assessing Mr. Fisher's contributions, they considered his service as the firm's Chief Administrative Officer, his role in overseeing the growth and operations of the firm, his leadership in the development of our real estate business and his leadership on the strategic direction of the firm generally. In assessing Mr. Janetschek's contributions, they considered his service as the Chief Financial Officer and his leadership and oversight of our finance, tax and accounting functions and related operations and his role with respect to strategic initiatives undertaken by the firm. Finally, in assessing Mr. Sorkin's contributions, they considered his leadership and oversight of our global legal and compliance functions and his role with respect to the strategic initiatives undertaken by the firm. In part, because the firm's performance in 2015 was mixed, with strong capital deployment and fundraising offset by weaker cash earnings and investment income than in 2014, the aggregate size of the bonus granted to the named executive officers, consisting of their cash bonus and deferred equity bonus, with respect to fiscal 2015 was generally lower relative to the total bonus granted with respect to fiscal 2014. In making these determinations, our Co-Chief Executive Officers consulted with certain of our senior employees and, with respect to the determinations for our Chief Financial Officer and General Counsel, considered the recommendations of our Chief Administrative Officer. We believe that the discretion permitted to our Co-Chief Executive Officers permits them to award bonus compensation in an amount they determine to be necessary to motivate and retain these named executive officers.

Once the bonus amount is determined, the bonus amount is divided into cash compensation and, for our named executive officers, a recommendation to our Managing Partner's board of directors for an award of deferred equity bonus compensation and, in some years, additional equity compensation. The amount of deferred equity bonus compensation for our principals is calculated using a graduated range of percentages applied to different incremental amounts of total salary and bonus compensation ranging from 5% to 50%. In addition, senior employees including our named executive officers are eligible, in some years, for additional equity compensation without reference to the graduated range of percentages. Grants of additional equity compensation may be made to our named executive officers in order to deliver a total bonus compensation determined by our Co-Chief Executive Officers as described above, less the cash compensation and deferred equity bonus. No grants of additional equity compensation were made to our named executive officers in connection with 2015 year-end bonus compensation, although market condition awards were granted to our named executive officers by KKR Holdings. See "—Market Condition Awards."

The cash bonus amounts paid to our Chief Administrative Officer, our Chief Financial Officer and our General Counsel for 2015 are reflected in the Bonus column of the 2015 Summary Compensation Table below.

The portion of the bonus payment granted to our named executive officers (other than our Co-Chief Executive Officers, who received none) as 2015 deferred equity bonus compensation consists of grants of equity awards issued under the Equity Incentive Plan. These equity awards are restricted equity units that may be settled for our common units on a one-for-one basis. See below under "Terms of Restricted Equity Units" for more information. We call these equity grants "deferred" equity bonus compensation, because our named executive officers' ability to monetize them into cash is deferred to the future when the vesting provisions (and any applicable transfer restrictions) discussed below lapse.

The number of restricted equity units granted to our named executive officers (other than our Co-Chief Executive Officers, who received none) is determined by our Managing Partner's board of directors. As part of 2015 year-end bonus compensation, our Managing Partner's board of directors approved the following grants: 101,540 restricted equity units to our Chief Administrative Officer, 57,727 restricted equity units to our Chief Financial Officer, and 59,799 restricted equity units to our General Counsel, in each case as deferred equity bonus compensation. The number of restricted equity units was determined by dividing the dollar amount of deferred equity bonus compensation recommended by the Co-Chief Executive Officers to the board of directors by the average closing price of our common units over the ten trading days ending December 4, 2015. Because these grants were made after December 31, 2015 and the associated restricted equity units are generally issued in the first quarter of the following year, they do not appear in the tables below, but will appear in the tables for the year ended December 31, 2016.

The restricted equity units that were granted as deferred equity bonus compensation in respect of fiscal 2015 year-end compensation are subject to a three-year service-based vesting condition (with the first vesting event occurring on April 1, 2017). The restricted equity units for the deferred equity bonus are not subject to additional transfer restrictions after vesting or any minimum retained ownership requirement. While our named executive officers did not receive restricted equity units as additional equity compensation in connection with fiscal 2015 year-end compensation, such additional restricted equity units received in respect of fiscal 2014 year-end compensation are subject to transfer restrictions after vesting and minimum retained

ownership requirements. From time to time such restrictions may be lifted and applied to an equivalent number of KKR Holdings Units held by an officer through KKR Holdings L.P. Vesting requirements serve as an employment retention mechanism and thereby enhance the alignment of interests between our named executive officers who receive year-end compensation payments and the firm. Because these restricted equity units are generally issued in the first quarter of the following year, they do not appear in the tables below, but will appear in the tables for the year ended December 31, 2016.

Our named executive officers along with other employees at the firm were eligible for additional equity compensation awards based on their performance and contributions during the year as described above. Eligibility for this additional equity compensation was introduced for 2014 year-end compensation for our named executive officers and grants made in February 2015 for 2014 year-end compensation are reflected in the Summary Compensation Table. While no additional equity compensation was granted to our named executive officers in connection with 2015 year-end bonus compensation, these additional equity compensation awards may become a component of our annual year-end bonus determination for our named executive officers in the future. However, see "—Market Condition Awards" for market condition awards granted to our named executive officers by KKR Holdings.

#### ***Market Condition Awards***

In 2016 our named executive officers (other than our Co-Chief Executive Officers, who received none) also received grants of KKR Holdings units subject to price and service-based vesting requirements. The objective of these grants was to incentivize and retain certain senior employees, including certain of our named executive officers, align their interests with those of unitholders and provide meaningful incremental long-term economic incentives in addition to year-end compensation. These awards were not designed as an annual compensation program, but rather a retention and long-term incentive award program. The number of KKR Holdings units granted to our named executive officers was determined by the general partner of KKR Holdings. Following the receipt of the consent of our Managing Partner's board of directors, the general partner of KKR Holdings made the following grants: 900,000 KKR Holdings units to our Chief Administrative Officer, 550,000 KKR Holdings units to our Chief Financial Officer, and 550,000 KKR Holdings units to our General Counsel. The KKR Holdings units granted to our named executive officers are outstanding but previously unallocated units, and consequently these grants will not increase the number of KKR Holdings units outstanding. If and when vested and exchanged, these KKR Holdings units would not dilute KKR's respective ownership interests in the KKR Group Partnerships.

The KKR Holdings units granted to these named executive officers are subject to price and service-based vesting requirements. Tranches of these KKR Holdings units become eligible to vest periodically over a three year period beginning on January 1, 2018 upon satisfaction of a service-based vesting condition and also a price vesting condition based on the price of KKR common units reaching and maintaining certain specified price thresholds for a specified period of time. None of these KKR Holdings units are eligible to vest prior to January 1, 2018 and if applicable price targets are not achieved by the close of business on January 1, 2021, any of these KKR Holdings units that remain unvested will be automatically forfeited. These KKR Holdings units are not subject to additional transfer restrictions after vesting but are subject to minimum retained ownership requirements. Because these grants were made after December 31, 2015, they do not appear in the tables below, but will appear in the tables for the year ended December 31, 2016.

#### ***Carried Interest***

We have available to allocate and distribute to a carry pool 40% of the carried interest that we earn, from which our employees are eligible to receive a carried interest allocation. Carry pool allocations for the named executive officers are made by first determining a total dollar value for the named executive officer's interest in the carry pool. Due to their unique status as co-founders of our firm, our Co-Chief Executive Officers determine their own allocation from the carry pool. To make this total dollar value determination for the other named executive officers, our Co-Chief Executive Officers take into consideration the executive officer's involvement with investments and impact on the portfolio, the size of the executive officer's bonus, and other factors similar to those considered when determining the size of the bonus, as described under "—Year-End Bonus Compensation". However, the total dollar value available to be allocated to the named executive officers and other employees is limited by the total amount of investments made by our investment funds during the fiscal year, and executive officers and other employees may not be allocated any dollar value of carry in any given year. After a total dollar value, if any, for each named executive officer is determined, such dollar value is then divided by the total value of investments made by our funds for the year, which yields a certain percentage for the named executive officer. This percentage is then applied consistently to each investment made during the year. Because the size of each investment is different, the nominal amount of the carry pool allocation differs by investment, although the percentage applied to each investment is consistent.

A portion of the carried interest that is available for allocation to our employees is not immediately allocated when it becomes available and is instead reserved. This reserved carried interest is later allocated to a discrete number of employees



when it is determined that they deserve additional carried interest allocations based on their performance. The carry pool is maintained and administered by KKR Associates Holdings L.P., which, similar to KKR Holdings, is not a subsidiary of ours. Allocations are determined by our Co-Chief Executive Officers acting through the general partner of KKR Associates Holdings L.P.

Carried interest, if any, from the carry pool in respect of any particular investment is only paid in cash after all of the following are met: (i) a realization event has occurred (e.g., sale of a portfolio company, dividend, etc.); (ii) the vehicle has achieved positive overall investment returns since its inception, in excess of performance hurdles where applicable; and (iii) with respect to investments with a fair value below cost, cost has been returned to fund investors in an amount sufficient to reduce remaining cost to the investments' fair value. To the extent any "clawback" obligation is triggered, carried interest previously distributed by the fund would have to be returned to such fund, thereby reducing the named executive officer's overall compensation for any such year. A portion of certain carried interest payable is generally not distributed to the recipient and is instead held in escrow in order to enhance the recipient's ability to satisfy any future clawback obligation. Because the amount of carried interest payable is directly tied to the realized performance of the underlying investments, we believe this fosters a strong alignment of interests among the investors in those funds and the named executive officers, and thus benefits our unitholders. In addition, several of our competitors use participation in carried interest as an important compensation element, and we believe that we must do the same in order to attract and retain the most qualified personnel.

Participation in our carry pool for our employees, including our named executive officers, is subject only to service-based vesting with certain exceptions, including acceleration upon death or disability. In general, the vesting for carry pool allocations for investments made during or after 2013 is annual over a four-year period (other than for our Co-Chief Executive Officers). The vesting schedules for investments made prior to 2013 range from four-year vesting (with no vesting upon grant) for the most junior employees up to two-year vesting (and 50% vesting upon grant) for most senior employees. Vesting serves as an employment retention mechanism and enhances the alignment of interests between a participant in our carry pool and the firm as well as the limited partners in our investment funds. Due to their status as co-founders of our firm, our Co-Chief Executive Officers are typically completely vested in their carried interest allocations upon grant.

### ***Other Compensation***

Our Co-Chief Executive Officers are reimbursed by us for the use of a car and driver, and we pay for the compensation of certain personnel who administer personal matters for them. We believe that these benefits are appropriate in light of the time that they spend on our business, the limited compensation paid by us for their services, and their unique status as co-founders of our firm. In addition, we may pay for certain tax preparation fees for our named executive officers.

### **Minimum Retained Ownership**

While employed by us, unless waived in whole or in part, each of our named executive officers is required to hold at least 25% of the cumulative amount of KKR Holdings units that have satisfied vesting conditions during the duration of his employment with the firm. In addition, unless waived in whole or in part, each of our named executive officers may be required, on a grant by grant basis, to hold common unit equivalents of 15% of the cumulative restricted equity units granted under the Equity Incentive Plan that have satisfied the service-based vesting condition during the duration of his employment with the firm.

### **Compensation and Risk**

Our compensation program includes elements that we believe discourage excessive risk-taking and align the compensation of our employees with the long-term performance of the firm. For example, other than certain equity that either immediately vested as part of the grants to all employees or our founders or that were made in exchange for the contribution of assets, in each case in connection with the consummation of the KPE Transaction in October 2009, a significant majority of the equity awards granted to our employees are subject to a multi-year vesting conditions, one- and two-year post-vesting transfer restriction periods, and/or a minimum retained ownership requirement. Because our equity awards have multi-year vesting provisions, the actual amount of compensation realized by the recipient will be tied to the long-term performance of our common units. In addition, market-condition KKR Holdings units granted to our senior employees in 2016, include price vesting conditions based on the price of our common stock in addition to service-based vesting requirements. We believe these vesting conditions more closely align the interests of these senior employees with those of our unitholders. Pursuant to our internal policies, our employees are not permitted to buy or sell derivative securities, including for hedging purposes, or to engage in short-selling to hedge their economic risk of ownership. In addition, we only make cash payments of carried interest to our employees when profitable investments have been realized and after sufficient cash has been distributed to the investors in our funds. Moreover, the general partner of a fund is required to return carried interest distributions to the fund due to, for

example, underperformance by the relevant fund subsequent to the payment of such carried interest. Accordingly, the employees would be subject to a "clawback," i.e., be required to return carried interest payments previously made to a principal, all of which further discourages excessive risk-taking by our personnel.

***Summary Compensation Table***

The following table presents summary information concerning compensation that was paid for services rendered by our named executive officers during the fiscal years ended December 31, 2013, 2014 and 2015.

In 2013, 2014 and 2015, our named executive officers received distributions based on their vested KKR Holdings units or common units. Because these distributions are not considered to be compensation, these distributions are not reflected as compensation in the table below. There are certain contractual arrangements we entered into with KKR Holdings at the time of the KPE Transaction in October 2009 and thereafter, including a tax receivable agreement, that relate to payments to our named executive officers that are not compensatory and are described in "Certain Relationships and Related Transactions, and Director Independence." Because restricted equity units and market-condition KKR Holdings units granted to our named executive officers as part of 2015 year-end bonus compensation and incentive awards were made after December 31, 2015, they do not appear in the tables below, and will appear in the tables for the year ended December 31, 2016.

Carried interest distributions to our named executive officers in respect of the carry pool for the years ended December 31, 2013, 2014 and 2015 are reflected in the All Other Compensation column in the 2015 Summary Compensation Table below.

**2015 Summary Compensation Table**

Name and Principal Position	Year	Salary (\$)	Bonus (\$ (1))	Stock Awards (\$ (2))	All Other Compensation (\$ (3))	Total (\$)
Henry R. Kravis Co-Chief Executive Officer	2015	300,000	—	—	51,994,055 (4)	52,294,055
	2014	300,000	—	—	64,151,272	64,451,272
	2013	300,000	—	—	43,905,435	44,205,435
George R. Roberts Co-Chief Executive Officer	2015	300,000	—	—	52,064,278 (5)	52,364,278
	2014	300,000	—	—	64,075,416	64,375,416
	2013	300,000	—	—	43,808,078	44,108,078
Todd A. Fisher Chief Administrative Officer	2015	300,000	3,485,000	3,600,328	10,622,133 (6)	18,007,461
	2014	300,000	2,260,000	1,589,225	12,381,439	16,530,664
	2013	300,000	3,985,000	1,601,971	9,677,086	15,564,057
William J. Janetschek Chief Financial Officer	2015	300,000	2,325,000	3,676,867	2,705,105 (7)	9,006,972
	2014	300,000	2,455,000	674,433	3,080,524	6,509,957
	2013	300,000	2,260,000	543,859	2,075,121	5,178,980
David J. Sorkin General Counsel	2015	300,000	2,390,000	3,676,867	1,396,629 (7)	7,763,496
	2014	300,000	2,455,000	649,323	1,730,754	5,135,077
	2013	300,000	2,195,000	543,859	452,134	3,490,993

- (1) Represents distributions received by KKR Holdings with respect to unvested KKR Holdings units that have been distributed to the named executive officer as bonus. The discretionary bonus payments in 2013, 2014 and 2015 were made by KKR Holdings and accordingly were not economically borne by us.
- (2) Stock awards reflected in the table above for each year presented represents equity award grants made in such reporting period relating to the equity portion of the prior year bonus compensation and reflect the grant date fair value of restricted equity units. Fair value of the restricted equity units granted to our named executive officers is calculated in accordance with Accounting Standards Codification Topic 718, Compensation—Stock Compensation ("ASC 718"). See Note 11 of the financial statements included elsewhere in this report for additional information about the valuation assumptions with respect to all grants reflected in this column. These amounts reflect the aggregate grant date fair values calculated under ASC Topic 718 and may not correspond to the actual value that will be recognized by our named executive officers.
- (3) Carried interest is presented on the basis of cash received by our named executive officers in the respective fiscal year. We believe that presenting actual cash received by our named executive officers is a more representative disclosure of their compensation than presenting accrued carried interest, because carried interest is paid only if and when there are profitable realization events relating to the underlying investments. Carried interest also includes amounts retained and allocated for distribution to the respective named executive officer, but not yet distributed to the named executive officer, which could be used to fund potential future clawback obligations if any were to arise.
- (4) Consists of \$ 51,527,045 in cash payments of carried interest from the carry pool during 2015; \$40,000 in fees for Mr. Kravis's service as a KKR-designated director on the board of directors of First Data Corporation, a KKR portfolio company, during 2015; \$5,000 in fees for Mr. Kravis's service as a KKR-designated director on the board of directors of China International Capital Corporation Limited, a KKR portfolio company, during 2015; \$165,454 related to Mr. Kravis's use of a car and driver during 2015; \$236,556 related to certain personnel who administer personal matters for Mr. Kravis during 2015; and \$20,000 related to tax preparation fees. SEC rules require that transportation and personnel expenses not directly and integrally related to our business be disclosed as compensation to Mr. Kravis. Because we do not separately track personnel expenses based on whether they are incurred for business or for personal reasons, 100% of the preceding costs have been reported for Mr. Kravis.
- (5) Consists of \$51,527,045 in cash payments of carried interest from the carry pool during 2015; \$197,630 related to Mr. Roberts's use of a car and driver during 2015; \$319,603 related to certain personnel who administer personal matters for Mr. Roberts during 2015; and \$20,000 related to tax preparation fees. SEC rules require that transportation and personnel expenses not directly and integrally related to our business be disclosed as compensation to Mr. Roberts. Because we do not separately track personnel expenses based on whether they are incurred for business or personal reasons, 100% of the preceding costs have been reported for Mr. Roberts.
- (6) Consists of \$10,564,231 in cash payments of carried interest from the carry pool during 2015; \$37,902 in fees for Mr. Fisher's service as a KKR-designated director on the board of directors of Maxeda, a KKR portfolio company, during 2015; and \$20,000 related to tax preparation fees.
- (7) Consists of cash payments of carried interest from the carry pool during 2015 and \$20,000 related to tax preparation fees.

**Grants of Plan-Based Awards in 2015**

The following table provides supplemental information relating to grants of equity awards in the year ended December 31, 2015 provided in our Summary Compensation Table.

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#) (1)	Grant Date Fair Value of Stock and Option Awards (\$) (2)
Henry R. Kravis	—	—	—
George R. Roberts	—	—	—
Todd A. Fisher	02/23/15	216,193	\$ 3,600,328
William J. Janetschek	02/23/15	220,789	\$ 3,676,867
David J. Sorkin	02/23/15	220,789	\$ 3,676,867

(1) Stock awards reflected in the table above represent grants made in the year ended December 31, 2015 relating to the equity portion of the prior year bonus compensation. The amounts reflected in this column represent restricted equity units. Each grant of restricted equity units is subject to a service-based vesting condition over a period of three years (with the first vesting event occurring on April 1, 2016). The vesting terms of these grants are described under the caption "Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards—Terms of Restricted Equity Units" below.

(2) Amount represents the grant date fair value of the restricted equity units granted to our named executive officers as calculated in accordance with ASC Topic 718. See Note 11 of the financial statements included elsewhere in this report for additional information about the valuation assumptions with respect to all grants reflected in this column. These amounts reflect the aggregate grant date fair values calculated under ASC Topic 718 and may not correspond to the actual value that will be recognized by our named executive officers.

**Narrative Disclosure to Summary Compensation Table and Grants of Plan- Based Awards*****Terms of KKR Holdings Units***

The following description applies to KKR Holdings units granted prior to 2016.

Certain units that our named executive officers and other principals hold in KKR Holdings as of December 31, 2015 are subject to transfer restrictions and, except for interests held by our Co-Chief Executive Officers and certain interests that were vested when granted in connection with the KPE Transaction in October 2009, were subject to multi-year service-based vesting requirements upon their initial grant. Due to their unique status as co-founders of our firm, our Co-Chief Executive Officers are completely vested in their ownership of KKR Holdings units.

In general, unvested KKR Holdings units initially vested in equal installments over a multi-year period (which ranged from three to five years) from the grant date, subject to the recipient's continued employment with us. Following this initial vesting (or the grant date if interests were vested upon grant), interests remained contingently vested while they were subject to certain transfer restrictions. Unvested KKR Holdings units were not entitled to receive distributions. As of February 22, 2016, 324,772,683 outstanding KKR Holdings units have vested, constituting 90% of the KKR Holdings units outstanding. All of the KKR Holdings units granted to our named executive officers in 2009 and 2011 have vested as of the date of this filing; however 1.0 million units held by our named executive officers remain subject to transfer restrictions that will lapse in 2016.

KKR Holdings units that are subject to transfer restrictions, unless waived, may not be sold, exchanged or otherwise transferred for a specified period of time following the initial vesting date. The transfer restriction period typically lasts for (1) one year with respect to one-half of the units vesting on the vesting date and (2) two years with respect to the other one-half of the units vesting on such vesting date. Transfer restricted units become fully vested and transferable and may be exchanged into common units at the end of the transfer restriction period if the holder is not terminated for cause and has complied with the terms of his or her confidentiality and restrictive covenant agreement during the transfer restrictions period. See "Terms of Confidentiality and Restrictive Covenant Agreements" below.

Because KKR Holdings is a partnership, all of the KKR Holdings units have been legally allocated, but the allocation of certain of these units had not been communicated to each respective principal as of December 31, 2015. The units whose allocation has not been communicated are subject to performance-based vesting conditions, which include, (i) whether the principal is in good standing and has adhered to our policies and rules, (ii) performance of assigned tasks and duties in an effective, efficient and diligent manner, (iii) contribution and commitment to the growth, development and profitability of KKR

and our business, (iv) contribution and commitment to our management and general administration; (v) contribution and commitment to the culture, business principles, reputation and morale of KKR as a whole and the team or teams to which the principal has been assigned, and (vi) contribution and commitment to our recruiting, business development, public image and marketing efforts and the professional development of our personnel. These criteria are not sufficiently specific to constitute performance conditions for accounting purposes, and the achievement, or lack thereof, will be determined based upon the exercise of judgment by the general partner of KKR Holdings. Each principal will ultimately receive between zero and 100% of the units initially allocated. The allocation of these units has not yet been communicated to the award recipients as this was management's decision on how to best incentivize its principals. It is anticipated that additional service-based vesting conditions will be imposed at the time the allocation is initially communicated to the respective principals. We applied the guidance of ASC Topic 718 and concluded that these KKR Holdings units do not yet meet the criteria for recognition of compensation cost because neither the grant date nor the service inception date has occurred. In reaching a conclusion that the service inception date has not occurred, we considered (1) the fact that the vesting conditions are not sufficiently specific to constitute performance conditions for accounting purposes, (2) the significant judgment that can be exercised by the general partner of KKR Holdings in determining whether the vesting conditions are ultimately achieved, and (3) the absence of communication to the principals of any information related to the number of units they were initially allocated. The allocation of these units will be communicated to the award recipients when the performance-based vesting conditions have been met, and currently there is no plan as to when the communication will occur. The determination as to whether the award recipients have satisfied the performance-based vesting conditions is made by the general partner of KKR Holdings, and is based on multiple factors primarily related to the award recipients' individual performance.

While employed by our firm, our principals, including our named executive officers, are also subject to minimum retained ownership rules that require them to continuously hold at least 25% of their cumulatively vested KKR Holdings units, unless waived.

The transfer and vesting restrictions and minimum retained ownership rules applicable to KKR Holdings units may not be enforceable in all cases and can be waived, modified or amended by KKR Holdings at any time without our consent.

The terms of the KKR Holdings units described above are distinct from equity awards issuable under our Equity Incentive Plan, which are described below.

### ***Terms of Restricted Equity Units***

Restricted equity units are equity awards issuable under our Equity Incentive Plan, which after vesting, may be settled for our common units on a one- for-one basis (or an amount of cash equal to the fair market value of such common units).

In general, restricted equity units are subject to a service-based vesting condition and vest in equal annual installments over a multi-year period (generally three to five years) from a specified date, subject to the recipient's continued employment with us. Following this service-based vesting, certain restricted equity unit grant agreements may also subject the common units delivered upon settlement of such restricted equity units to transfer restrictions and/or minimum retained ownership requirements. Unvested restricted equity units granted under our Equity Incentive Plan are not entitled to receive distributions.

Common units delivered upon settlement of restricted equity units that are subject to transfer restrictions, unless waived, typically may not be sold, exchanged or otherwise transferred for a specified period of time following the vesting date. The transfer restriction period typically lasts for (1) one year with respect to one-half of the units vesting on the service-based vesting date and (2) two years with respect to the other one-half of the units vesting on such service-based vesting date. Transfer restricted common units become saleable at the end of the transfer restriction period if the holder has not been terminated for cause and has not breached in any significant or intentional manner, as determined by the Administrator, the terms of his or her confidentiality and restrictive covenants contained in the grant agreement during the transfer restriction period. See "Terms of Confidentiality and Restrictive Covenant Agreements" below.

While employed by our firm, our employees, including our named executive officers, may also be subject to a minimum retained ownership requirement under the restricted equity unit grant agreement, which would obligate them to continuously hold common unit equivalents of 15% of their cumulatively vested restricted equity units, unless waived. From time to time, the transfer restrictions and minimum retained ownership requirements applicable to restricted equity units of certain employees, including our named executive officers, may be transferred to such employees' KKR Holdings units, if any, so that the total units of equity subject to transfer restrictions and minimum retained ownership requirements are expected to be the same, unless waived.

For additional information about equity awards granted under our Equity Incentive Plan, please also see “KKR & Co. L.P. Equity Incentive Plan” below.

### **Terms of Confidentiality and Restrictive Covenant Agreements**

The confidentiality and restrictive covenant agreements with each of our named executive officers include prohibitions on them competing with us or soliciting certain fund investors or senior-level employees of our firm and specified subsidiaries and affiliates during a restricted period following their departure from the firm. These agreements also require personnel to protect and use the firm’s confidential information only in accordance with confidentiality restrictions set forth in the agreement.

The restricted periods for our Co-Chief Executive Officers expire on (1) for voluntary terminations or terminations with cause, two years from termination and (2) for terminations without cause, one year from termination. The restricted periods for our other named executive officers expire on (1) for voluntary terminations or terminations with cause, 18 months from termination, and (2) for terminations without cause, nine months from termination. These restricted periods are subject to reduction for any “garden leave” or “notice period” that an employee serves prior to termination of employment.

Our named executive officers other than our Co-Chief Executive Officers have entered into these confidentiality and restrictive covenant agreements with us through their restricted equity unit grant agreements and separately also with KKR Holdings, which is entitled to waive, modify or amend them at any time without our consent. However, because our Co-Chief Executive Officers have not received any restricted equity units, their confidentiality and restrictive covenant agreements are solely with KKR Holdings. Because KKR Holdings is the party to these agreements and not us, we may not be able to enforce them, and these agreements might be waived, modified or amended at any time without our consent.

### **Outstanding Equity Awards at 2015 Fiscal Year-End**

The following table sets forth information concerning unvested restricted equity units for each of the named executive officers as of December 31, 2015 .

Name	Stock Awards	
	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock that Have Not Vested \$(1)
Henry R. Kravis	—	—
George R. Roberts	—	—
Todd A. Fisher	325,997(2)	\$ 5,082,293
William J. Janetschek	263,232(3)	\$ 4,103,787
David J. Sorkin	262,271(4)	\$ 4,088,805

- (1) These amounts are based on the closing market price of our common units on the last trading day of the year ended December 31, 2015 , of \$15.59 per common unit.
- (2) Includes (i) 48,960 restricted equity units granted on February 21, 2013, which will vest on April 1, 2016; (ii) 60,844 restricted equity units granted on February 5, 2014, which will vest in equal installments on April 1, 2016 and April 1, 2017; and (iii) 216,193 restricted equity units granted on February 23, 2015, which will vest in equal installments on April 1, 2016, April 1, 2017 and April 1, 2018.
- (3) Includes (i) 16,622 restricted equity units granted on February 21, 2013, which will vest on April 1, 2016; (ii) 25,821 restricted equity units granted on February 5, 2014, which will vest in equal installments on April 1, 2016 and April 1, 2017; and (iii) 220,789 restricted equity units granted on February 23, 2015, which will vest in equal installments on April 1, 2016, April 1, 2017 and April 1, 2018.
- (4) Includes (i) 16,622 restricted equity units granted on February 21, 2013, which will vest on April 1, 2016; (ii) 24,860 restricted equity units granted on February 5, 2014, which will vest in equal installments on April 1, 2016 and April 1, 2017; and (iii) 220,789 restricted equity units granted on February 23, 2015, which will vest in equal installments on April 1, 2016, April 1, 2017 and April 1, 2018.

**Option Exercises and Stock Vested in 2015**

The following table sets forth information concerning the vesting of KKR Holdings units and restricted equity units held by each of our named executive officers during the year ended December 31, 2015 .

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#)(1)	Value Realized on Vesting \$(2)
Henry R. Kravis	—	—
George R. Roberts	—	—
Todd A. Fisher	163,197	\$ 3,766,587
William J. Janetschek	54,301	\$ 1,253,267
David J. Sorkin	55,277	\$ 1,275,793

- (1) The amounts reflected in this column represent KKR Holdings units and common units delivered. Upon vesting, KKR Holdings units and a portion of restricted equity units delivered upon vesting are subject to one- and two-year transfer restrictions.
- (2) These amounts are based on the closing market price of our common units on each respective vesting date.

**Pension Benefits for 2015**

We provided no pension benefits during the year ended December 31, 2015 .

**Nonqualified Deferred Compensation for 2015**

We provided no defined contribution plan for the deferral of compensation on a basis that is not tax-qualified during the year ended December 31, 2015 .

**Potential Payments Upon Termination or Change in Control**

Upon termination of employment, vesting generally ceases for restricted equity units that have not vested. In addition, transfer restricted vested KKR Holdings units, which consist of KKR Holdings units that were subject solely to service-based vesting conditions, and, if applicable, transfer restricted equity units (which term includes the transfer restricted common units that may be delivered upon settlement of such restricted equity units) remain subject to transfer restrictions for one- and two-year periods, except as described below. See "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" for additional information regarding KKR Holdings units and transfer restricted equity units of our named executive officers.

An employee who retires after the first date on which his or her age plus years of service to KKR equals 80 will continue to vest in his or her unvested restricted equity units for an additional two years following retirement, subject to compliance, if applicable, with the requirement that the holder not violate the terms and conditions of his or her confidentiality and restrictive covenants during the period in which such restricted equity unit, if applicable, remains transfer restricted over one- and two-year periods. None of our named executive officers retired in the year ended December 31, 2015.

Upon death or permanent disability, a holder of restricted equity units becomes immediately vested in all unvested restricted equity units, and the transfer restrictions, if any, immediately lapse. The values of unvested restricted equity units held by the named executive officers as of December 31, 2015 are set forth above in the Outstanding Equity Awards at 2015 Fiscal Year-End Table.

In addition, upon a change in control of KKR, a holder of restricted equity units becomes immediately vested in all unvested restricted equity units, and the transfer restrictions, if any, immediately lapse. As noted above, the values of unvested restricted equity units held by the named executive officers as of December 31, 2015 are set forth above in the Outstanding Equity Awards at 2015 Fiscal Year-End Table.

In addition, the KKR Holdings units subject to price and service-based vesting conditions, which were granted to certain of the named executive officers in 2016, provide for additional vesting eligibility in connection with an involuntary termination

without cause. Upon involuntary termination of employment without cause, KKR Holdings units that are subject to price and service-based vesting conditions would continue to be eligible to vest according to the vesting dates specified under the applicable service-based vesting condition, provided that the price vesting condition has been met prior to the termination. Any KKR Holdings units for which the price vesting condition has not been met at the time of termination are forfeited. Upon death or permanent disability, such KKR Holdings units would continue to vest pursuant to the applicable price and time-based vesting conditions. Upon termination of employment for retirement or in the event of a change in control, there are no additional vesting eligibility for such KKR Holdings units.

Upon termination of employment, vesting generally ceases for carried interest allocations, except that for allocations made for investments in 2012 and in prior years only, the vesting of carried interest allocations of our named executive officers and other principals may continue for a certain pre-determined period of time if they are terminated without cause or if they leave without cause, subject to compliance, if applicable, with the requirement that the person not violate the terms and conditions of his or her confidentiality and restrictive covenant agreement. In addition, carried interest allocations become immediately vested upon death or permanent disability.

## Director Compensation

We limit compensation for service on our Managing Partner's board of directors to the independent directors. Each independent director receives (1) an annual cash retainer of \$75,000, (2) an additional annual cash retainer of \$15,000 if such independent director is a member of the nominating and corporate governance committee, (3) an additional annual cash retainer of \$25,000 if such independent director is a member of the audit committee and (4) an additional annual cash retainer of \$15,000 if such independent director serves as the chairman of the audit committee. Cash retainers are pro rated if, during the calendar year, a director joins the board of directors of our Managing Partner or a director joins or resigns from a committee. In addition, on July 24, 2015, 6,219 restricted equity units were approved for grant to each independent director pursuant to our Equity Incentive Plan.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards \$(1)	Total (\$)
David C. Drummond	75,000	150,000	225,000
Joseph A. Grundfest	115,000	150,000	265,000
John B. Hess	75,000	150,000	225,000
Dieter Rampl (2)	75,000	150,000	225,000
Patricia F. Russo	75,000	150,000	225,000
Thomas M. Schoewe	100,000	150,000	250,000
Robert W. Scully	115,000	150,000	265,000

- 
- (1) Represents the aggregate grant date fair value of restricted equity units granted to each of the independent directors during the year ended December 31, 2015 as calculated in accordance with ASC Topic 718. See Note 11 of the financial statements included elsewhere in this report for additional information about the valuation assumptions with respect to all grants reflected in this column. These amounts reflect the aggregate grant date fair values calculated under ASC Topic 718 and may not correspond to the actual value that will be recognized by the independent directors.
- (2) Dieter Rampl, a former independent director, resigned from our Managing Partner's board of directors on November 5, 2015, and upon his resignation 6,219 unvested restricted equity units were forfeited.



The following table details grants of restricted equity units to each of our independent directors of our Managing Partner in the year ended December 31, 2015. The table includes the grant date and grant date fair value of 2015 restricted equity units and the aggregate number of unvested restricted equity units as of December 31, 2015 owned by each independent director who served as a director during the year ended December 31, 2015:

Name	Grant Date(1)	Stock Awards (#)	Grant Date Fair Value (\$)(2)	Total Number of Unvested Restricted Equity Awards on December 31, 2015 (#)
David C. Drummond	7/24/2015	6,219	150,000	6,219
Joseph A. Grundfest	7/24/2015	6,219	150,000	6,219
John B. Hess	7/24/2015	6,219	150,000	6,219
Dieter Rampl (3)	7/24/2015	6,219	150,000	6,219
Patricia F. Russo	7/24/2015	6,219	150,000	6,219
Thomas M. Schoewe	7/24/2015	6,219	150,000	6,219
Robert W. Scully	7/24/2015	6,219	150,000	6,219

- (1) The restricted equity awards approved for grant on July 24, 2015 vest on October 1, 2016.
- (2) This column represents the grant date fair value of restricted equity units granted to each of the independent directors during the year ended December 31, 2015 as calculated in accordance with ASC Topic 718. These amounts reflect the aggregate grant date fair values calculated under ASC Topic 718 and may not correspond to the actual value that will be recognized by the independent directors.
- (3) Dieter Rampl, a former independent director, resigned from our Managing Partner's board of directors on November 5, 2015, and upon his resignation 6,219 unvested restricted equity units were forfeited.

### **KKR & Co. L.P. Equity Incentive Plan**

Our Managing Partner has adopted the KKR & Co. L.P. 2010 Equity Incentive Plan, which is referred to as the Equity Incentive Plan.

#### ***Administration***

The board of directors of our Managing Partner administers the Equity Incentive Plan. However, the board of directors of our Managing Partner may delegate such authority, including to a committee or subcommittee of the board of directors. Under the terms of the Equity Incentive Plan, the board of directors of our Managing Partner, or the committee or subcommittee thereof to whom authority to administer the Equity Incentive Plan has been delegated, as the case may be, is referred to as the Administrator. The Administrator determines who will receive awards under the Equity Incentive Plan, as well as the form of the awards, the number of units underlying the awards and the terms and conditions of the awards, consistent with the terms of the Equity Incentive Plan. The Administrator has full authority to interpret and administer the Equity Incentive Plan and its determinations will be final and binding on all parties concerned. The Administrator may delegate the authority to grant awards and the day-to-day administration of the plan to any of our employees. Grants of equity awards to our named executive officers under our Equity Incentive Plan are made only by our Managing Partner's board of directors.

#### ***Common Units Subject to the Equity Incentive Plan***

The total number of our common units that may be issued under the Equity Incentive Plan as of the effective date of the plan was equivalent to 15% of the number of fully diluted and exchanged common units outstanding as of such date; provided that beginning with the first fiscal year after the Equity Incentive Plan became effective and continuing with each subsequent fiscal year occurring thereafter, the aggregate number of common units covered by the plan will be increased, on the first day of each fiscal year of KKR & Co. L.P. occurring during the term of the plan, by a number of common units equal to the positive difference, if any, of (x) 15% of the aggregate number of common units outstanding (on a fully-diluted and exchanged basis) on the last day of the immediately preceding fiscal year minus (y) the aggregate number of common units available for issuance under the plan as of the last day of such year, unless the Administrator should decide to increase the number of common units covered by the plan by a lesser amount on any such date.

### ***Options and Unit Appreciation Rights***

The Administrator may award non-qualified unit options and unit appreciation rights under the Equity Incentive Plan. Options and unit appreciation rights granted under the Equity Incentive Plan will become vested and exercisable at such times and upon such terms and conditions as may be determined by the Administrator at the time of grant, but no option or unit appreciation right will be exercisable for a period of more than 10 years after it is granted. The exercise price per common unit will be determined by the Administrator, provided that options and unit appreciation rights granted to participants who are U.S. taxpayers (i) will not be granted with an exercise price less than 100% of the fair market value per underlying common unit on the date of grant and (ii) will not be granted unless the common unit on which it is granted constitutes equity of the participant's "service recipient" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended. To the extent permitted by the Administrator, the exercise price of an option may be paid in cash or its equivalent, in common units having a fair market value equal to the aggregate exercise price and satisfying such other requirements as may be imposed by the Administrator, partly in cash and partly in common units or through net settlement in common units. As determined by the Administrator, unit appreciation rights may be settled in common units, cash or any combination thereof.

### ***Other Equity-Based Awards***

The Administrator, in its sole discretion, may grant or sell common units, restricted common units, deferred restricted common units, phantom restricted common units, and any other awards that are valued in whole or in part by reference to, or are otherwise based on the fair market value of, the common units, including restricted equity units that may be granted from time to time, to our employees, including our named executive officers. Equity awards with price and service-based vesting conditions similar to those that apply to the KKR Holdings units described under "--KKR Holdings Market Condition Awards", which may or may not be subject to a minimum retained ownership requirement and transfer restrictions may also be granted. Any of these other equity-based awards may be in such form, and dependent on such conditions, as the Administrator determines, including without limitation the right to receive, or vest with respect to, one or more common units (or the equivalent cash value of such units) upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. The Administrator may, in its discretion, determine whether other equity-based awards will be payable in cash, common units or other assets or a combination of cash, common units and other assets.

### **Compensation Committee Interlocks and Insider Participation**

Because we are a limited partnership, our Managing Partner's board of directors is not required by NYSE rules to establish a compensation committee. Our founders, Messrs. Kravis and Roberts, serve as Co-Chairmen of the board of directors of our Managing Partner and participated in discussions regarding executive compensation. For a description of certain transactions between us and our founders, see "Certain Relationships and Related Transactions, and Director Independence."

### **Compensation Committee Report**

The board of directors of our Managing Partner does not have a compensation committee. The entire board of directors has reviewed and discussed with management the foregoing Compensation Discussion and Analysis and, based on such review and discussion, has determined that the Compensation Discussion and Analysis should be included in this annual report.

Henry R. Kravis  
George R. Roberts  
David C. Drummond  
Joseph A. Grundfest  
John B. Hess  
Patricia F. Russo  
Thomas M. Schoewe  
Robert W. Scully

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

**Our Common Units**

The following table sets forth the beneficial ownership of our common units and KKR Group Partnership Units that are exchangeable for our common units by:

- each person known to us to beneficially own more than 5% of any class of the outstanding voting securities of our partnership based on our review of filings with the SEC;
- each of the directors, persons chosen to become a director and named executive officers of our Managing Partner; and
- the directors, persons chosen to become a director and executive officers of our Managing Partner as a group.

The numbers of common units and KKR Group Partnership Units outstanding and the percentage of beneficial ownership are based on 449,251,468 common units issued and outstanding and 361,346,588 KKR Group Partnership Units that are exchangeable for our common units as of February 22, 2016. Beneficial ownership is in each case determined in accordance with the rules of the SEC, and includes equity securities of which that person has the right to acquire beneficial ownership within 60 days of February 22, 2016. Under these rules, more than one person may be deemed a beneficial owner of the same securities and a person may be deemed a beneficial owner of securities as to which he has no economic interest.

Name(1)	Common Units Beneficially Owned†		KKR Group Partnership Units and Special Voting Units Beneficially Owned††		Percentage of Combined Beneficial Ownership†††
	Number	Percent	Number	Percent	
KKR Holdings(2)(4)	55,047	*	361,346,588	100.0%	44.6%
FMR LLC(3)	41,778,361	9.3%	—	—	9.3
Henry R. Kravis(2)(4)(5)	7,017,496	1.6	361,346,588	100.0	45.4
George R. Roberts(2)(4)(5)	5,931,368	1.3	361,346,588	100.0	45.3
David C. Drummond	8,660	*	—	—	*
Joseph A. Grundfest	43,276	*	—	—	*
John B. Hess	116,876	*	—	—	*
Patricia F. Russo	36,276	*	—	—	*
Thomas M. Schoewe	43,876	*	—	—	*
Robert W. Scully	211,676	*	—	—	*
Todd A. Fisher(6)	217,900	*	9,288,035	2.6	2.1
William J. Janetschek(6)	103,127	*	3,170,827	*	*
David J. Sorkin(6)	102,647	*	3,123,593	*	*
Directors and executive officers as a group (11 persons)	9,110,967	2.0%	361,346,588	100.0%	45.7%

\* Less than 1.0%.

† KKR Group Partnership Units held by KKR Holdings are exchangeable (together with the corresponding special voting units) for our common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications and compliance with lock-up, vesting and transfer restrictions as described under “Certain Relationships and Related Transactions, and Director Independence-Exchange Agreement.” Beneficial ownership of KKR Group Partnership Units reflected in this table has not also been reflected as beneficial ownership of our common units for which such KKR Group Partnership Units may be exchanged.

†† On any matters that may be submitted to a vote of our unitholders, the special voting units provide their holders with a number of votes that is equal to the aggregate number of KKR Group Partnership Units that such holders hold and entitle such holders to participate in the vote on the same basis as our unitholders.

- ††† This column assumes the exchange of KKR Group Partnership Units beneficially owned into common units and a number of outstanding common units calculated in accordance with Rule 13d-3(d)(1) of the Exchange Act.
- (1) The address of each director and executive officer is c/o KKR Management LLC, 9 West 57th Street, 42nd Floor, New York, New York 10019.
  - (2) KKR Holdings owns, beneficially or of record, an aggregate of 55,047 common units and 361,346,588 exchangeable KKR Group Partnership Units. Our principals hold interests in KKR Holdings that will entitle them to participate in the value of the KKR Group Partnership Units held by KKR Holdings. KKR Holdings is a limited partnership that is controlled by KKR Holdings GP Limited, its sole general partner, which has investment control over all KKR Group Partnership Units and common units held by KKR Holdings and voting control over all special voting units held by KKR Holdings. Each of Messrs. Kravis and Roberts disclaims beneficial ownership of the securities that may be deemed to be beneficially owned by him, except to the extent of his own pecuniary interest therein. Messrs. Kravis and Roberts, by virtue of their rights under the organizational documents of KKR Holdings GP Limited (the general partner of KKR Holdings), may be deemed to share dispositive and/or voting power with respect to the KKR Group Partnership Units, special voting units and common units held by KKR Holdings. Mr. Kravis disclaims beneficial ownership of the securities that may be deemed to be beneficially owned by him, except with respect to 81,709,475 KKR Group Partnership Units in which he and certain related entities have a pecuniary interest. Mr. Roberts disclaims beneficial ownership of the securities that may be deemed to be beneficially owned by him, except with respect to 86,709,475 KKR Group Partnership Units in which he and certain related entities have a pecuniary interest. The address of KKR Holdings is c/o KKR Management LLC, 9 West 57th Street, 42nd Floor, New York, New York 10019.
  - (3) Based on a Schedule 13G/A filed with the Securities and Exchange Commission on February 12, 2016, FMR LLC and Abigail P. Johnson may be deemed to beneficially own and have the sole power to dispose or to direct the disposition of 41,778,361 common units. The address of these beneficial owners is 245 Summer Street, Boston, Massachusetts 02210. Certain affiliates of Fidelity provide services to us in connection with the investment management, record keeping and administration of our Equity Incentive Plan and our retirement savings plans for which they received customary fees and expenses not in excess of \$1.1 million, although certain of these fees are paid by participants in the respective plans. Affiliates of Fidelity have invested or committed to invest approximately \$82.3 million as of December 31, 2015, in our investment vehicles. Fidelity and its affiliates have in the past and may in the future participate in offerings, syndications or similar transactions with our capital markets business, including in certain cases where equity of KKR portfolio companies are offered to Fidelity's retail and institutional brokerage customers, on the same terms and conditions provided to other participants in such transactions. Affiliates of Fidelity may also sell common units owned by our employees, including our executive officers and directors, in ordinary brokerage transactions from time to time.
  - (4) KKR MIF Fund Holdings L.P. owns, beneficially or of record, an aggregate of 1,028,156 common units. The sole general partner of KKR MIF Fund Holdings L.P. is KKR MIF Carry Holdings L.P. The sole general partner of KKR MIF Carry Holdings L.P. is KKR MIF Carry Limited. Each of KKR MIF Carry Holdings L.P. (as the sole general partner of KKR MIF Fund Holdings L.P.); KKR MIF Carry Limited (as the sole general partner of KKR MIF Carry Holdings L.P.); KKR Index Fund Investments L.P. (as the sole shareholder of KKR MIF Carry Limited); KKR IFI GP L.P. (as the sole general partner of KKR Index Fund Investments L.P.); KKR IFI Limited (as the sole general partner of KKR IFI GP L.P.); KKR Fund Holdings L.P. (as the sole shareholder of KKR IFI Limited); KKR Fund Holdings GP Limited (as a general partner of KKR Fund Holdings L.P.); KKR Group Holdings L.P. (as a general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited); KKR Group Limited (as the sole general partner of KKR Group Holdings L.P.); KKR & Co. L.P. (as the sole shareholder of KKR Group Limited); and KKR Management LLC (as the sole general partner of KKR & Co. L.P.) may be deemed to be the beneficial owner of the securities. Messrs. Kravis and Roberts are the designated members of KKR Management LLC and may be deemed to share dispositive power with respect to the common units held by KKR MIF Fund Holdings L.P. Each of Messrs. Kravis and Roberts disclaims beneficial ownership of the securities.
  - (5) KKR Reference Fund Investments L.P. owns, beneficially or of record, an aggregate of 3,639,010 common units. The sole general partner of KKR Reference Fund Investments L.P. is KKR IFI GP L.P. Each of KKR IFI GP L.P. (as the sole general partner of KKR Reference Fund Investments L.P.); KKR IFI Limited (as the sole general partner of KKR IFI GP L.P.); KKR Fund Holdings L.P. (as the sole shareholder of KKR IFI Limited); KKR Fund Holdings GP Limited (as a general partner of KKR Fund Holdings L.P.); KKR Group Holdings L.P. (as a general partner of KKR Fund Holdings L.P. and the sole shareholder of KKR Fund Holdings GP Limited); KKR Group Limited (as the sole general partner of KKR Group Holdings L.P.); KKR & Co. L.P. (as the sole shareholder of KKR Group Limited); and KKR Management LLC (as the sole general partner of KKR & Co. L.P.) may be deemed to be the beneficial owner of

the securities. Messrs. Kravis and Roberts are the designated members of KKR Management LLC and may be deemed to share dispositive power with respect to the common units held by KKR MIF Fund Holdings L.P. Each of Messrs. Kravis and Roberts disclaims beneficial ownership of the securities.

- (6) The common units above for Mr. Fisher include 151,445 common units that will vest within 60 days of February 22, 2016, and the common units above for Messrs. Janetschek and Sorkin consist solely of common units that will vest within 60 days of February 22, 2016. The reported KKR Group Partnership Units include 478,253, 282,878 and 270,351 units beneficially owned by Messrs. Fisher, Janetschek and Sorkin, respectively, that are subject to transfer restrictions.

### Our Managing Partner

Our Managing Partner's outstanding limited liability company interests consist of Class A shares, which are entitled to vote on the election and removal of directors and all other matters that have not been delegated to the board of directors or reserved for the vote of Class B members, and Class B shares, which are entitled to vote only with respect to any matter requiring the approval of holders of voting interests held directly or indirectly by us in the general partners of our non-U.S. funds. Notwithstanding the number of Class A shares held by the Class A members, under our Managing Partner's limited liability company agreement, Messrs. Kravis and Roberts, as the designated members of KKR Management LLC, are deemed to represent a majority of the Class A shares outstanding when acting together for purposes of voting on matters upon which holders of Class A shares are entitled to vote. Messrs. Kravis and Roberts may, in their discretion, designate one or more holders of Class A shares to hold such voting power and exercise all of the rights and duties of Messrs. Kravis and Roberts under our Managing Partner's limited liability company agreement. While Messrs. Kravis and Roberts historically have acted with unanimity when managing our business, they have not entered into any agreement relating to the voting of their Class A shares. All of our Managing Partner's other Class A shares are held by our other senior principals. Our Managing Partner's Class B shares are divided equally among twelve principals, each of whom holds less than 10% of the voting power of the Class B shares. None of the shares in our Managing Partner provide these holders with economic interests in our business. See also "Risk Factors-Our limited partnership agreement contains provisions that reduce or eliminate duties (including fiduciary duties) of our limited partner and limit remedies available for unitholders for actions that might otherwise constitute a breach of duty. It will be difficult for unitholders to successfully challenge a resolution of a conflict of interest by our Managing Partner or by its conflicts committee." In addition, see "Risk Factors-We are a Delaware limited partnership, and there are provisions in our limited partnership agreement regarding exculpation and indemnification of our officers and directors that differ from the Delaware General Corporation Law (DGCL) in a manner that may be less protective of the interests of our common unitholders."

### Securities Authorized for Issuance under Equity Compensation Plans

The table set forth below provides information concerning the awards that may be issued under our Equity Incentive Plan as of December 31, 2015 .

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights(a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column(a))(b)
Equity Compensation Plans Approved by Security Holders	23,212,300	—	71,960,560
Equity Compensation Plans Not Approved by Security Holders	—	—	—
<b>Total</b>	<b>23,212,300</b>	<b>—</b>	<b>71,960,560</b>

- (a) Reflects the aggregate number of restricted equity units granted under our Equity Incentive Plan and outstanding as of December 31, 2015 .
- (b) The aggregate number of common units covered by the Equity Incentive Plan is increased on the first day of each fiscal year during its term by a number of units equal to the positive difference, if any, of (a) 15% of the aggregate

number of common units outstanding (on a fully-diluted basis) on the last day of the immediately preceding fiscal year minus (b) the aggregate number of common units available for issuance under the Equity Incentive Plan as of such date (unless the Administrator of the Equity Incentive Plan should decide to increase the number of common units covered by the plan by a lesser amount). We have filed a registration statement and intend to file additional registration statements on Form S-8 under the Securities Act to register common units covered by the Equity Incentive Plan (including pursuant to automatic annual increases). Any such Form S-8 registration statement will automatically become effective upon filing. Accordingly, common units registered under such registration statement will be available for sale in the open market.

## **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The following description is a summary of the material terms of the agreements described below, and does not contain all of the information that you may find useful. For additional information, you should read the copies of our investment agreement, our exchange agreement, our registration rights agreement, our tax receivable agreement and the partnership agreements of the KKR Group Partnerships, all of which have been filed as exhibits to this report.

### **The Investment Agreement**

On August 4, 2009, we entered into an investment agreement by and among us, certain of our affiliates, KPE and certain of its affiliates, as a condition to the KPE Transaction.

### **U.S. Listing**

The investment agreement provided that we and KPE each had the right to require that the other use its reasonable best efforts to cause KPE to contribute its units representing limited partner interests in KKR Group Holdings L.P. to us in exchange for an equivalent number of our common units and, in connection therewith, our common units received by KPE to be listed and traded on the NYSE by delivering an election notice to the other party. On February 24, 2010, we delivered an election notice to KPE pursuant to the investment agreement, and we commenced trading on the NYSE on July 15, 2010 under the symbol "KKR".

### **Indemnification and Insurance**

The investment agreement provides that, for a period of six years after the closing of the NYSE listing on July 15, 2010, the KKR Group Partnerships will indemnify each present and former director and officer of the general partner of KPE and certain other persons serving in a similar role against all losses, liabilities, damages, judgments and fines incurred in connection with any suit, claim, action, proceeding, arbitration or investigation arising out of or related to actions taken by them in their capacity as directors or officers of the general partner of KPE or taken by them at the request of KPE or the general partner of KPE. In addition, the investment agreement also provides that the KKR Group Partnerships will indemnify us, KPE, each present and former director and officer of the general partner of KPE and certain other persons serving a similar role against all losses, liabilities, damages, judgments and fines to which any of them may become subject under the Securities Act, the Exchange Act, or other applicable law, statute, rule or regulation insofar as such losses, liabilities, damages, judgments and fines arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the registration statement relating to our common units to be issued to, and distributed by KPE or any other document issued by us, KPE or any of their respective affiliates in connection with, or otherwise relating to, our NYSE listing, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Pursuant to the investment agreement, we obtained directors' and officers' liability insurance for the benefit of the directors and officers (and former directors and officers) of the general partner of KPE which (i) is effective for a period from the date of the dissolution of KPE through and including the date that is six years after such date, (ii) covers claims arising out of or relating to any action, statement or omission of such directors and officers whether on or before the date of such dissolution (including the transactions contemplated by the investment agreement and the decision making process by the directors of the general partner of KPE in connection therewith) to the same extent as the directors and officers of our Managing Partner acting in their capacities as the directors and officers of the general partner of KPE are insured with respect thereto, and (iii) contains a coverage limit of \$100 million.

### **Exchange Agreement**

We have entered into an exchange agreement with KKR Holdings, the entity through which certain of our employees, including Messrs. Kravis, Roberts, Fisher, Janetschek and Sorkin, hold their KKR Group Partnership Units, pursuant to which KKR Holdings or certain transferees of its KKR Group Partnership Units may, on a quarterly basis (subject to the terms of the exchange agreement), exchange KKR Group Partnership Units held by them (together with corresponding special voting units) for our common units on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. At the election of certain of our intermediate holding companies that are partners of the KKR Group Partnerships, the intermediate holding companies may settle exchanges of KKR Group Partnership Units with cash in an amount equal to the fair market value of the common units that would otherwise be deliverable in such exchanges. To the extent that KKR Group Partnership Units held by KKR Holdings or its transferees are exchanged for our common units, our interests in the KKR Group Partnerships will be correspondingly increased. Any common units received upon such exchange

will be subject to any restrictions that were applicable to the exchanged KKR Group Partnership Units, including any applicable transfer restrictions. During the year ended December 31, 2015, 15,850,161 KKR Group Partnership Units were exchanged for our common units pursuant to this agreement.

On November 2, 2010, the exchange agreement was amended and restated to provide certain rights to cancel exchanges or limit the number of units exchanged in a given quarter. The amendments also provided that certain exchanges will be with a new subsidiary, the result of which is that the income tax character of a small portion of income distributed to unitholders may differ from what it would have been absent the amendment. If additional taxes result from the inclusion of this subsidiary of ours, KKR Holdings will make payments to one of our subsidiaries in respect of those taxes.

Certain interests in KKR Holdings that are held by our employees are subject to transfer restrictions and vesting requirements that, unless waived, modified or amended, limit the ability of our employees to cause KKR Group Partnership Units to be exchanged under the exchange agreement so long as applicable vesting and transfer restrictions apply. The general partner of KKR Holdings, which is controlled by our founders, will have sole authority for waiving any applicable vesting or transfer restrictions.

As contemplated by the exchange agreement, a coordinated selling program has been established relating to sales of common units received pursuant to the exchanges by holders of KKR Holdings units. Pursuant to the program, sales generally take place quarterly, and management is permitted to establish an overall limit on such sales based upon the trading volume of our common units or any other factor that may be considered relevant.

### **Registration Rights Agreement**

In connection with our NYSE listing, we entered into a registration rights agreement with KKR Holdings pursuant to which we granted KKR Holdings, its affiliates and transferees of its KKR Group Partnership Units the right, under certain circumstances and subject to certain restrictions, to require us to register under the Securities Act our common units (and other securities convertible into or exchangeable or exercisable for our common units) held or acquired by them. Under the registration rights agreement, holders of registration rights will have the right to request us to register the common units received upon the exchange of their KKR Holdings units and the sale of such common units and also have the right to require us to make available shelf registration statements permitting sales of common units into the market from time to time over an extended period. In addition, holders of registration rights will have the ability to exercise certain piggyback registration rights in connection with registered offerings requested by other holders of registration rights or initiated by us. On October 1, 2010, the registration statement we filed pursuant to this agreement was declared effective, and a post-effective amendment was declared effective on September 21, 2011. As of December 31, 2015, 361,346,588 common units remain unissued under that registration statement.

### **Tax Receivable Agreement**

We and one or more of our intermediate holding companies may be required to acquire KKR Group Partnership Units from time to time pursuant to our exchange agreement with KKR Holdings. KKR Management Holdings L.P. has made an election under Section 754 of the Internal Revenue Code, which will remain in effect for each taxable year in which an exchange of KKR Group Partnership Units for common units occurs. Certain of these exchanges are expected to result in an increase in certain of our intermediate holding companies' share of the tax basis of the tangible and intangible assets of the KKR Group Partnerships, primarily attributable to a portion of the goodwill inherent in our business, that would not otherwise have been available. This increase in tax basis may increase depreciation and amortization deductions for tax purposes and therefore reduce the amount of income tax our intermediate holding companies would otherwise be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

We have entered into a tax receivable agreement with KKR Holdings requiring our intermediate holding companies to pay to KKR Holdings or transferees of its KKR Group Partnership Units 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that our intermediate holding companies actually realize as a result of this increase in tax basis, as well as 85% of the amount of any such savings our intermediate holding companies actually realize as a result of increases in tax basis that arise due to future payments under the agreement. A termination of the agreement or a change of control could give rise to similar payments based on tax savings that we would be deemed to realize in connection with such events. This payment obligation is an obligation of the intermediate holding companies and not of either KKR Group Partnership. As such, the cash distributions to common unitholders may vary from holders of KKR Group Partnership Units (held by KKR Holdings and others) to the extent payments are made under the tax receivable agreement to exchanging holders of KKR Group



Partnership Units. As the payments reflect actual tax savings received by KKR entities, there may be a timing difference between the tax savings received by KKR entities and the cash payments to exchanging holders of KKR Group Partnership Units. We expect the intermediate holding companies to benefit from the remaining 15% of cash savings, if any, in income tax that they realize. In the event that other of our current or future subsidiaries become taxable as corporations and acquire KKR Group Partnership Units in the future, or if we become taxable as a corporation for U.S. federal income tax purposes, we expect that each will become subject to a tax receivable agreement with substantially similar terms.

For purposes of the tax receivable agreement, cash savings in income tax will be computed by comparing the actual income tax liability of our intermediate holding companies to the amount of such taxes that they would have been required to pay had there been no increase to the tax basis of the tangible and intangible assets of the KKR Group Partnerships as a result of the exchanges of KKR Group Partnership Units and had the intermediate holding companies not entered into the tax receivable agreement. The term of the tax receivable agreement continues until all such tax benefits have been utilized or expired, unless the intermediate holding companies exercise their right to terminate the tax receivable agreement for an amount based on the agreed payments remaining to be made under the agreement.

Estimating the amount of payments that may be made under the tax receivable agreement is by its nature imprecise, insofar as the calculation of amounts payable depends on a variety of factors. The actual increase in tax basis, as well as the amount and timing of any payments under the tax receivable agreement, will vary depending upon a number of factors, including:

- the timing of exchanges—for instance, the increase in any tax deductions will vary depending on the fair market value, which may fluctuate over time, of the KKR Group Partnership Units, which will depend on the fair market value of the depreciable or amortizable assets of the KKR Group Partnerships at the time of the transaction;
- the price of our common units at the time of the exchange—the increase in any tax deductions, as well as the tax basis increase in other assets, of the KKR Group Partnerships, is directly proportional to the price of our common units at the time of the exchange;
- the extent to which such exchanges are taxable—if an exchange is not taxable for any reason (for instance, in the case of a charitable contribution), increased deductions will not be available; and
- the amount of tax, if any, our intermediate holding company is required to pay aside from any tax benefit from the exchanges, and the timing of any such payment. If our intermediate holding companies do not have taxable income aside from any tax benefit from the exchanges, they will not be required to make payments under the tax receivable agreement for that taxable year because no tax savings will have been actually realized.

We expect that as a result of the amount of the increases in the tax basis of the tangible and intangible assets of the KKR Group Partnerships, assuming no material changes in the relevant tax law and that we earn sufficient taxable income to realize the full tax benefit of the increased amortization of our assets, future payments under the tax receivable agreement will be substantial. The payments under the tax receivable agreement are not conditioned upon our principals' continued ownership of us and are required to be made within 90 days of the filing of the tax returns of our intermediate holding companies. For the year ended December 31, 2015 such payments made to our principals, none of whom included a member of the board of directors of our Managing Partner, were approximately \$5.2 million. Such payments to KKR Holdings were \$0.6 million and a de minimis amount was paid to Messrs. Fisher, Janetschek and Sorkin.

The intermediate holding companies may terminate the tax receivable agreement at any time by making an early termination payment to KKR Holdings or its transferees, based upon the net present value (based upon certain assumptions in the tax receivable agreement) of all tax benefits that would be required to be paid by the intermediate holding companies to KKR Holdings or its transferees. In addition, the tax receivable agreement provides that upon certain mergers, asset sales, other forms of combination transactions or other changes of control, the minimum obligations of our intermediate holding companies or their successor with respect to exchanged or acquired KKR Group Partnership Units (whether exchanged or acquired before or after such transaction) would be based on certain assumptions, including that our intermediate holding companies would have sufficient taxable income to fully utilize the increased tax deductions and increased tax basis and other benefits related to entering into the tax receivable agreement. In these situations, our obligations under the tax receivable agreement could have a substantial negative impact on our liquidity.

Decisions made by our senior principals in the course of running our business, such as with respect to mergers, asset sales, other forms of business combinations or other changes of control, may influence the timing and amount of payments that are received by an exchanging or selling holder of partner interests in the KKR Group Partnerships under the tax receivable agreement. For example, the earlier disposition of assets following an exchange or acquisition transaction will generally accelerate payments under the tax receivable agreement and increase the present value of such payments, and the disposition of assets before an exchange or acquisition transaction will increase a principals' tax liability without giving rise to any rights of a principal to receive payments under the tax receivable agreement.

Payments under the tax receivable agreement will be based upon the tax reporting positions that our Managing Partner will determine. We are not aware of any issue that would cause the IRS to challenge a tax basis increase. However, neither KKR Holdings nor its transferees will reimburse us for any payments previously made under the tax receivable agreement if such tax basis increase, or the tax benefits we claim arising from such increase, is successfully challenged by the IRS. As a result, in certain circumstances payments to KKR Holdings or its transferees under the tax receivable agreement could be in excess of the intermediate holding companies' cash tax savings. The intermediate holding companies' ability to achieve benefits from any tax basis increase, and the payments to be made under this agreement, will depend upon a number of factors, as discussed above, including the timing and amount of our future income.

### **KKR Group Partnership Agreements**

We indirectly control the general partners of the KKR Group Partnerships and, through the KKR Group Partnerships and their subsidiaries, the KKR business. Because our Managing Partner operates and controls us, our Managing Partner's board of directors and our officers are ultimately responsible for all material decisions of the KKR Group Partnerships and the KKR Group Partnerships' businesses.

On July 28, 2014, KKR formed KKR International Holdings L.P., a Cayman Islands limited partnership. KKR designated KKR International Holdings L.P. as a "KKR Group Partnership" and, in connection therewith, on August 5, 2014, KKR International Holdings L.P. entered into an amendment and joinder to the exchange agreement among KKR, KKR Fund Holdings L.P., KKR Management Holdings L.P., KKR Holdings, and the other parties thereto. Pursuant to the partnership agreements of the KKR Group Partnerships, our partnership, as the controlling general partner of KKR Fund Holdings L.P., KKR Management Holdings L.P. and KKR International Holdings L.P., have the indirect right to determine when distributions will be made to the holders of KKR Group Partnership Units and the amount of any such distributions.

The partnership agreements of the KKR Group Partnerships provide for tax distributions to the holders of KKR Group Partnership Units if the general partners of the KKR Group Partnerships determine that distributions from the KKR Group Partnerships would otherwise be insufficient to cover the tax liabilities of a holder of a KKR Group Partnership Unit. Generally, these tax distributions will be computed based on our estimate of the net taxable income of the relevant partnership allocable to a holder of a KKR Group Partnership Unit multiplied by an assumed tax rate equal to the highest effective marginal combined U.S. federal, state and local income tax rate prescribed for an individual or corporate resident in New York, New York (taking into account the nondeductibility of certain expenses and the character of our income).

The partnership agreements of the KKR Group Partnerships authorize the general partners of the KKR Group Partnerships to issue an unlimited number of additional securities of the KKR Group Partnerships with such designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to the KKR Group Partnerships Units, and which may be exchangeable for KKR Group Partnership Units.

### **Firm Use of Private Aircraft**

Certain of our senior employees, including Messrs. Kravis and Roberts, own aircraft that we use for business purposes in the ordinary course of our operations. These senior employees paid for the purchase of these aircraft with their personal funds and bear all operating, personnel and maintenance costs associated with their operation. The hourly rates that we pay for the use of these aircraft are based on current market rates for chartering private aircraft of the same type. We incurred \$4.4 million for the use of these aircraft during the year ended December 31, 2015, of which substantially all was paid to entities collectively controlled by Messrs. Kravis and Roberts.

## **Side-By-Side and Other Investments**

Because fund investors typically are unwilling to invest their capital in a fund unless the fund's manager also invests its own capital in the fund's investments, our investment fund documents generally require the general partners of our investment funds to make minimum capital commitments to the funds. The amount of these commitments, which are negotiated by fund investors, generally range from 2% to 5% of a fund's total capital commitments at final closing, but may be greater for certain funds pursuing new strategies. When investments are made, the general partner contributes capital to the fund based on its fund commitment percentage and if applicable, acquires a capital interest in the investment that is not subject to a carried interest. Historically, these capital contributions have been funded with cash from operations that otherwise would be distributed to our employees.

In connection with the KPE Transaction, we did not acquire capital interests in investments that were funded by our employees or others involved in our business prior to October 1, 2009. Rather, those capital interests were allocated to our employees or others involved in our business and are reflected in our financial statements as noncontrolling interests in consolidated entities to the extent that we hold the general partner interest in the fund. Any capital contributions that our private equity fund general partners are required to make to a fund will be funded by us and we will be entitled to receive our allocable share of the returns thereon.

In addition, our employees and certain other qualifying personnel are permitted to invest and have invested their own capital in our funds, side-by-side investments with our funds or the firm and the funds managed by our strategic partnerships with other fund managers. Side-by-side investments are investments generally made on the same terms and conditions as those available to the applicable fund or the firm and, they, together with their investments in our funds or the funds managed by our strategic partnerships with other funds managers, are not generally subject to management fees or a carried interest. The cash invested by our executive officers and their investment vehicles aggregated to \$434.9 million for the year ended December 31, 2015, of which \$30.0 million, \$25.6 million, \$4.4 million, \$2.0 million and \$0.6 million was invested by Messrs. Kravis, Roberts, Fisher, Janetschek, and Sorkin respectively. These investments are not included in the accompanying consolidated financial statements. In addition, our funds invested \$6.0 million in 2015 from the commitments of certain investment vehicles associated with Mr. Hess. Such investments associated with Mr. Hess were made on the same terms and conditions as for other fund investors including management fees and/or a carried interest applicable to the relevant fund.

## **Indemnification of Directors, Officers and Others**

Under our partnership agreement, in most circumstances we will indemnify the following persons, to the fullest extent permitted by law, from and against all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts: our Managing Partner; any departing Managing Partner; any person who is or was an affiliate of our Managing Partner or any departing Managing Partner; any person who is or was a member, partner, tax matters partner, officer, director, employee, agent, fiduciary or trustee of our partnership or our subsidiaries, the general partner or any departing general partner or any affiliate of us or our subsidiaries, our Managing Partner or any departing Managing Partner; any person who is or was serving at the request of a Managing Partner or any departing Managing Partner or any affiliate of a Managing Partner or any departing Managing Partner as an officer, director, employee, member, partner, agent, fiduciary or trustee of another person; or any person designated by our Managing Partner. We have agreed to provide this indemnification unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that these persons acted in bad faith or engaged in fraud or willful misconduct. We have also agreed to provide this indemnification for criminal proceedings. Any indemnification under these provisions will only be out of our assets. Unless it otherwise agrees, our Managing Partner will not be personally liable for, or have any obligation to contribute or loan funds or assets to us to enable us to effectuate, indemnification. The indemnification of the persons described above shall be secondary to any indemnification such person is entitled from another person or the relevant KKR fund to the extent applicable. We may purchase insurance against liabilities asserted against and expenses incurred by persons in connection with our activities, regardless of whether we would have the power to indemnify the person against liabilities under our partnership agreement.

Each member of the board of directors (each an "Indemnitee") has entered into an indemnification agreement with the Managing Partner and us. Each indemnification agreement provides that the Indemnitee, subject to the limitations set forth in each indemnification agreement, shall be indemnified and held harmless by the Managing Partner on an after tax basis from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all threatened, pending or completed claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, and whether formal or informal and including appeals, in which the Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of being or having been or having agreed to serve as a member of the board of directors, or while serving

as a member of the board of directors, being or having been serving or having agreed to serve at the request of the Managing Partner as a director, officer, employee or agent (which, for purposes hereof, shall include a trustee, partner or manager or similar capacity) of another corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise, whether arising from acts or omissions to act occurring on, before or after the date of such indemnification agreement. Each indemnification agreement provides that the Indemnitee shall not be indemnified and held harmless if there has been a final and non-appealable judgment entered by an arbitral tribunal or court of competent jurisdiction determining that, in respect of the matter for which the Indemnitee is seeking indemnification pursuant to the indemnification agreement, the Indemnitee acted in bad faith or engaged in fraud or willful misconduct.

#### **Guarantee of Contingent Obligations to Fund Partners; Indemnification**

The partnership documents governing KKR's carry—paying funds, including funds relating to private equity, mezzanine, infrastructure, energy, real estate, direct lending and special situations investments, generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. Under a clawback obligation, upon the liquidation of a fund, the general partner is required to return, typically on an after-tax basis, previously distributed carry to the extent that, due to the diminished performance of later investments, the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, including the effects of any performance thresholds. Excluding carried interest received by the general partners of funds that were not contributed to KKR in the KPE Transaction, as of December 31, 2015, no carried interest was subject to this clawback obligation, assuming that all applicable carry paying funds were liquidated at their December 31, 2015 fair values. Had the investments in such funds been liquidated at zero value, the clawback obligation would have been \$2,423.4 million. Carried interest is recognized in the statement of operations based on the contractual conditions set forth in the agreements governing the fund as if the fund were terminated and liquidated at the reporting date and the fund's investments were realized at the then estimated fair values. Amounts earned pursuant to carried interest are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment amounts earned decrease or turn negative in subsequent periods, recognized carried interest will be reversed and to the extent that the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, a clawback obligation would be recorded. For funds that are consolidated, this clawback obligation, if any, is reflected as an increase in noncontrolling interests in the consolidated statements of financial condition. For funds that are not consolidated, this clawback obligation, if any, is reflected as a reduction of KKR's investment balance as this is where carried interest is initially recorded.

Certain private equity funds that were contributed to KKR in the KPE Transaction in 2009 also include a "net loss sharing provision." Upon the liquidation of an investment vehicle to which a net loss sharing obligation applies, the general partner is required to contribute capital to the vehicle, to fund 20% of the net losses on investments. In these vehicles, such losses would be required to be paid by KKR to the fund investors in those vehicles in the event of a liquidation of the fund regardless of whether any carried interest had previously been distributed, and a greater share of investment losses would be allocable to KKR relative to the capital that KKR contributed to it as general partner. Based on the fair market values as of December 31, 2014, there would have been no net loss sharing obligation. If the vehicles were liquidated at zero value, the net loss sharing obligation would have been zero as of December 31, 2015.

Prior to the KPE Transaction in 2009, certain principals who received carried interest distributions with respect to certain private equity funds contributed to KKR had personally guaranteed, on a several basis and subject to a cap, the contingent obligations of the general partners of such private equity funds to repay amounts to fund investors pursuant to the general partners' clawback obligations. The terms of the KPE Transaction require that principals remain responsible for any clawback obligations relating to carry distributions received prior to the KPE Transaction, up to a maximum of \$223.6 million. Through investment realizations, this amount has been reduced to \$159.7 million as of December 31, 2015. Using valuations as of December 31, 2015, no amounts are due with respect to the clawback obligation required to be funded by principals. Carry distributions arising subsequent to the KPE Transaction may give rise to clawback obligations that may be allocated generally to KKR and principals who participate in the carry pool. Unlike the clawback obligation, KKR will be responsible for all amounts due under a net loss sharing obligation and will indemnify principals for any personal guarantees that they have provided with respect to such amounts. In addition, guarantees of or similar arrangements relating to clawback or net loss sharing obligations in favor of third party investors in an individual investment partnership by entities KKR owns may limit distributions of carried interest more generally.

## **Facilities**

Certain trusts, whose beneficiaries include children of Mr. Kravis and Mr. Roberts, and certain other senior employees who are not executive officers of the Company, are partners in a real-estate based partnership that maintains an ownership interest in our Menlo Park location. Payments made from us to this partnership aggregated \$7.3 million for the year ended December 31, 2015 .

## **Confidentiality and Restrictive Covenant Agreements**

Our employees have entered into confidentiality and restrictive covenant agreements that include prohibitions on our employees competing with us or soliciting certain fund investors or senior-level employees of our firm during a restricted period following their departure from the firm. For further information on these agreements, see "Executive Compensation—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards in 2015 —Terms of Confidentiality and Restrictive Covenant Agreements."

## **Other Transactions with Related Persons**

During part of 2015 , Mr. Hess's son was employed by the firm as an investment professional. In 2015 , in addition to customary benefits, he received total compensation of less than \$200,000, consisting of a base salary and cash bonus. Such compensation and benefits was determined according to the firm's compensation philosophy and practices applicable to similarly situated employees. In February 2016, after appropriate appraisals were conducted, a company owned by Mr. Kravis purchased art from KKR for \$537,900.

We have and may in the future continue to enter into ordinary course transactions with unaffiliated entities known to us to beneficially own more than 5% of any class of the outstanding voting securities of our partnership. These transactions may include investments by them in our funds generally on the same terms and conditions offered to other unaffiliated fund investors and participation in our capital markets transactions, including underwritings and syndications, generally on the same terms and conditions offered to other unaffiliated capital markets participants. See "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters."

## **Statement of Policy Regarding Transactions with Related Persons**

The board of directors of our Managing Partner adopted a written statement of policy for our partnership regarding transactions with related persons, which we refer to as our related person policy. Our related person policy requires that a "related person" (as defined as in Item 404(a) of Regulation S-K) must promptly disclose to our General Counsel or other designated person any "related person transaction" (defined as any transaction, arrangement or relationship, or series of similar transactions, arrangements or relationships, including, without limitation, any loan, guarantee of indebtedness, transfer or lease of real estate, or use of company property) that is reportable by us under Item 404(a) of Regulation S-K in which we were or are to be a participant and the amount involved exceeds \$120,000 and in which any related person had or will have a direct or indirect material interest) and all material facts with respect thereto. Those individuals will then communicate that information to the board of directors of our Managing Partner. No related person transaction will be consummated without the approval or ratification of a committee of the board consisting exclusively of disinterested directors; provided, however, the conflicts committee of our board of directors has pre-approved certain ordinary course transactions with persons known to us to beneficially own more than 5% of our outstanding common units on terms generally not less favorable as obtained from other third parties, including investments in our funds as limited partners and participation in capital markets transactions like underwritings and syndications, the renewal of pre-existing strategic relationships with an owner of more than 5% of our outstanding common units, the use of aircraft owned by our senior employees for business purposes, the employment of a director's son on terms made available to other similarly situated employees, certain investments by eligible employees in side-by-side investments with our firm and funds managed by our strategic partnership with other fund managers, and certain pro rata cash contributions to the Group Partnerships for cash management purposes. It is our policy that directors interested in a related person transaction will recuse themselves from any vote on a related person transaction in which they have an interest. All transactions entered into prior to July 14, 2010 were not approved in accordance with this policy as they were entered into prior to the date of adoption of the policy. All side-by-side and other investments described in this section are pre-approved in accordance with the terms of the policy.

## **Director Independence**

Please see "Directors, Executive Officers and Corporate Governance—Independence and Composition of Board of Directors" for information on director independence.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The following table summarizes the aggregate fees for professional services provided by Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu Limited or their respective affiliates (collectively, the "Deloitte Entities") for the years ended December 31, 2015 and 2014.

	For the Year Ended December 31, 2015			
	KKR		Completed Transactions	
	(in thousands)			
Audit Fees	\$	20,241 (a)	\$	—
Audit-Related Fees	\$	7,157 (b)	\$	6,102 (d)
Tax Fees	\$	28,988 (c)	\$	4,619 (d)
All Other Fees	\$	—	\$	—

	For the Year Ended December 31, 2014			
	KKR		Completed Transactions	
	(in thousands)			
Audit Fees	\$	20,224 (a)	\$	—
Audit-Related Fees	\$	5,352 (b)	\$	9,786 (d)
Tax Fees	\$	20,735 (c)	\$	9,226 (d)
All Other Fees	\$	305 (e)	\$	—

- (a) Audit Fees consisted of estimated fees for each audit year for (1) the audits of our consolidated financial statements in our Annual Report on Form 10-K and services related to, or required by, statute or regulation; (2) reviews of the interim consolidated financial statements included in our quarterly reports on Form 10-Q; and (3) comfort letters, consents and other services related to SEC and other regulatory filings. Estimate to actual adjustments for settlements of audit fees are reflected in the year audit fees are settled.
- (b) Audit-Related Fees primarily included merger, acquisition, and investment due diligence services for strategic acquisitions or investments in target companies for in-process transactions and transactions not completed.
- (c) Tax Fees consisted of fees for services rendered for tax compliance, planning and advisory services as well as tax fees for merger, acquisition, and investment due diligence services for strategic acquisitions or investments in target companies for in-process transactions and transactions not completed.
- (d) Audit-Related and Tax Fees included merger, acquisition, and investment due diligence services for strategic acquisitions or investments in portfolio companies that have been completed. In addition, the Deloitte Entities provided audit, audit-related, tax and other services to the portfolio companies, which are approved directly by the portfolio company's management and are not included in the amounts presented here.
- (e) All Other Fees in 2014 included a sourcing assessment and an accounting consultation related to a portfolio company.

Our audit committee charter, which is available on our website at [www.kkr.com](http://www.kkr.com) under "Investor Center—KKR & Co. L.P.—Corporate Governance—Audit Charter", requires the audit committee to approve in advance all audit and non-audit related services to be provided by our independent registered public accounting firm in accordance with the audit and non-audit related services pre-approval policy. All services reported in the Audit, Audit-Related, Tax, and All Other categories above were approved by the audit committee.

**PART IV**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

(a) The following documents are filed as part of this annual report.

1. Financial Statements

See Item 8 above.

2. Financial Statement Schedules:

See Schedule II - Valuation and Qualifying Accounts - Years Ended December 31, 2015, 2014 and 2013 of this Annual Report on Form 10-K. The other schedules are omitted as they are not applicable or the amounts involved are not material.

3. Exhibits:

- 2.1 Amended and Restated Purchase and Sale Agreement (incorporated by reference to Exhibit 2.1 to Amendment No. 1 to the KKR & Co. L.P. registration statement on Form S-1 (File No. 133-165414) filed on April 16, 2010).
- 2.2 Amended and Restated Investment Agreement (incorporated by reference to Exhibit 2.2 to Amendment No. 1 to the KKR & Co. L.P. registration statement on Form S-1 (File No. 133-165414) filed on April 16, 2010).
- 2.3 Merger Agreement, dated as of December 16, 2013, among KKR & Co. L.P., KKR Fund Holdings L.P., Copal Merger Sub LLC, a Delaware limited liability company and KKR Financial Holdings LLC (incorporated by reference to Exhibit 2.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on December 17, 2013).
- 3.1 Certificate of Limited Partnership of the Registrant (incorporated by reference to Exhibit 3.1 to the KKR & Co. L.P. registration statement on Form S-1 (File No. 133-165414) filed on March 12, 2010 (the "Registration Statement")).
- 3.2 Amended and Restated Limited Partnership Agreement of the Registrant (incorporated by reference to Exhibit 3.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on July 20, 2010).
- 3.3 Certificate of Formation of the Managing Partner of the Registrant (incorporated by reference to Exhibit 3.3 of the Registration Statement).
- 3.4 Amended and Restated Limited Liability Company Agreement of the Managing Partner of the Registrant (incorporated by reference to Exhibit 3.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 5, 2011).
- 4.1 Indenture dated as of September 29, 2010 among KKR Group Finance Co. LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on September 30, 2010).
- 4.2 First Supplemental Indenture dated as of September 29, 2010 among KKR Group Finance Co. LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on September 30, 2010).

- 4.3 Second Supplemental Indenture dated as of August 5, 2014 among KKR Group Finance Co. LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014).
- 4.4 Form of 6.375% Senior Note due 2020 (included in Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on September 30, 2010).
- 4.5 Registration Rights Agreement of KKR & Co. L.P., dated as of October 1, 2012, by and among KKR & Co. L.P., AUSA Holding Company and the other persons listed on the signature page thereto (incorporated by reference to Exhibit 4.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on November 2, 2012).
- 4.6 Indenture dated as of February 1, 2013 among KKR Group Finance Co. II LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on February 1, 2013).
- 4.7 First Supplemental Indenture dated as of February 1, 2013 among KKR Group Finance Co. II LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on February 1, 2013).
- 4.8 Second Supplemental Indenture dated as of August 5, 2014 among KKR Group Finance Co. II LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014).
- 4.9 Form of 5.500% Senior Note due 2043 (included in Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on February 1, 2013).
- 4.10 Registration Rights Agreement of KKR & Co. L.P. dated as of February 19, 2014, by and among KKR & Co. L.P. and the sellers of Avoca listed on the signature pages thereto (included in Exhibit 4.8 to the KKR & Co. L.P. Annual Report on Form 10-K filed on February 24, 2014).
- 4.11 Indenture dated as of May 29, 2014 among KKR Group Finance Co. III LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on May 29, 2014).
- 4.12 First Supplemental Indenture dated as of May 29, 2014 among KKR Group Finance Co. III LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on May 29, 2014).
- 4.13 Second Supplemental Indenture dated as of August 5, 2014 among KKR Group Finance Co. III LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.3 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014).
- 4.14 Form of 5.125% Senior Note due 2044 (included in Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on May 29, 2014).
- 4.15 Indenture, dated as of November 15, 2011, between the KKR Financial Holdings LLC and Wilmington Trust, National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on November 15, 2011).



- 4.16 Supplemental Indenture, dated as of November 15, 2011, between the KKR Financial Holdings LLC, Wilmington Trust, National Association, as Trustee and Citibank, N.A., Authenticating Agent, Paying Agent and Security Registrar (incorporated by reference to Exhibit 4.2 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on November 15, 2011).
- 4.17 Form of 8.375% Senior Note due November 15, 2041 of KKR Financial Holdings LLC (included in Exhibit 4.2 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on November 15, 2011).
- 4.18 Second Supplemental Indenture, dated as of March 20, 2012, between KKR Financial Holdings LLC, Wilmington Trust, National Association, as Trustee and Citibank, N.A., as Authenticating Agent, Paying Agent and Security Registrar (incorporated by reference to Exhibit 4.2 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on March 20, 2012).
- 4.19 Form of 7.500% Senior Note due March 20, 2042 of KKR Financial Holdings LLC (incorporated by reference to Exhibit 4.2 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on March 20, 2012).
- 4.20 Share Designation of the 7.375% Series A LLC Preferred Shares of KKR Financial Holdings LLC, dated as of January 17, 2013 (incorporated by reference to Exhibit 3.1 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on January 17, 2013).
- 4.21 Registration Rights Agreement, dated as of November 2, 2015, by and among KKR & Co. L.P., MW Group (GP) LTD and the other persons listed on the signature pages thereto (incorporated by reference to Exhibit 4.2 of the Registration Statement on Form S-3 (No. 333-208019) filed on November 13, 2015).
- 10.1 Second Amended and Restated Limited Partnership Agreement of KKR Management Holdings L.P. (incorporated by reference to Exhibit 10.1 of the Registration Statement).
- 10.2 Second Amended and Restated Limited Partnership Agreement of KKR Fund Holdings L.P. (incorporated by reference to Exhibit 10.2 of the Registration Statement).
- 10.3 Amendment to Second Amended and Restated Limited Partnership Agreement of KKR Fund Holdings L.P. dated August 5, 2014 (incorporated by reference to Exhibit 10.3 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014).
- 10.4 Amended and Restated Limited Partnership Agreement of KKR International Holdings L.P., dated August 5, 2014 (incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014).
- 10.5 Registration Rights Agreement dated July 14, 2010, by and among KKR & Co. L.P., KKR Holdings L.P. and the persons from time to time party thereto (incorporated by reference to Exhibit 10.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on July 20, 2010).
- 10.6 \* Form of KKR & Co. L.P. 2010 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to Amendment No. 3 to the Registration Statement filed on June 3, 2010).
- 10.7 Tax Receivable Agreement (incorporated by reference to Exhibit 10.3 to the KKR & Co. L.P. Current Report on Form 8-K filed on July 20, 2010).
- 10.8 Amended and Restated Exchange Agreement (incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on November 3, 2010).
- 10.9 Amendment and Joinder Agreement to Exchange Agreement, dated as of August 5, 2014 among KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR Holdings L.P., KKR & Co. L.P., KKR Group Holdings L.P., KKR Subsidiary Partnership L.P., KKR Group Limited, and KKR International Holdings L.P. (incorporated by reference to Exhibit 10.2 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014).

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- 10.10 Credit Agreement, dated as of October 22, 2014, among Kohlberg Kravis Roberts & Co. L.P., KKR Fund Holdings L.P., KKR Management Holdings L.P. and KKR International Holdings L.P., the other borrowers from time to time party thereto, the guarantors from time to time party thereto, the lending institutions from time to time party thereto and HSBC Bank USA, National Association, as Administrative Agent. (incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Current Report on Form 8-K filed October 24, 2014).
- 10.11 Amendment No. 1 to Credit Agreement, dated as of August 18, 2015 by and among Kohlberg Kravis Roberts & Co. L.P. and HSBC Bank USA, National Association (incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed November 5, 2015).
- 10.12 \* Form of Confidentiality and Restrictive Covenant Agreement (Senior Principals) (incorporated by reference to Exhibit 10.9 of the Registration Statement).
- 10.13 \* Form of Confidentiality and Restrictive Covenant Agreement (Founders) (incorporated by reference to Exhibit 10.10 of the Registration Statement).
- 10.14 \* Form of Indemnification Agreement by and among each member of the Board of Directors of KKR Management LLC, KKR Management LLC and KKR & Co. L.P. (incorporated by reference to Exhibit 10.4 to the KKR & Co. L.P. Current Report on Form 8-K filed on July 20, 2010).
- 10.15 \* Independent Director Compensation Program (incorporated by reference to Exhibit 10.15 of the KKR & Co. L.P. Annual Report on Form 10-K filed on March 7, 2011).
- 10.16 \* Form of Grant Certificate (incorporated by reference to Exhibit 10.3 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on May 5, 2011).
- 10.17 \* Form of Public Company Equity Unit Award Agreement of KKR & Co. L.P. (Directors) (incorporated by reference to Exhibit 10.1 of the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 3, 2012).
- 10.18 \* Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. (Executive Officers) (incorporated by reference to Exhibit 10.1 of the KKR & Co. L.P. Annual Report on Form 10-K filed on February 27, 2015).
- 10.19 \* Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. (Executive Officers).
- 10.20 \* Form of Grant Certificate (Executive Officers).
- 10.21 \*\* KKR Financial Holdings LLC 2007 Share Incentive Plan (incorporated by reference to Exhibit 10.2 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on May 4, 2007).
- 10.22 \*\* KKR Financial Holdings LLC Non-Employee Directors' Deferred Compensation and Share Award Plan (incorporated by reference to Exhibit 10.3 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on May 4, 2007).
- 10.23 Development Agreement, dated as of October 28, 2015, by and between ERY Developer LLC and KKR HY LLC.
- 21.1 Subsidiaries of the Registrant
- 23.1 Consent of Independent Registered Public Accounting Firm Relating to the Financial Statements of KKR & Co. L.P.
- 31.1 Certification of Co-Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

- 31.2 Certification of Co-Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.3 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.3 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Statements of Financial Condition as of December 31, 2015 and December 31, 2014, (ii) the Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013, (iii) the Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2015, 2014 and 2013, (iv) the Consolidated Statements of Changes in Equity for the years ended December 31, 2015, 2014 and 2013 (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013, and (vi) the Notes to the Consolidated Financial Statements.

\* Management contract or compensatory plan in which directors and/or executive officers are eligible to participate.

\*\* Management contract or compensatory plan in which directors and/or executive officers of KKR Financial Holdings LLC are eligible to participate.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

## SCHEDULE

## SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

## Valuation Allowance for Deferred Tax Assets

(in thousands)

Year Ended:	<u>Balance at Beginning of Period</u>	<u>Tax Valuation Allowance Charged to Income Tax Provision</u>	<u>Tax Valuation Allowance Credited to Income Tax Provision</u>	<u>Balance at End of Period</u>
December 31, 2013	\$ —	\$ —	\$ —	\$ —
December 31, 2014	\$ —	\$ 4,153 (a)	\$ —	\$ 4,153
December 31, 2015	\$ 4,153	\$ 15,628 (a)	\$ —	\$ 19,781

(a) Includes an increase in valuation allowance due to foreign tax credits, the benefit of which is not currently recognizable due to uncertainty regarding realization.

**SIGNATURES**

Pursuant to requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 26, 2016

**KKR & CO. L.P.**

By: KKR Management LLC,  
its General Partner

Name: William J. Janetschek  
Title: Chief Financial Officer

Pursuant to the requirements of the Exchange Act of 1934 this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated below on the dates indicated below.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ HENRY R. KRAVIS</u> Henry R. Kravis	Co-Chairman and Co-Chief Executive Officer (principal executive officer) of KKR Management LLC	February 26, 2016
<u>/s/ GEORGE R. ROBERTS</u> George R. Roberts	Co-Chairman and Co-Chief Executive Officer (principal executive officer) of KKR Management LLC	February 26, 2016
<u>/s/ DAVID C. DRUMMOND</u> David C. Drummond	Director of KKR Management LLC	February 26, 2016
<u>/s/ JOSEPH A. GRUNDFEST</u> Joseph A. Grundfest	Director of KKR Management LLC	February 26, 2016
<u>/s/ JOHN. B. HESS</u> John. B. Hess	Director of KKR Management LLC	February 26, 2016
<u>/s/ PATRICK F. RUSSO</u> Patricia F. Russo	Director of KKR Management LLC	February 26, 2016
<u>/s/ THOMAS M. SCHOEWE</u> Thomas M. Schoewe	Director of KKR Management LLC	February 26, 2016
<u>/s/ ROBERT W. SCULLY</u> Robert W. Scully	Director of KKR Management LLC	February 26, 2016
<u>/s/ WILLIAM J. JANETSCHEK</u> William J. Janetschek	Chief Financial Officer (principal financial and accounting officer) of KKR Management LLC	February 26, 2016

## INDEX TO EXHIBITS

The following is a list of all exhibits filed or furnished as part of this report:

- 2.1 Amended and Restated Purchase and Sale Agreement (incorporated by reference to Exhibit 2.1 to Amendment No. 1 to the KKR & Co. L.P. registration statement on Form S-1 (File No. 133-165414) filed on April 16, 2010).
- 2.2 Amended and Restated Investment Agreement (incorporated by reference to Exhibit 2.2 to Amendment No. 1 to the KKR & Co. L.P. registration statement on Form S-1 (File No. 133-165414) filed on April 16, 2010).
- 2.3 Merger Agreement, dated as of December 16, 2013, among KKR & Co. L.P., KKR Fund Holdings L.P., Copal Merger Sub LLC, a Delaware limited liability company and KKR Financial Holdings LLC (incorporated by reference to Exhibit 2.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on December 17, 2013).
- 3.1 Certificate of Limited Partnership of the Registrant (incorporated by reference to Exhibit 3.1 to the KKR & Co. L.P. registration statement on Form S-1 (File No. 133-165414) filed on March 12, 2010 (the "Registration Statement").
- 3.2 Amended and Restated Limited Partnership Agreement of the Registrant (incorporated by reference to Exhibit 3.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on July 20, 2010).
- 3.3 Certificate of Formation of the Managing Partner of the Registrant (incorporated by reference to Exhibit 3.3 of the Registration Statement).
- 3.4 Amended and Restated Limited Liability Company Agreement of the Managing Partner of the Registrant (incorporated by reference to Exhibit 3.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 5, 2011).
- 4.1 Indenture dated as of September 29, 2010 among KKR Group Finance Co. LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on September 30, 2010).
- 4.2 First Supplemental Indenture dated as of September 29, 2010 among KKR Group Finance Co. LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on September 30, 2010).

- 4.3 Second Supplemental Indenture dated as of August 5, 2014 among KKR Group Finance Co. LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014).
- 4.4 Form of 6.375% Senior Note due 2020 (included in Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on September 30, 2010).
- 4.5 Registration Rights Agreement of KKR & Co. L.P., dated as of October 1, 2012, by and among KKR & Co. L.P., AUSA Holding Company and the other persons listed on the signature page thereto (incorporated by reference to Exhibit 4.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on November 2, 2012).
- 4.6 Indenture dated as of February 1, 2013 among KKR Group Finance Co. II LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on February 1, 2013).
- 4.7 First Supplemental Indenture dated as of February 1, 2013 among KKR Group Finance Co. II LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on February 1, 2013).
- 4.8 Second Supplemental Indenture dated as of August 5, 2014 among KKR Group Finance Co. II LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014).
- 4.9 Form of 5.500% Senior Note due 2043 (included in Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on February 1, 2013).
- 4.10 Registration Rights Agreement of KKR & Co. L.P. dated as of February 19, 2014, by and among KKR & Co. L.P. and the sellers of Avoca listed on the signature pages thereto (included in Exhibit 4.8 to the KKR & Co. L.P. Annual Report on Form 10-K filed on February 24, 2014).
- 4.11 Indenture dated as of May 29, 2014 among KKR Group Finance Co. III LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on May 29, 2014).
- 4.12 First Supplemental Indenture dated as of May 29, 2014 among KKR Group Finance Co. III LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P. and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on May 29, 2014).
- 4.13 Second Supplemental Indenture dated as of August 5, 2014 among KKR Group Finance Co. III LLC, KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR International Holdings L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.3 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014).
- 4.14 Form of 5.125% Senior Note due 2044 (included in Exhibit 4.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on May 29, 2014).
- 4.15 Indenture, dated as of November 15, 2011, between the KKR Financial Holdings LLC and Wilmington Trust, National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on November 15, 2011).

- 4.16 Supplemental Indenture, dated as of November 15, 2011, between the KKR Financial Holdings LLC, Wilmington Trust, National Association, as Trustee and Citibank, N.A., Authenticating Agent, Paying Agent and Security Registrar (incorporated by reference to Exhibit 4.2 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on November 15, 2011).
- 4.17 Form of 8.375% Senior Note due November 15, 2041 of KKR Financial Holdings LLC (included in Exhibit 4.2 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on November 15, 2011).
- 4.18 Second Supplemental Indenture, dated as of March 20, 2012, between KKR Financial Holdings LLC, Wilmington Trust, National Association, as Trustee and Citibank, N.A., as Authenticating Agent, Paying Agent and Security Registrar (incorporated by reference to Exhibit 4.2 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on March 20, 2012).
- 4.19 Form of 7.500% Senior Note due March 20, 2042 of KKR Financial Holdings LLC (incorporated by reference to Exhibit 4.2 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on March 20, 2012).
- 4.20 Share Designation of the 7.375% Series A LLC Preferred Shares of KKR Financial Holdings LLC, dated as of January 17, 2013 (incorporated by reference to Exhibit 3.1 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on January 17, 2013).
- 4.21 Registration Rights Agreement, dated as of November 2, 2015, by and among KKR & Co. L.P., MW Group (GP) LTD and the other persons listed on the signature pages thereto (incorporated by reference to Exhibit 4.2 of the Registration Statement on Form S-3 (No. 333-208019) filed on November 13, 2015).
- 10.1 Second Amended and Restated Limited Partnership Agreement of KKR Management Holdings L.P. (incorporated by reference to Exhibit 10.1 of the Registration Statement).
- 10.2 Second Amended and Restated Limited Partnership Agreement of KKR Fund Holdings L.P. (incorporated by reference to Exhibit 10.2 of the Registration Statement).
- 10.3 Amendment to Second Amended and Restated Limited Partnership Agreement of KKR Fund Holdings L.P. dated August 5, 2014 (incorporated by reference to Exhibit 10.3 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014).
- 10.4 Amended and Restated Limited Partnership Agreement of KKR International Holdings L.P., dated August 5, 2014 (incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014).
- 10.5 Registration Rights Agreement dated July 14, 2010, by and among KKR & Co. L.P., KKR Holdings L.P. and the persons from time to time party thereto (incorporated by reference to Exhibit 10.2 to the KKR & Co. L.P. Current Report on Form 8-K filed on July 20, 2010).
- 10.6 \* Form of KKR & Co. L.P. 2010 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to Amendment No. 3 to the Registration Statement filed on June 3, 2010).
- 10.7 Tax Receivable Agreement (incorporated by reference to Exhibit 10.3 to the KKR & Co. L.P. Current Report on Form 8-K filed on July 20, 2010).
- 10.8 Amended and Restated Exchange Agreement (incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Current Report on Form 8-K filed on November 3, 2010).



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- 10.9 Amendment and Joinder Agreement to Exchange Agreement, dated as of August 5, 2014 among KKR Management Holdings L.P., KKR Fund Holdings L.P., KKR Holdings L.P., KKR & Co. L.P., KKR Group Holdings L.P., KKR Subsidiary Partnership L.P., KKR Group Limited, and KKR International Holdings L.P. (incorporated by reference to Exhibit 10.2 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 7, 2014).
- 10.10 Credit Agreement, dated as of October 22, 2014, among Kohlberg Kravis Roberts & Co. L.P., KKR Fund Holdings L.P., KKR Management Holdings L.P. and KKR International Holdings L.P., the other borrowers from time to time party thereto, the guarantors from time to time party thereto, the lending institutions from time to time party thereto and HSBC Bank USA, National Association, as Administrative Agent. (incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Current Report on Form 8-K filed October 24, 2014).
- 10.11 Amendment No. 1 to Credit Agreement, dated as of August 18, 2015 by and among Kohlberg Kravis Roberts & Co. L.P. and HSBC Bank USA, National Association (incorporated by reference to Exhibit 10.1 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed November 5, 2015).
- 10.12 \* Form of Confidentiality and Restrictive Covenant Agreement (Senior Principals) (incorporated by reference to Exhibit 10.9 of the Registration Statement).
- 10.13 \* Form of Confidentiality and Restrictive Covenant Agreement (Founders) (incorporated by reference to Exhibit 10.10 of the Registration Statement).
- 10.14 \* Form of Indemnification Agreement by and among each member of the Board of Directors of KKR Management LLC, KKR Management LLC and KKR & Co. L.P. (incorporated by reference to Exhibit 10.4 to the KKR & Co. L.P. Current Report on Form 8-K filed on July 20, 2010).
- 10.15 \* Independent Director Compensation Program (incorporated by reference to Exhibit 10.15 of the KKR & Co. L.P. Annual Report on Form 10-K filed on March 7, 2011).
- 10.16 \* Form of Grant Certificate (incorporated by reference to Exhibit 10.3 to the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on May 5, 2011).
- 10.17 \* Form of Public Company Equity Unit Award Agreement of KKR & Co. L.P. (Directors) (incorporated by reference to Exhibit 10.1 of the KKR & Co. L.P. Quarterly Report on Form 10-Q filed on August 3, 2012).
- 10.18 \* Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. (Executive Officers) (incorporated by reference to Exhibit 10.1 of the KKR & Co. L.P. Annual Report on Form 10-K filed on February 27, 2015).
- 10.19 \* Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. (Executive Officers).
- 10.20 \* Form of Grant Certificate (Executive Officers).
- 10.21 \*\* KKR Financial Holdings LLC 2007 Share Incentive Plan (incorporated by reference to Exhibit 10.2 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on May 4, 2007).
- 10.22 \*\* KKR Financial Holdings LLC Non-Employee Directors' Deferred Compensation and Share Award Plan (incorporated by reference to Exhibit 10.3 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on May 4, 2007).
- 10.23 Development Agreement, dated as of October 28, 2015, by and between ERY Developer LLC and KKR HY LLC.

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21.1	Subsidiaries of the Registrant
23.1	Consent of Independent Registered Public Accounting Firm Relating to the Financial Statements of KKR & Co. L.P.
31.1	Certification of Co-Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Co-Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.3	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.3	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Statements of Financial Condition as of December 31, 2015 and December 31, 2014, (ii) the Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013, (iii) the Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2015, 2014 and 2013, (iv) the Consolidated Statements of Changes in Equity for the years ended December 31, 2015, 2014 and 2013 (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013, and (vi) the Notes to the Consolidated Financial Statements.

\* Management contract or compensatory plan in which directors and/or executive officers are eligible to participate.

\*\* Management contract or compensatory plan in which directors and/or executive officers of KKR Financial Holdings LLC are eligible to participate.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

PUBLIC COMPANY HOLDINGS UNIT AWARD AGREEMENT  
OF  
KKR & CO. L.P.  
(Executive Officers)

CONFIDENTIAL

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**PUBLIC COMPANY HOLDINGS UNIT AWARD AGREEMENT  
OF  
KKR & CO L.P.**

This **PUBLIC COMPANY HOLDINGS UNIT AWARD AGREEMENT** (this “**Agreement**”) of **KKR & CO L.P.** (the “**Partnership**”) is made by and between the Partnership and the undersigned (the “**Grantee**”). Capitalized terms used herein and not otherwise defined herein or in the KKR & Co. L.P. 2010 Equity Incentive Plan, as amended from time to time (the “**Plan**”), shall be as defined in Appendix A attached hereto and the Plan is hereby attached as Appendix E and incorporated by reference herein.

**RECITALS**

**WHEREAS**, the general partner of the Partnership has determined it is in the best interests of the Partnership to provide the Grantee with this Agreement pursuant to and in accordance with the terms of the Plan.

**NOW, THEREFORE**, in consideration of the mutual promises and agreements herein made and intending to be legally bound hereby, the parties hereto agree to the following:

**ARTICLE I  
GRANT OF PUBLIC COMPANY HOLDINGS UNITS**

**Section 1.1. Grant of Public Company Holdings Units; Conditions of Grant**

The Partnership hereby grants to the Grantee, effective as of the Grant Date specified on the REU Grant Certificate attached hereto as Appendix B (the “**Grant Date**”), the number of “public company holdings units”, which are restricted equity units set forth in the REU Grant Certificate attached hereto, subject to the terms and conditions of this Agreement. Each restricted equity unit that is granted pursuant to this Agreement represents the right to receive delivery of one Common Unit, subject to any adjustment pursuant to Section 9 of the Plan (each such restricted equity unit, an “**REU**”). Notwithstanding the foregoing, the grant of REUs hereunder is conditioned upon the Grantee’s agreement to the covenants and obligations contained in the Confidentiality and Restrictive Covenant Obligations attached hereto as Appendix D incorporated herein by reference.

**Section 1.2. REUs and Agreement Subject to Plan; Administrator**

This Agreement and the grant of REUs provided for herein shall be subject to the provisions of the Plan, except that if there are any express differences or inconsistencies between the provisions of the Plan and this Agreement, the provisions of this Agreement shall govern. For the avoidance of doubt, the Partnership may delegate to any employee of the KKR Group its duties

and powers hereunder, and any reference to the “Administrator” contained herein shall be deemed to include any such delegate.

## ARTICLE II VESTING AND SETTLEMENT OF REUS

### Section 2.1. Vesting of REUs

- (a) The following vesting provisions shall apply to the REUs:
  - (i) Subject to the Grantee’s continued Employment through the Service Vesting Date or Service Vesting Dates, as applicable, as specified in the REU Grant Certificate attached hereto, the REUs shall become vested on such date or dates, as applicable, as to the percentage(s) set forth in such REU Grant Certificate.
  - (ii) If, prior to the date the REUs are vested as provided in Section 2.1(a)(i) above or otherwise terminate and are forfeited pursuant to Section 2.1(b) and (c) below: (A) the Grantee’s Employment terminates due to the Grantee’s Retirement, if applicable, then all Retirement REUs shall, in the discretion of the Administrator, be fully vested as a result thereof; (B) the Grantee dies or experiences a Disability, then all unvested REUs shall be vested as a result thereof, provided that if the Grantee is not an employee of the KKR Group, then any vesting of unvested REUs described in this clause (B) shall be in the discretion of the Administrator; or (C) there occurs a Change in Control prior to any termination of the Grantee’s Employment, then all or any portion of any unvested REUs may, in the discretion of the Administrator, be vested as a result thereof. Notwithstanding the foregoing, if the Partnership receives an opinion of counsel that there has been a legal judgment and/or legal development in the Grantee’s jurisdiction that would likely result in the favorable treatment applicable to the Retirement REUs pursuant to this Section 2.1(a)(ii) being deemed unlawful and/or discriminatory, then the Partnership will not apply the favorable treatment at the time the Grantee’s Employment terminates due to the Grantee’s Retirement under clause (A) above, and the REUs will be treated as set forth in Section 2.1(a)(i), 2.1(b), 2.1(c) or the other provisions of this Section 2.1(a)(ii), as applicable.
  - (iii) All REUs that become vested under this Section 2.1(a) are eligible to be Settled pursuant to Section 2.2 of this Agreement.
- (b) If the Grantee’s Employment terminates for any reason other than due to the Grantee’s death, Disability or Retirement, each as provided for in Section 2.1(a) above, all then unvested REUs (including any REUs that are not Retirement REUs) shall immediately terminate and be forfeited without consideration, and no Common Units shall be delivered hereunder.
- (c) The Grantee’s right to vest in the REUs under the Plan, if any, will terminate effective as of the date that the Grantee is no longer actively providing services (even if still considered employed or engaged under local Law) and will not be extended by any notice period mandated under local Law (e.g., active Employment would not include a period of “garden leave” or similar period pursuant to local Law) except as may be otherwise agreed in writing by the Partnership or the Designated Service Recipient with the Grantee; the Administrator shall have the exclusive discretion to determine when the Grantee is no longer actively employed or engaged for purposes of the REUs.

### Section 2.2. Settlement of REUs

- (a) To the extent that (i) an REU granted hereunder becomes vested pursuant to Section 2.1(a) above and (ii) the related Service Vesting Date has also occurred, then with respect to such percentage of REUs set forth next to the applicable Service Vesting Date on the REU Grant Certificate, such REU shall be Settled as soon as administratively practicable on or following the applicable Service Vesting Date for such REU; provided that the Administrator may determine that such Settlement may instead occur on or as soon as administratively practicable after the first day of the next permissible trading window of Common Units that opens for employees of the KKR Group to sell Common Units (provided that in any event such Settlement shall not be later than the time permitted under Section 409A, if applicable). For the avoidance of doubt, the Settlement of any REUs that become vested pursuant to Section 2.1(a)(ii) above shall not be accelerated, such that, with respect to any such REUs, only that percentage of such REUs that would otherwise have become vested on each applicable Service Vesting Date as set forth on the REU Grant Certificate pursuant to Section 2.1(a)(i) shall be Settled at each such Service Vesting Date in accordance with the foregoing sentence. The date on which any REU is to be Settled hereunder is referred to as a “ **Delivery Date.**” The Settlement of each REU shall be effected in accordance with, and subject to the provisions of, Section 2.2(b) below.

- (b) On any Delivery Date, each vested REU that is then being Settled shall be cancelled in exchange for the Partnership delivering to the Grantee either (i) the number of Common Units equal to the number of REUs that are to be Settled on such Delivery Date pursuant to Section 2.2(a) above or (ii) an amount of cash, denominated in U.S. dollars, equal to the Fair Market Value of the foregoing number of Common Units (a “ **Cash Payment** ”). The Administrator may elect in its sole discretion whether to Settle the REUs in Common Units or by a Cash Payment, and in the case of the Cash Payment, whether to have the Cash Payment delivered by the member of the KKR Group that employs or engages the Grantee or to which the Grantee otherwise is rendering services (the “ **Designated Service Recipient** ”).
- (c) Subject to the provisions of this Article II relating to the number of REUs that are to be Settled on any applicable Delivery Date and solely to the extent permitted under Section 409A, if applicable, the Partnership may impose such other conditions and procedures in relation to the Settlement of REUs as it may reasonably determine. In addition to the foregoing and notwithstanding anything else in this Agreement, the Administrator may require that any or all of the Common Units that may be delivered to the Grantee under this Section 2.2 that the Grantee intends to sell, from time to time, may only be sold through a coordinated sales program as defined by the Administrator.
- (d) Any of the foregoing payments or deliveries shall in all instances be subject to Sections 4.3 and 4.5 below, as applicable.

### **Section 2.3. No Distribution Payments**

The REUs granted to the Grantee hereunder do not include the right to receive any distribution payments.

## **ARTICLE III RESTRICTIONS ON TRANSFERS AND OTHER LIMITATIONS**

### **Section 3.1. Transfer Restrictions on REUs**

- (e) The Grantee may not Transfer all or any portion of the Grantee’s REUs to any Other Holder (including to any Family Related Holder) without the prior written consent of the Administrator, which consent may be given or withheld, or made subject to such conditions (including the receipt of such legal or tax opinions and other documents that the Partnership may require) as are determined by the Administrator, in its sole discretion.
- (f) Any Transfer of REUs by the Grantee to Other Holders permitted by the Administrator pursuant to Section 3.1(a) shall be made in accordance with Section 3.4.
- (g) Any purported Transfer of REUs that is not in accordance with this Section 3.1 is null and void.

### **Section 3.2. Confidentiality and Restrictive Covenants**

The Grantee acknowledges and agrees that Grantee is bound by and will comply with the Confidentiality and Restrictive Covenant Obligations contained in Appendix D, which obligations are incorporated by reference herein, and any other agreements that the Grantee has entered into with the Designated Service Recipient, the Partnership, KKR Holdings L.P., KKR Associates Holdings L.P., or any other member of the KKR Group, with respect to the Grantee’s obligation to keep confidential the nonpublic, confidential or proprietary information of the KKR Group and its affiliates, as applicable, and, if applicable, any restrictive covenants concerning the Grantee’s obligations not to compete with the KKR Group or solicit its clients or employees after termination of Employment), as such agreements may be amended from time to time. If the Grantee is a limited partner of KKR Holdings L.P. or KKR Associates Holdings L.P., the Grantee further acknowledges and agrees that references to a Confidentiality and Restrictive Covenant Agreement in the limited partnership agreements of KKR Holdings L.P. and KKR Associates Holdings L.P. shall be deemed to include and also refer to the Confidentiality and Restrictive Covenant Obligations contained in Appendix D hereto (and authorizes and consents to the general partners of KKR Holdings L.P. and KKR Associates Holdings L.P. to amend their respective limited partnership agreements to reflect the foregoing).

### **Section 3.3. Post-Settlement Transfer Restrictions on Common Units**

The provisions of this Section 3.3 shall or shall not be applicable to the REUs granted to the Grantee hereunder as indicated on the REU Grant Certificate.

- (a) The Grantee may not Transfer all or any portion of the Grantee’s Transfer Restricted Common Unit (as defined below) (including to any Family Related Holder) without the prior written consent of the Administrator, which consent may be given or withheld, or made subject to such conditions (including the receipt of such legal or tax

opinions and other documents that the Partnership may require) as are determined by the Administrator, in its sole discretion. For the avoidance of doubt, Transfer Restricted Common Units may only be held in an account with an institution, and subject to terms and conditions, which have been approved by the Administrator from time to time. Any Transfer of Transfer Restricted Common Units by the Grantee to Other Holders permitted by the Administrator pursuant to Section 3.3(a) shall be made in accordance with Section 3.4.

- (b) A “ **Transfer Restricted Common Unit** ” refers to all Common Units delivered upon Settlement of a vested REU until (i) the first anniversary of the Service Vesting Date related thereto, in the case of 50% of such Common Units and (ii) the second anniversary of such Service Vesting Date, in the case of the other 50% of such Common Units.
- (c) If the Grantee breaches in any significant or intentional manner, as determined by the Administrator in his sole discretion, any of the Grantee’s covenants as stated in the Confidentiality and Restrictive Covenant Obligations contained in Appendix D, the Administrator, in his sole discretion, may direct that the Grantee forfeit all or a portion of the Transfer Restricted Common Units held by the Grantee in an amount determined by the Administrator in his sole discretion. The Grantee hereby consents and agrees to immediately surrender and deliver such Transfer Restricted Common Units to the Partnership, without the payment of any consideration, receipt of any further notice or fulfillment of any other condition.
- (d) If for any reason the Grantee’s Employment is terminated for Cause, unless otherwise determined by the Administrator in writing, all Transfer Restricted Common Units held by the Grantee shall automatically be forfeited by the Grantee without payment of any consideration. The Grantee hereby consents and agrees to immediately surrender and deliver such Transfer Restricted Common Units to the Partnership, without the payment of any consideration, receipt of any further notice or fulfillment of any other condition.
- (e) Any forfeiture of Transfer Restricted Common Units contemplated by Section 3.3(c) or Section 3.3(d) shall require no additional procedures on the part of the Partnership or its affiliates. The Grantee hereby acknowledges that the Administrator may take any and all actions to reflect the forfeiture of Transfer Restricted Common Units hereunder, including but not limited to the delivery of a written notice to the institution contemplated in Section 3.3(a) that holds the Transfer Restricted Common Units, and agrees to take any further action to memorialize such forfeiture as the Administrator may require.
- (f) The Administrator may, from time to time, waive the provisions of this Section 3.3, subject to the imposition of any conditions or further requirements, as determined by the Administrator in his sole discretion. Without limiting the foregoing, (i) the Administrator may impose equivalent transfer or forfeiture restrictions on the Grantee’s other equity, if any, held in KKR Holdings, L.P., the Partnership or any of their respective affiliates (or any of their respective equity incentive plans) to the extent that the provisions of this Section 3.3 are waived, and (ii) the Grantee hereby consents in advance to the imposition of such equivalent transfer or forfeiture restrictions for purposes of the governing documents of Grantee’s other equity, if any, held in KKR Holdings, L.P., the Partnership or any of their respective affiliates (or any of their respective equity incentive plans) to the extent the Administrator waives the application of this Section 3.3 to the Transfer Restricted Common Units.
- (g) For the avoidance of doubt, the provisions of this Section 3.3 also apply in the event the Grantee receives a Cash Payment in Settlement of a vested REU on a Delivery Date as provided in Section 2.2(b).
- (h) Any purported Transfer of Transfer Restricted Common Units that is not in accordance with this Section 3.3 is null and void.

#### **Section 3.4. Transfers to Other Holders**

- (a) Transfers of REUs or Transfer Restricted Common Units by the Grantee to Other Holders are not permitted unless the Administrator provides his prior written consent pursuant Section 3.1 or Section 3.3. Prior to a Transfer of any REUs or Transfer Restricted Common Units to any Other Holder, the Other Holder must consent in writing to be bound by this Agreement as an Other Holder and deliver such consent to the Administrator.
- (b) If an REU or Transfer Restricted Common Unit is held by an Other Holder, such Other Holder shall be bound by this Agreement in the same manner and to the same extent as the Grantee is bound hereby (or would be bound hereby had the Grantee continued to hold such REU or Transfer Restricted Common Unit). Any Transfer to an Other Holder must be undertaken in compliance with Section 3.1(a). For the avoidance of doubt, any vesting requirement of Section 2.1 above that applies to an REU or transfer or forfeiture restrictions that are applicable to Transfer Restricted Common Units (including those Transfer Restricted Common Units delivered upon Settlement of a Transferred REU) held by an Other Holder shall be satisfied or deemed to be satisfied under this Article III only to the extent that such vesting requirement or transfer or forfeiture restrictions, as applicable, would otherwise have been satisfied if the REU or Transfer Restricted Common Unit had not been Transferred by the Grantee, and

any REU and Transfer Restricted Common Unit, as applicable, that is held by an Other Holder shall cease to be held by such Other Holder under this Article III if the REU or Transfer Restricted Common Unit, as applicable, would have then ceased to be held by the Grantee if the REU or Transfer Restricted Common Unit had not been Transferred by the Grantee to such Other Holder.

- (c) In the event of a property settlement or separation agreement between the Grantee and his or her spouse, the Grantee agrees that he or she shall use reasonable efforts to retain all of his or her REUs and Transfer Restricted Common Units and shall reimburse his or her spouse for any interest he or she may have under this Agreement out of funds, assets or proceeds separate and distinct from his or her interest under this Agreement.

### **Section 3.5. Minimum Retained Ownership Requirement**

The provisions of this Section 3.5 shall or shall not be applicable to the REUs granted to the Grantee hereunder as indicated on the REU Grant Certificate.

- (a) For so long as the Grantee retains his or her Employment, the Grantee (collectively with all Family Related Holders who become Other Holders, if applicable) must continuously hold an aggregate number of Common Unit Equivalents that is at least equal to fifteen percent (15%) of the cumulative amount of (x) all REUs granted to the Grantee under this Agreement and (y) all other REUs designated as “public company holdings units” that have been or are hereafter granted to the Grantee under the Plan, in each case that have become vested pursuant to Section 2.1(a) (or similar provision in any other “public company holdings units” grant agreement), prior to any net Settlement permitted by Section 4.5.
- (b) “ **Common Unit Equivalents** ” means any combination of: (i) REUs that are or become vested pursuant to Section 2.1 of this Agreement and Common Units delivered upon Settlement of any such REUs (even if they are Transfer Restricted Common Units) and (ii) REUs designated as “public company holdings units” granted to the Grantee under the Plan that are or become vested pursuant to a provision similar to Section 2.1 of this Agreement and Common Units delivered upon Settlement of any such REUs (even if a provision similar to the transfer restrictions on Transfer Restricted Common Units has not yet been satisfied).
- (c) The Administrator may, from time to time, waive the provisions of this Section 3.5, subject to the imposition of any conditions or further requirements, as determined by the Administrator in his sole discretion. Without limiting the foregoing, (i) the Administrator may impose equivalent transfer restrictions on the Grantee’s other equity, if any, held in KKR Holdings, L.P., the Partnership or any of their respective affiliates (or any of their respective equity incentive plans) to the extent that the provisions of this Section 3.5 are waived, and (ii) the Grantee hereby consents in advance to the imposition of such equivalent transfer restrictions for purposes of the governing documents of Grantee’s other equity, if any, held in KKR Holdings, L.P., the Partnership or any of their respective affiliates (or any of their respective equity incentive plans) to the extent the Administrator waives the application of this Section 3.5 to the Common Unit Equivalents.
- (d) Any purported Transfer of any Common Units that would result in a violation of this Section 3.5 is null and void. Notwithstanding anything to the contrary contained in this Agreement (including, without limitation, Section 4.7) this Section 3.5 shall survive any termination of this Agreement.

## **ARTICLE IV MISCELLANEOUS**

### **Section 4.1. Governing Law**

This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, United States of America, without giving effect to any otherwise governing principles of conflicts of law that would apply the Laws of another jurisdiction.

### **Section 4.2. Arbitration**

- (a) Any and all disputes which cannot be settled amicably, including any ancillary claims of any party, arising out of, relating to or in connection with the validity, negotiation, execution, interpretation, performance or non-performance of this Agreement (including the validity, scope and enforceability of this arbitration provision) shall be finally settled by arbitration conducted by a single arbitrator in New York, New York in accordance with the then-existing Rules of Arbitration of the International Chamber of Commerce. If the parties to the dispute fail to agree on the selection of an arbitrator within 30 days of the receipt of the request for arbitration, the International Chamber of Commerce shall make the appointment. The arbitrator shall be a lawyer and shall conduct the proceedings in the English language. Performance under this Agreement shall continue if reasonably possible during any arbitration proceedings. Except as required by Law or as may be reasonably required in connection with ancillary judicial



proceedings to compel arbitration, to obtain temporary or preliminary judicial relief in aid of arbitration, or to confirm or challenge an arbitration award, the arbitration proceedings, including any hearings, shall be confidential, and the parties shall not disclose any awards, any materials in the proceedings created for the purpose of the arbitration, or any documents produced by another party in the proceedings not otherwise in the public domain. Judgment on any award rendered by an arbitration tribunal may be entered in any court having jurisdiction thereover.

- (b) Notwithstanding the provisions of Section 4.2(a), the Partnership may bring an action or special proceeding in any court of competent jurisdiction for the purpose of compelling the Grantee to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder, or enforcing an arbitration award and, for the purposes of this clause (b), the Grantee (i) expressly consents to the application of Section 4.2(c) below to any such action or proceeding, (ii) agrees that proof shall not be required that monetary damages for breach of the provisions of this Agreement would be difficult to calculate and that remedies at law would be inadequate, and (iii) irrevocably appoints the Secretary or General Counsel of the Partnership (or any officer of the Partnership) at the address identified for the Partnership as set forth in Section 4.6 below as such Grantee's agent for service of process in connection with any such action or proceeding and agrees that service of process upon such agent, who shall promptly advise such Grantee of any such service of process, shall be deemed in every respect effective service of process upon the Grantee in any such action or proceeding.
- (c) EACH PARTY HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE U.S. FEDERAL AND STATE COURTS LOCATED IN NEW YORK, NEW YORK FOR THE PURPOSE OF ANY JUDICIAL PROCEEDING BROUGHT IN ACCORDANCE WITH THE PROVISIONS OF THIS SECTION 4.2, OR ANY JUDICIAL PROCEEDING ANCILLARY TO AN ARBITRATION OR CONTEMPLATED ARBITRATION ARISING OUT OF OR RELATING TO OR CONCERNING THIS AGREEMENT. Such ancillary judicial proceedings include any suit, action or proceeding to compel arbitration, to obtain temporary or preliminary judicial relief in aid of arbitration, or to confirm or challenge an arbitration award. The parties acknowledge that the forums designated by this clause (c) have a reasonable relation to this Agreement and to the parties' relationship with one another. The parties hereby waive, to the fullest extent permitted by applicable Law, any objection which they now or hereafter may have to personal jurisdiction or to the laying of venue of any such ancillary suit, action or proceeding referred to in this Section 4.2 brought in any court referenced therein and such parties agree not to plead or claim the same.

#### **Section 4.3. Remedies; Recoupment; Right to Set-Off**

- (a) The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive its right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by Law or under the terms of any other applicable agreement.
- (b) To the extent required or advisable, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act and any rules promulgated thereunder and any other similar Laws including but not limited to the European Directives 2011/61/EU, 2013/36/EU and 2014/91/EU, the Administrator may specify in any other document or a policy to be incorporated into this Agreement by reference, that the Grantee's rights, payments, and benefits with respect to REUs awarded hereunder and/or Common Units delivered to the Grantee in respect of REUs awarded hereunder shall be subject to reduction, cancellation, forfeiture or recoupment.
- (c) The Administrator may set-off any amounts due under this Agreement or otherwise against any amounts which may be owed to the Partnership or its Affiliates by the Grantee under this Agreement, any other relationship or otherwise. The Grantee hereby expressly authorizes the Partnership and its Affiliates to take any and all actions on the Grantee's behalf (including, without limitation, payment, credit and satisfaction of amounts owed) in connection with the set-off of any amounts owed to the Partnership or its Affiliates or otherwise.

#### **Section 4.4. Amendments and Waivers**

- (a) This Agreement (including the Definitions contained in Appendix A attached hereto, the REU Grant Certificate attached as Appendix B hereto, the Additional Terms and Conditions attached as Appendix C hereto, the Confidentiality and Restrictive Covenant Obligations attached as Appendix D hereto, and any other provisions as may be required to be appended to this Agreement under applicable local Law) may be amended, supplemented, waived or modified only in accordance with Section 4(c) of the Plan or Section 13 of the Plan, as applicable, or as may be required for purposes of compliance or enforceability with applicable local Law; provided, however, that the REU Grant Certificate shall be deemed amended from time to time to reflect any adjustments provided for under the Plan.
- (b) No failure or delay by any party in exercising any right, power or privilege hereunder (other than a failure or delay beyond a period of time specified herein) shall operate as a waiver thereof nor shall any single or partial exercise

thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

#### **Section 4.5. Withholding**

Regardless of any action the Partnership or the Designated Service Recipient takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to the Grantee's participation in the Plan and legally applicable to the Grantee (" **Tax-Related Items** "), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and may exceed the amount actually withheld by the Partnership or the Designated Service Recipient. The Grantee further acknowledges that the Partnership and/or the Designated Service Recipient (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the REUs, including, but not limited to, the grant, vesting or Settlement of the REUs, the delivery of Common Units or a Cash Payment upon Settlement of the REUs, the lapse of any restrictions imposed on the Grantee's Transfer Restricted Common Units, the subsequent sale of Common Units acquired under the Plan and the receipt of any distributions; and (2) do not commit to and are under no obligation to structure the terms of the REUs or any aspect of the REUs to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result. Further, if the Grantee has become subject to tax in more than one jurisdiction, the Grantee acknowledges that the Partnership and/or the Designated Service Recipient (or the Affiliate formerly employing, engaging or retaining the Grantee, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Grantee will pay or make adequate arrangements satisfactory to the Partnership and/or the Designated Service Recipient to satisfy all Tax-Related Items. In this regard, the Grantee authorizes the Partnership and/or the Designated Service Recipient, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following:

- (a) withholding from the Cash Payment, the Grantee's wages or other cash compensation paid to the Grantee by the Partnership and/or the Designated Service Recipient; or
- (b) withholding from proceeds of the sale of Common Units delivered upon Settlement of the REUs either through a voluntary sale or through a mandatory sale arranged by the Partnership (on the Grantee's behalf pursuant to this authorization); or
- (c) withholding in Common Units to be delivered upon Settlement of the REUs.

To avoid negative accounting treatment, the Partnership may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding in Common Units, for tax purposes, the Grantee is deemed to have been issued the full number of Common Units subject to the Settled Common Units, notwithstanding that a number of the Common Units are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Grantee's participation in the Plan.

Finally, the Grantee shall pay to the Partnership or the Designated Service Recipient any amount of Tax-Related Items that the Partnership or the Designated Service Recipient may be required to withhold or account for as a result of the Grantee's participation in the Plan that cannot be satisfied by the means previously described. The Partnership may refuse to issue or deliver the Common Units, the Cash Payment or the proceeds of the sale of Common Units, if the Grantee fails to comply with the Grantee's obligations in connection with the Tax-Related Items.

#### **Section 4.6. Notices**

All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by courier service, by fax or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified for purposes of notice given in accordance with this Section 4.6):

- (a) If to the Partnership, to:  
KKR & Co. L.P.  
9 West 57th Street, Suite 4200  
New York, New York 10019  
U.S.A.  
Attention: Chief Financial Officer
- (b) If to the Grantee, to the most recent address for the Grantee in the books and records of the Partnership or the Designated Service Recipient.

#### **Section 4.7. Entire Agreement; Termination of Agreement; Survival**

- (a) This Agreement constitutes the entire agreement among the parties hereto pertaining to the subject matter hereof

and supersedes all prior agreements and understandings, whether oral or written, pertaining thereto. The Grantee acknowledges that the grant of REUs provided for under this Agreement is in full satisfaction of any and all grants of equity or equity-based awards that representatives of the Partnership or its Affiliates, on or prior to the date hereof, may have informed the Grantee that such Grantee is entitled to receive.

- (b) This Agreement shall terminate when the Grantee and all Other Holders cease to hold any of the REUs or Transfer Restricted Common Units that have been granted or delivered, as applicable, hereunder. Notwithstanding anything to the contrary herein, this Article IV shall survive any termination of this Agreement.

#### **Section 4.8. Severability**

If any term or other provision of this Agreement is held to be invalid, illegal or incapable of being enforced by any rule of Law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions is not affected in any manner materially adverse to any party. Upon a determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

#### **Section 4.9. Binding Effect**

This Agreement shall be binding upon and inure to the benefit of all of the parties and, to the extent permitted by this Agreement, their successors, executors, administrators, heirs, legal representatives and assigns.

#### **Section 4.10. Appendices**

Appendices A, B, C and D constitute part of this Agreement. Notwithstanding the provisions of this Article IV, the provisions of Sections 7 through 16 (inclusive) of Appendix D shall govern solely with respect to, and shall be applicable only to the interpretation, administration and enforcement of, the provisions of Appendix D, but not to any other provisions of this Agreement or any other of its Appendices, including but not limited to Sections 3.2 and 3.3(c) of this Agreement. For the further avoidance of doubt, and without limiting the foregoing sentence, Sections 3.2 and 3.3(c) of this Agreement shall only be governed by, and shall only be subject to administration and enforcement under, the provisions of this Article IV, and shall not be governed by or subject to interpretation, administration or enforcement under any of Sections 7 through 16 (inclusive) of Appendix D.

#### **Section 4.11. Further Assurances**

The Grantee shall perform all other acts and execute and deliver all other documents as may be necessary or appropriate to carry out the purposes and intent of this Agreement.

#### **Section 4.12. Interpretation; Defined Terms; Section 409A; Employment with Designated Service Recipient; Headings**

- (a) Throughout this Agreement, nouns, pronouns and verbs shall be construed as masculine, feminine, neuter, singular or plural, whichever shall be applicable. Unless otherwise specified, all references herein to "Articles," "Sections" and clauses shall refer to corresponding provisions of this Agreement. The word "including" is not meant to be exclusive, but rather shall mean "including without limitation" wherever used in this Agreement. Reference to "hereto", "herein" and similar words is to this entire Agreement (including any Appendices) and not a particular sentence or section of this Agreement. All references to "date" and "time" shall mean the applicable date (other than a Saturday or Sunday or any day on which the Federal Reserve Bank of New York is closed or any day on which banks in the city of New York, New York are required to close, in which case such date refers to the next occurring date that is not described in this parenthetical) or time in New York, New York.
- (b) This Section 4.12(b) applies to Grantees who are U.S. tax residents (such as, a U.S. citizen, greencard holder or a U.S. tax resident under the substantial presence test) to the extent applicable. All references to any "separation from service" or termination of the Employment of, or the services to be provided by, the Grantee, shall be deemed to refer to a "separation from service" within the meaning of Section 409A, if applicable. Notwithstanding anything herein to the contrary, (i) if at the time of the Grantee's termination of Employment the Grantee is a "specified employee" as defined in Section 409A of the Code and the deferral of the commencement of any payments or delivery of Common Units otherwise payable or provided hereunder as a result of such termination of employment is necessary in order to prevent any accelerated or additional tax under Section 409A, then the Partnership will defer the commencement of the payment of any such payments or delivery hereunder (without any reduction in such payments or delivery of Common Units ultimately paid or provided to the Grantee) until the date that is six months following the Grantee's termination of Employment (or the earliest date as is permitted under Section 409A) and (ii) if any other payments or other deliveries due to the Grantee hereunder could cause the application of an accelerated or additional tax under Section 409A, such payments or other deliveries shall be deferred if

deferral will make such payment or other delivery compliant under Section 409A, or otherwise such payment or other delivery shall be restructured, to the extent possible, in a manner, determined by the Administrator, that does not cause such an accelerated or additional tax. The Partnership shall use commercially reasonable efforts to implement the provisions of this Section 4.12(b) in good faith; provided that none of the Partnership, the General Partner, the Administrator nor any of the Partnership's, KKR Group's employees, directors or representatives shall have any liability to the Grantee with respect to this Section 4.12(b).

- (c) For the avoidance of doubt, any references to the Employment of the Grantee in this Agreement refer solely to the Employment of the Grantee by the Designated Service Recipient or any other member of the KKR Group. The grant of REUs under this Agreement in no way implies any Employment relationship with the General Partner, the Partnership or with any other member of the KKR Group, other than the Designated Service Recipient with which a formal Employment relationship is currently in effect with the Grantee, or any other member of the KKR Group with which a formal Employment relationship is currently in effect with the Grantee. If the Grantee changes Employment from the Designated Service Recipient as of the Grant Date to another member of the KKR Group, references to Designated Service Recipient hereunder shall refer to such other member of the KKR Group with which the Grantee has Employment.
- (d) The headings and subheadings in this Agreement are included for convenience and identification only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof.

#### **Section 4.13. Counterparts**

This Agreement may be executed and delivered (including by facsimile transmission) in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed and delivered shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Copies of executed counterparts transmitted by telecopy or other electronic transmission service shall be considered original executed counterparts for purposes of this Agreement.

[Rest of page intentionally left blank]

**IN WITNESS WHEREOF** , the Partnership has executed this Agreement as of the date specified under the signature of the Grantee.

#### **KKR & CO. L.P.**

By: KKR MANAGEMENT LLC,  
its general partner

By: /s/William J. Janetschek  
William J. Janetschek  
Chief Financial Officer

**IN WITNESS WHEREOF** , the undersigned Grantee has caused this counterpart signature page to this Agreement to be duly executed as of the date specified under the signature of the Grantee.

**“GRANTEE”**

**Electronic Signature**

Name: **Participant Name**

Dated: **Grant Date**

**APPENDIX A  
DEFINITIONS**

In addition to the defined terms set forth in the preamble and recitals of the Agreement, as well as the defined terms set forth in the Plan, the following terms shall have the following meanings for purposes of the Agreement:

“ **Cause** ” means, with respect to the Grantee, the occurrence or existence of any of the following as determined fairly on an informed basis and in good faith by the Administrator: (i) any act of fraud, misappropriation, dishonesty, embezzlement or similar conduct by the Grantee against any member of the KKR Group (including the Partnership), KKR Holdings L.P., KKR Associates Holdings L.P., a Fund, or a Portfolio Company, (ii) a Regulatory Violation that has a material adverse effect on (x) the business of any member of the KKR Group or (y) the ability of the Grantee to function as an employee, associate or in any similar capacity (including consultant) with respect to the KKR Group, taking into account the services required of the Grantee and the nature of the business of the KKR Group, or (iii) a material breach by the Grantee of a material provision of any Written Policies or the deliberate failure by the Grantee to perform the Grantee’s duties to the KKR Group, *provided that* in the case of this clause (iii), the Grantee has been given written notice of such breach or failure within 45 days of the KKR Group becoming aware of such breach or failure and, where such breach or failure is curable, the Grantee has failed to cure such breach or failure within (A) 15 days of receiving notice thereof or (B) such longer period of time, not to exceed 30 days, as may be reasonably necessary to cure such breach or failure provided that the Grantee is then working diligently to cure such breach or failure. If such breach or failure is not capable of being cured, the notice given to the Grantee may contain a date of termination that is earlier than 15 days after the date of such notice.

“ **Disability** ” means, as to any Person, such Person’s inability to perform in all material respects such Person’s duties and responsibilities to the KKR Group by reason of a physical or mental disability or infirmity which inability is reasonably expected to be permanent and has continued (i) for a period of six consecutive months or (ii) such shorter period as the Administrator may reasonably determine in good faith.

“ **Employment** ” means the Grantee’s employment or engagement with (x) the Designated Service Recipient or any other member of the KKR Group or (y) any consultant or service provider that provides services to any member of the KKR Group; provided that in the case of clause (y), service provided as a consultant or service provider must be approved by the Administrator in order to qualify as “Employment” hereunder.

“ **Family Related Holder** ” means, in respect of the Grantee, any of the following: (i) such Grantee’s spouse, parents, parents-in-law, children, siblings and siblings-in-law, descendants of siblings, and grandchildren, (ii) any trust or other personal or estate planning vehicle established by such Grantee, (iii) any charitable organization established by such Grantee and (iv) any successor-in-interest to such Grantee, including but not limited to a conservator, executor or other personal representative.

“ **Law** ” means any statute, law, ordinance, regulation, rule, code, executive order, injunction, judgment, decree or other order issued or promulgated by any national, supranational, state, federal, provincial, local or municipal government or any administrative or regulatory body with authority therefrom with jurisdiction over the Partnership or any Participant, as the case may be.

“ **Other Holder** ” means any Person that holds an REU, other than the Grantee.

“ **Portfolio Company** ” means a company over which a Fund exercises a significant degree of control as an investor.

“ **Regulatory Violation** ” means, with respect to the Grantee (i) a conviction of the Grantee based on a trial or by an accepted plea of guilt or *nolo contendere* of any felony or misdemeanor crime involving moral turpitude, false statements, misleading omissions, forgery, wrongful taking, embezzlement, extortion or bribery, (ii) a final determination by any court of competent jurisdiction or governmental regulatory body (or an admission by the Grantee in any settlement agreement) that the Grantee has violated any U.S. federal or state or comparable non-U.S. securities laws, rules or regulations or (iii) a final determination by self-regulatory organization having authority with respect to U.S. federal or state or comparable non-U.S. securities laws, rules or regulations (or an admission by the Grantee in any settlement agreement) that the Grantee has violated the written rules of such self-regulatory organization that are applicable to any member of the KKR Group.

“ **Retirement** ” means the resignation by the Grantee of the Grantee’s Employment with the KKR Group (other than for Cause) on or after the date that the Grantee’s age, plus the Grantee’s years of Employment with the KKR Group equals at least 80; *provided that* such date shall be no earlier than December 31, 2012.

“ **Retirement REUs** ” means, with respect to any Grantee whose Employment terminates due to Retirement, any REUs with a Service Vesting Date that would, if the Grantee’s Employment were not so terminated, occur within two years after the date of such termination due to Retirement.

“ **REU Grant Certificate** ” means the REU Grant Certificate delivered to the Grantee and attached to this Agreement, as the same may be modified pursuant to Section 4.4(a) of the Agreement.

“ **Section 409A** ” means Section 409A of the U.S. Internal Revenue Code of 1986, as the same may be amended from time to time, and the applicable regulations, including temporary regulations, promulgated under such Section, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

“ **Service Vesting Date** ” means, with respect to any REU, the date set forth in the REU Grant Certificate as the “Service Vesting Date.”

“ **Settle** ”, “ **Settled** ” or “ **Settlement** ” means the discharge of the Partnership’s obligations in respect of an REU through the delivery to the Grantee of (i) Common Units or (ii) a Cash Payment, in each case in accordance with Article II.

“ **Transfer** ” or “ **Transferred** ” means with respect to any REU or Common Unit, any (i) sale, assignment, transfer or other disposition thereof or any interests therein or rights attached thereto, whether voluntarily or by operation of Law, or (ii) creation or placement of any mortgage, claim, lien, encumbrance, conditional sales or other title retention agreement, right of first refusal, preemptive right, pledge, option, charge, security interest or other similar interest, easement, judgment or imperfection of title of any nature whatsoever.

“ **Written Policies** ” means with respect to any Grantee having Employment with a member of the KKR Group, the written policies of the KKR Group included in its employee manual, code of ethics and confidential information and information barrier policies and procedures and other documents relating to the Grantee's Employment, association or other similar affiliation with the KKR Group.

**APPENDIX B**

**REU GRANT CERTIFICATE**

Grantee Name: **Participant Name**

Grant Date: **Grant Date**

Number of REUs: **Number of Awards Granted**

Service Vesting Date: The following sets forth each applicable Service Vesting Date upon which the REUs granted hereunder shall become vested, subject to the Grantee’s continued Employment through each such date:

Percentage of REUs that Become Vested on Applicable Service Vesting Date	Applicable Service Vesting Date

Vesting and Settlement of the REUs is subject to all terms and conditions contained in the Agreement to which this REU Grant Certificate is attached. Notwithstanding the foregoing:

The post-settlement transfer restrictions contained in Section 3.3 of the Agreement shall / shall not be applicable to the REUs (and any resulting Common Units) granted under this REU Grant Certificate.

The minimum retained ownership requirements contained in Section 3.5 of the Agreement shall / shall not be applicable to the REUs (and any resulting Common Units) granted under this REU Grant Certificate.

**APPENDIX C**

**ADDITIONAL TERMS AND CONDITIONS**

The terms and conditions in this Appendix C supplement the provisions of the Agreement, unless otherwise indicated herein. Capitalized terms contained in this Appendix C and not defined herein shall have the same meaning as such terms are defined in the Agreement into which this Appendix C is incorporated by reference therein and to which this Appendix C is attached, or the Plan, as applicable.

**1. Data Privacy**

***The Grantee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Grantee's personal data as described in this Agreement and any other Award materials ("Data") by and among, as applicable, the Designated Service Recipient, the Partnership and its Affiliates for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan.***

***The Grantee understands that the Partnership and the Designated Service Recipient may hold certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any Common Units or directorships held in the Partnership, details of all REUs or any other entitlement to Common Units awarded, canceled, exercised, vested, unvested or outstanding in the Grantee's favor, for the exclusive purpose of implementing, administering and managing the Plan.***

***The Grantee understands that Data will be transferred to any third parties assisting the Partnership with the implementation, administration and management of the Plan. The Grantee understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than the Grantee's country. The Grantee understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. The Grantee authorizes the Partnership, its subsidiaries, the Designated Service Recipient and any other possible recipients which may assist the Partnership (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan. The Grantee understands that Data will be held only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan. The Grantee understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, the Grantee understands that he or she is providing the consents herein on a purely voluntary basis. If the Grantee does not consent, or if the Grantee later seeks to revoke his or her consent, the Grantee's employment status or service and career with the Designated Service Recipient will not be adversely affected; the only adverse consequence of refusing or withdrawing the Grantee's consent is that the Partnership would not be able to grant him or her REUs or other awards or administer or maintain such awards. Therefore, the Grantee understands that refusing or withdrawing his or her consent may affect the Grantee's ability to participate in the Plan. For more information on the consequences of the Grantee's refusal to consent or withdrawal of consent, the Grantee understands that he or she may contact his or her local human resources representative.***

## **2. Nature of Grant**

In accepting the Award, the Grantee acknowledges, understands and agrees that:

- (a) the Plan is established voluntarily by the Partnership, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Partnership at any time;
- (b) the grant of the REUs is voluntary and occasional and does not create any contractual or other right to receive future grants, or benefits in lieu of REUs, even if REUs have been granted in the past;
- (c) all decisions with respect to future grants of REUs, if any, will be at the sole discretion of the Partnership;
- (d) the Grantee's participation in the Plan shall not create a right to further Employment with the Designated Service Recipient and shall not interfere with the ability of the Designated Service Recipient to terminate the Grantee's Employment or service relationship (if any) at any time;
- (e) the Grantee is voluntarily participating in the Plan;
- (f) the REUs and the Common Units subject to the REUs, and the income and value of same, are extraordinary items, which are outside the scope of the Grantee's Employment or service contract, if any;
- (g) the REUs and the Common Units subject to the REUs, and the income and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;
- (h) the grant of REUs and the Grantee's participation in the Plan will not be interpreted to form an Employment or service contract or relationship with the Partnership, the Designated Service Recipient or any Affiliate;
- (i) the future value of the underlying Common Units is unknown, indeterminable and cannot be predicted with certainty;
- (j) no claim or entitlement to compensation or damages shall arise from forfeiture of the REUs resulting from termination of the Grantee's Employment (for any reason whatsoever and whether or not in breach of local labor laws and whether or not later found to be invalid), and in consideration of the grant of REUs to which the Grantee

is otherwise not entitled, the Grantee irrevocably agrees never to institute any claim against the Partnership, the Designated Service Recipient or any Affiliate, waives his or her ability, if any, to bring any such claim, and releases the Partnership, the Designated Service Recipient and any Affiliate from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Grantee shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claims;

- (k) unless otherwise agreed with the Partners in writing, the REUs and the Common Units subject to the REUs, and the income and value of same, are not granted as consideration for, or in connection with, the service the Grantee may provide as a director of the Designated Service Recipient, the Partnership or any Affiliate;
- (l) subject to Section 9 of the Plan, the REUs and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability; and
- (m) the following provisions apply only if the Grantee is providing services outside the United States:
  - (i) the REUs and the Common Units subject to the REUs, and the income and value of same, are not part of normal or expected compensation or salary for any purposes;
  - (ii) the REUs and the Common Units subject to the REUs, and the income and value of same, are not intended to replace any pension rights or compensation; and
  - (iii) neither the Designated Service Recipient, the Partnership nor any Affiliate shall be liable for any foreign exchange rate fluctuation between the Grantee's local currency and the United States Dollar that may affect the value of the REUs or of any amounts due to the Grantee pursuant to the vesting of the REUs or the subsequent sale of any Common Units acquired upon vesting.

### **3. No Advice Regarding Award**

The Partnership is not providing any tax, legal or financial advice, nor is the Partnership making any recommendations regarding the Grantee's participation in the Plan, or the Grantee's acquisition or sale of the underlying Common Units. The Grantee should consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

### **4. Language**

If the Grantee has received the Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

### **5. Electronic Delivery and Acceptance**

The Partnership may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Partnership or a third party designated by the Partnership.

### **6. Restrictions on Trading in Securities**

In addition to any policies and procedures which govern Grantee's ability to trade in Common Units as well as other securities of the Partnership set forth in the Partnership's trading window policy, Grantee may be subject to additional securities trading and market abuse laws in his or her country of residence. These laws may affect Grantee's ability to acquire or dispose of Common Units or rights to Common Units (e.g., REUs) under the Plan, particularly during such times as the Grantee is considered to have access to material nonpublic information concerning the Partnership (as defined by the Laws of the Grantee's country). Any restrictions under these Laws or regulations are separate from and in addition to any policies and procedures set forth by the Partnership. The Grantee is responsible for ensuring compliance with any applicable restrictions and should consult his or her personal legal advisor on this matter.

### **7. Foreign Asset / Account, Exchange Control Reporting**

Depending upon the country to which Laws the Grantee is subject, the Grantee may have certain exchange control, foreign asset and/or account reporting requirements that may affect the Grantee's ability to acquire or hold Common Units under the Plan or cash received from participating in the Plan (including from any sale proceeds arising from the sale of Common Units) in the Grantee's Fidelity brokerage account or a bank or other brokerage account outside the Grantee's country of residence. The Grantee's country may require that he or she report such accounts, assets or transactions to the applicable authorities in the Grantee's country. The Grantee is responsible for knowledge of and compliance with any such regulations and should speak with his or her own personal tax, legal and financial advisors regarding same.



## APPENDIX D

### **Confidentiality and Restrictive Covenant Obligations**

A. In connection with the Grantee's employment, engagement, association or other similar affiliation with the Partnership or other entity of the KKR Group (" **KKR**" or the "**Company**" and such Grantee, a "**KKR Employee**"), the Grantee is being issued one or more REUs pursuant to the Agreement to which this Appendix D is attached;

B. The Grantee acknowledges and agrees that the Grantee will receive financial benefits from KKR's business through their participation in the value of the REUs;

C. The Grantee further acknowledges and agrees that (i) during the course of the Grantee's employment, engagement, association or other similar affiliation with KKR, the Grantee will receive and have access to confidential information of KKR and the Portfolio Companies (collectively, the "**KKR Related Entities**") and have influence over and the opportunity to develop relationships with Clients, Prospective Clients, Portfolio Companies and partners, members, employees and associates of the Company (as defined below); and (ii) such confidential information and relationships are extremely valuable assets in which KKR has invested, and will continue to invest, substantial time, effort and expense in developing and protecting; and

D. The Grantee acknowledges and agrees that (i) the REUs will materially benefit the Grantee; (ii) it is essential to protect the business interests and goodwill of the Company and that the Company be protected by the restrictive covenants and confidentiality undertaking set forth herein; (iii) it is a condition precedent to the Grantee receiving REUs that the Grantee agree to be bound by the restrictive covenants and confidentiality undertaking contained herein; and (iv) KKR would suffer significant and irreparable harm from a violation by the Grantee of the confidentiality undertaking set forth herein as well as the restrictive covenants set forth herein for a period of time after the termination of the Grantee's employment, engagement, association or other similar affiliation with KKR.

E. Capitalized terms contained in this Appendix D and not defined herein shall have the same meaning as such terms are defined in the Agreement into which this Appendix D is incorporated by reference therein and to which this Appendix D is attached, or the Plan, as applicable.

F. This Appendix D is made in part for the benefit of the Designated Service Recipient and the parties intend, acknowledge, and agree that the Designated Service Recipient is a third party beneficiary of this Appendix D and is authorized to waive compliance with any provision hereof by delivering a written statement clearly expressing the intent to waive such compliance to the Grantee and a duly authorized representative of KKR.

NOW, THEREFORE, to provide the Company with reasonable protection of its and goodwill and in consideration for (i) the REUs and any other consideration that the Grantee will receive in connection with and as a result of the Grantee's employment, engagement, association or other similar affiliation with KKR; (ii) the material financial and other benefits that the Grantee will derive from such REUs and other consideration (if any); and (iii) other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Grantee hereby agrees to the following restrictions:

#### 1. Outside Business Activities.

The Grantee acknowledges that, during the course of the Grantee's employment, engagement, association or other similar affiliation with KKR, the Grantee will be subject to the Written Policies. The Written Policies include restrictions that limit the ability of the Grantee to engage in outside business activities without the prior approval of the Company. If the Grantee has an employment, engagement or other similar contract with KKR, the Grantee may be subject to similar restrictions under that agreement. The Grantee hereby agrees that, during the Grantee's employment, engagement, association or other similar affiliation with KKR, the Grantee will comply with all such restrictions that are from time to time in effect which are applicable to the Grantee.

#### 2. Confidentiality Undertaking.

The Grantee acknowledges that, during the course of the Grantee's employment, engagement, association or other similar affiliation with KKR, the Grantee will receive and have access to Confidential Information of the Company and the Portfolio

Companies. Recognizing that any disclosure of such information could have serious consequences to one or more of the Company and the Portfolio Companies, the Grantee hereby agrees to comply with the confidentiality undertaking set forth in **Schedule I** hereto. Such restrictions are incorporated by reference into, and form a material part of, this Appendix D.

### 3. Non-Compete.

The Grantee hereby agrees that, while employed, engaged, associated or otherwise similarly affiliated with KKR, and in addition during the Post-Termination Restricted Period, the Grantee will not set up, be employed or engaged by, hold an office in or provide consulting, advisory or other similar services to or for the benefit of, a Competing Business where the activities or services of the Grantee in relation to the Competing Business are substantially the same as the activities that the Grantee engaged in, or the services that the Grantee provided, in connection with the Grantee's employment, engagement, association or other similar affiliation with KKR.

For the purposes of this Appendix D, a "**Competing Business**" means a business that competes (i) in a Covered Country with any business conducted by the Company on the date on which the Grantee's employment, engagement, association or other similar affiliation with KKR is terminated (the "**Termination Date**") and in which the Grantee had material involvement during the 12 months preceding the Termination Date or (ii) in any country with any business that the Company was, on the Termination Date, formally considering conducting and where the Grantee had material involvement in the preparation, planning or formal consideration of such business. A "**Covered Country**" means the United States, United Kingdom, the Republic of Ireland, France, Hong Kong, China, Japan, the Republic of Korea, Australia, India, United Arab Emirates, Saudi Arabia, Brazil, Canada, Singapore, Spain, Mexico, Luxembourg or any other country where the Company conducted business on the Termination Date; provided that if the Grantee is located in Japan, the definition of Covered Country shall exclude the phrase "any other country where the Company conducted business on the Termination Date" to the extent unenforceable under applicable law.

Notwithstanding the foregoing, nothing in this Appendix D shall be deemed to prohibit the Grantee from (i) associating with any business whose activities consist principally of making passive investments for the account and benefit of the Grantee and/or members of the Grantee's immediate family where such business does not, within the knowledge of the Grantee, compete with a business of KKR for specific privately negotiated investment opportunities; (ii) associating, during the Post-Termination Restricted Period, with any business that does not have a Competing Amount of Capital; (iii) making and holding passive investments in publicly traded securities of a Competing Business where such passive investment does not exceed 5% of the amount of such securities that are outstanding at the time of investment; or (iv) making and holding passive investments in limited partner or similar interests in any investment fund or vehicle with respect to which the Grantee does not exercise control, discretion or influence over investment decisions. For the purposes of this paragraph, a "**Competing Amount of Capital**" means (x) US\$1 billion of capital that is invested or targeted for investment substantially in private equity investments in Pan-North America, Pan-Europe or the United States or as part of a global private equity investment program or (y) US\$500 million of capital that is invested or targeted for investment substantially in other types of investments, including private equity investments, that do not fall within clause (x) above.

### 4. Non-Solicitation of Clients and Prospective Clients; Non-Interference.

The Grantee hereby agrees that, while employed, engaged, associated or otherwise similarly affiliated with KKR, and in addition during the Post-Termination Restricted Period, the Grantee will not (i) solicit, or assist any other person in soliciting, the business of any Client or Prospective Client for, or on behalf of, a Competing Business; (ii) provide, or assist any other person in providing, for any Client or Prospective Client any services that are substantially similar to those that the Company provided or proposed to be provided to such Client or Prospective Client; or (iii) impede or otherwise interfere with or damage, or attempt to impede or otherwise interfere with or damage, any business relationship and/or agreement between the Company and any Client or Prospective Client. As used in this Section 4, "**solicit**" means to have any direct or indirect communication inviting, advising, encouraging or requesting any person to take or refrain from taking any action with respect to the giving by such person of business to a Competing Business, regardless of who initiated such communication.

For purposes of this Appendix D, "**Client**" means any person (a) for whom the Company provided services, including any investor in an investment fund, account or vehicle that is managed, advised or sponsored by KKR (a "**KKR Fund**"), or that was a Portfolio Company of a KKR Fund and (b) with whom the Grantee or individuals reporting to the Grantee had material contact or dealings on behalf of the Company during the 12 months prior to the Termination Date; and "**Prospective Client**" means any person with whom (I) the Company has had material negotiations or discussions concerning becoming a Client and (II) the Grantee or individuals reporting to the Grantee had material contact or dealings on behalf of the Company during the 12 months prior to the Termination Date.

### 5. Non-Solicitation of Personnel.

The Grantee hereby agrees that, while employed, engaged, associated or otherwise similarly affiliated with KKR, and in addition during the Post-Termination Restricted Period, the Grantee will not solicit, employ, engage or retain, or assist any other

person in soliciting, employing, engaging or retaining, any Key Person. As used in this Section 5, “**solicit**” means to have any direct or indirect communication inviting, advising, encouraging or requesting any Key Person to terminate his or her employment, engagement, association or other affiliation with KKR or KKR Capstone or recommending or suggesting that a third party take any of the foregoing actions, including by way of identifying such Key Person to the third party, in each case regardless of who initiated such communication.

For purposes of this Appendix D, a “**Key Person**” means a person (a) with whom the Grantee had material contact or dealings during the course of the Grantee’s employment, engagement, association or other similar affiliation with KKR and (b) who on the Termination Date was either (i) employed or engaged by the Company as an executive-level employee or officer or otherwise associated or similarly affiliated with the Company in any position, including as a member or partner, having functions and duties substantially similar to those of an executive-level employee or officer; (ii) a senior advisor to KKR; (iii) employed or engaged by KKR Capstone as an executive level employee or officer or otherwise associated or similarly affiliated with KKR Capstone in any position, including as a member or partner, having functions and duties substantially similar to those of an executive level employee or officer; or (iv) a person who provides services exclusively to the Company or any Portfolio Company and has functions and duties that are substantially similar to those of a person listed in sub-clauses (i), (ii) or (iii) above; and “**KKR Capstone**” means (I) KKR Capstone Americas LLC, Capstone Europe Limited, KKR Capstone Asia Limited and any other “Capstone” branded entity that provides similar consulting services to the KKR Group and Portfolio Companies and (II) the direct and indirect parents and subsidiaries of the foregoing.

#### 6. Post-Termination Restricted Period.

The “**Post-Termination Restricted Period**” for the Grantee shall commence on the Termination Date and shall expire upon the eighteen-month anniversary of the Termination Date. Notwithstanding the foregoing, if the Grantee’s employment, engagement, association or other similar affiliation with KKR is terminated involuntarily and without Cause, the Post-Termination Restricted Period will expire on the nine-month anniversary of the Termination Date. To the extent that the Grantee continues to be employed or engaged by, or otherwise associated or similarly affiliated with, KKR, during any “garden leave” or “notice” period in which the Grantee is required to not perform any services for or enter the premises of the Company, and to otherwise comply with all terms and conditions imposed on the Grantee during such “garden leave” or “notice” period, the applicable Post-Termination Restricted Period shall be reduced by the amount of any such “garden leave” or “notice” period in which the Grantee complies with such terms.

#### 7. Intellectual Property; Works Made for Hire

Except as otherwise agreed in writing between the Grantee and the Partnership, the Designated Service Recipient or other member of the KKR Group, as applicable, the Grantee agrees that all work and deliverables that the Grantee prepares, creates, develops, authors, contributes to or improves, either alone or with third parties, during the course of the Grantee’s employment, engagement, association or other similar affiliation with the KKR Group, within the scope of the services provided to or with the use of any of the resources of the KKR Group, including but not limited to notes, drafts, scripts, documents, designs, inventions, data, presentations, research results, developments, reports, processes, programs, spreadsheets and other materials and all rights and intellectual property rights thereunder (collectively, “Work Product”), are works-made-for-hire owned exclusively by the KKR Group. The Grantee hereby irrevocably assigns, transfers and conveys, to the maximum extent permitted by law, all right, title and interest that the Grantee may have in such Work Product (and any written records thereof) to the KKR Group (or any of its designees), to the extent ownership of any such rights does not vest originally with KKR Group. To the extent the foregoing assignment is deemed to be invalid or unenforceable, Grantee grants the KKR Group, at no additional charge an exclusive, worldwide, irrevocable, royalty-free, perpetual, assignable license under all intellectual property in and to the Work Product.

#### 8. Non-Disparagement.

The Grantee hereby agrees that the Grantee will not at any time during his or her employment with the Designated Service Recipient or for five years thereafter make any disparaging, defamatory, or derogatory written or oral statements or other communications about or in reference to the Designated Service Recipient, the Partnership, KKR Holdings L.P., KKR Associates Holdings L.P., or any other member of the KKR Group or KKR Capstone, as applicable (including their respective businesses or reputations) or any of their Clients, Prospective Clients, Portfolio Companies, or Key Persons; provided that this provision shall not prevent the Grantee from (i) making truthful reports to or testifying truthfully before any court, agency, or regulatory body or pursuant to any legal or regulatory process or proceeding or (ii) engaging in activity protected by applicable law, rule or regulations, including the U.S. National Labor Relations Act.

#### 9. Representations; Warranties; Other Agreements.

The Grantee acknowledges and agrees that the Grantee will derive material financial and other benefits from the Grantee’s employment, engagement, association or other similar affiliation with KKR, and that the restrictions contained herein are reasonable in all circumstances and necessary to protect the legitimate business interests of the Company, to have and enjoy the full benefit of its business interests and goodwill. The Grantee further agrees and acknowledges that such restrictions will not

unnecessarily or unreasonably restrict or otherwise limit the professional opportunities of the Grantee should his or her employment, engagement, association or other similar affiliation with KKR terminate, that the Grantee is fully aware of the Grantee's obligations under this Appendix D and that the livelihood of the Grantee is not impaired by the Grantee's entry into the covenants contained herein. The Partnership and the Designated Service Recipient shall have the right, exercisable in its sole discretion, to directly or indirectly make a payment to the Grantee or grant other consideration if, and to the extent, necessary to enforce the restrictions contained herein in accordance with any applicable law.

#### 10. Certain Relationships.

The Grantee acknowledges and agrees that the Grantee's compliance with this Appendix D is a material part of the Grantee's arrangements with the Company, if applicable. Notwithstanding anything to the contrary herein, this Appendix D does not constitute an employment, engagement or other similar agreement between the Grantee and the Company, or any other KKR Related Entity (including but not limited to KKR & Co. L.P.), and shall not interfere with or otherwise affect any rights any such person or entity may have to terminate the Grantee's employment, engagement, association or other similar affiliation at any time upon such notice as may be required by law or the terms of any agreement or arrangement with the Grantee.

#### 11. Injunctive Relief; Third Party Beneficiaries.

The Grantee acknowledges and agrees that the remedies of the Partnership and the Designated Service Recipient at law for any breach of this Appendix D would be inadequate and that for any breach of this Appendix D, the Partnership and the Designated Service Recipient may terminate your employment, engagement, association or other similar affiliation with the Company and shall, in addition to any other remedies that may be available to it at law or in equity, or as provided for in this Appendix D, be entitled to an injunction, restraining order or other equitable relief, without the necessity of posting a bond, restraining the Grantee from committing or continuing to commit any violation of this Appendix D. The Grantee further acknowledges and agrees that the Partnership and the Designated Service Recipient shall not be required to prove, or offer proof, that monetary damages for a breach of this Appendix D would be difficult to calculate and that any remedies at law would be inadequate for any breach of this Appendix D. The parties intend, acknowledge, and agree that each member of the KKR Group is a third party beneficiary of this Agreement and is authorized to enforce any provision hereof by delivering a written statement expressing the intent to enforce the provisions hereof to the Grantee or the Designated Service Recipient.

#### 12. Amendment; Waiver.

This Appendix D may not be amended, restated, supplemented or otherwise modified other than by an agreement in writing signed by the parties hereto; provided, however, that KKR & Co. L.P. or the Designated Service Recipient may reduce the scope of, or waive compliance with any part of, any obligation of the Grantee arising under this Appendix D, at any time without any action, consent or agreement of any other party. No failure to exercise and no delay in exercising, on the part of any party, of any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The waiver of any particular right, remedy, power or privilege shall not affect or impair the rights, remedies, powers or privileges of any person with respect to any subsequent default of the same or of a different kind by any party hereunder. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law. No waiver of any provision hereto shall be effective unless it is in writing and signed by the person asserted to have granted such waiver.

#### 13. Assignment.

This Appendix D may not be assigned by any party hereto without the prior written consent of the other party hereto, except that the consent of the Grantee shall be deemed to have been given to the Partnership and the Designated Service Recipient (and the Grantee acknowledges that the Partnership and the Designated Service Recipient shall therefore have the right without further consent) to assign its rights hereunder, in whole or in part, to (i) any member of KKR that becomes a Designated Service Recipient or (ii) any person who is a successor of the Partnership or the Designated Service Recipient by merger, consolidation or purchase of all or substantially all of its assets, in which case such assignee shall be substituted for the Partnership and the Designated Service Recipient hereunder with respect to the provisions so assigned and be bound under this Appendix D and by the terms of the assignment in the same manner as the Partnership and the Designated Service Recipient was bound hereunder. Any purported assignment of this Appendix D in violation of this section shall be null and void.

#### 14. Governing Law.

This Appendix D shall be governed by and construed in accordance with the laws of the State of New York.

#### 15. Resolution of Disputes.

(a) Subject to paragraphs (b) and (c) below, any and all disputes which cannot be settled amicably, including any ancillary claims of any party, arising out of, relating to or in connection with the validity, negotiation, execution,

interpretation, performance, non performance or termination of this Appendix D (including the validity, scope and enforceability of this arbitration provision) (each a “ **Dispute** ”) shall be finally settled by arbitration conducted by a single arbitrator in New York, New York in accordance with the then existing Rules of Arbitration of the International Chamber of Commerce (the “ **ICC** ”). If the parties to the Dispute fail to agree on the selection of an arbitrator within 30 days of the receipt of the request for arbitration, the ICC shall make the appointment. The arbitrator shall be a lawyer and shall conduct the proceedings in the English language. Performance under this Appendix D shall continue if reasonably possible during any arbitration proceedings.

- (b) Prior to filing a Request for Arbitration or an Answer under the Rules of Arbitration of the ICC, as the case may be, the Partnership or the Designated Service Recipient may, in its sole discretion, require all Disputes or any specific Dispute to be heard by a court of law in accordance with paragraph (e) below and, for the purposes of this paragraph (b), each party expressly consents to the application of paragraphs (e) and (f) below to any such suit, action or proceeding. If an arbitration proceeding has already been commenced in connection with a Dispute at the time that the Partnership or the Designated Service Recipient commences such proceedings in accordance with this paragraph (b), such Dispute shall be withdrawn from arbitration.
- (c) Subject to paragraph (b) above, either party may bring an action or special proceeding in any court of law (or, if applicable, equity) for the purpose of compelling a party to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder or enforcing an arbitration award and, for the purposes of this paragraph (c), each party expressly consents to the application of paragraphs (e) and (f) below to any such suit, action or proceeding.
- (d) Except as required by law or as may be reasonably required in connection with judicial proceedings to compel arbitration, to obtain temporary or preliminary judicial relief in aid of arbitration or to confirm or challenge an arbitration award, the arbitration proceedings, including any hearings, shall be confidential, and the parties shall not disclose any awards, any materials in the proceedings created for the purpose of the arbitration or any documents produced by another party in the proceedings not otherwise in the public domain. Judgment on any award rendered by an arbitration tribunal may be entered in any court having jurisdiction thereover.
- (e) EACH PARTY HEREBY IRREVOCABLY SUBMITS AND AGREES TO THE EXCLUSIVE JURISDICTION OF THE COURTS, AND VENUE, LOCATED IN NEW YORK, NEW YORK FOR THE PURPOSE OF ANY SUIT, ACTION OR PROCEEDING BROUGHT IN ACCORDANCE WITH THE PROVISIONS OF PARAGRAPHS (B) OR (C) ABOVE. The parties acknowledge that the forum designated by this paragraph (e) has a reasonable relation to this Appendix D, and to the parties' relationship with one another. The parties hereby waive, to the fullest extent permitted by applicable law, any objection which they now or hereafter may have to personal jurisdiction or to the laying of venue of any suit, action or proceeding brought in any court referred to in the preceding sentence or pursuant to paragraphs (b) or (c) above and such parties agree not to plead or claim the same.
- (f) The parties agree that if a suit, action or proceeding is brought under paragraphs (b) or (c) proof shall not be required that monetary damages for breach of the provisions of this Appendix D would be difficult to calculate and that remedies at law would be inadequate, and they irrevocably appoint the Secretary or General Counsel of the Partnership or the Designated Service Recipient or an officer of the Partnership or the Designated Service Recipient (at the then-current principal business address of the Partnership or the Designated Service Recipient) as such party's agent for service of process in connection with any such action or proceeding and agrees that service of process upon such agent, who shall promptly advise such party of any such service of process, shall be deemed in every respect effective service of process upon the party in any such action or proceeding.

#### 16. Entire Agreement.

This Appendix D contains the entire agreement and understanding among the parties hereto with respect to the subject matter of this Appendix D and supersedes all prior and contemporaneous agreements, understandings, inducements and conditions, express or implied, oral or written, of any nature whatsoever with the Partnership with respect to the subject matter of this Appendix D (including but not limited to any prior grant agreement for an equity award under the Plan that contains one or more appendices with respect to the subject matter of this Appendix D), other than (unless otherwise waived in writing by KKR Holdings L.P., KKR Associates Holdings L.P. or any member of the Company, as applicable) any agreements and arrangements (i) set forth in any Confidentiality and Restrictive Covenant Agreement with KKR Holdings L.P., (ii) set forth in the instruments governing any equity incentive plans or grants, phantom stock plans or grants, deferred compensation arrangements, allocations of carried interest or similar arrangements involving KKR Holdings L.P., KKR Associates Holdings L.P. or any member of the

Company to which the Grantee is a party or beneficiary (excluding, for the avoidance of doubt, the Agreement to which this Appendix D is attached) or (iii) that specifically reference any such Confidentiality and Restrictive Covenant Agreement with KKR Holdings L.P or this Appendix D. The express terms of this Appendix D control and supersede any course of performance and any usage of the trade inconsistent with any of the terms of this Appendix D.

#### 17. Severability .

Notwithstanding Section 12 or any other provision of this Appendix D to the contrary, any provision of this Appendix D that is prohibited or unenforceable in any jurisdiction (including but not limited to the application, if applicable, of Rule 5.6 of the New York Rules of Professional Conduct (or successor rule)) shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. In such event, the invalid provision shall be substituted with a valid provision which most closely approximates the intent and the economic effect of the invalid provision and which would be enforceable to the maximum extent permitted in such jurisdiction or in such case.

#### 18. Interpretation .

Notwithstanding anything contained in Article IV of the Agreement, the provisions of Sections 8 through 17 (inclusive) of this Appendix D shall govern with respect to, and shall be applicable only to the interpretation, administration and enforcement of, the provisions of this Appendix D, and shall not govern or otherwise apply to, or have any administrative or interpretive effect on, any other provisions of the remainder of the Agreement or any other of its Appendices.

### **Schedule I**

#### **Confidentiality Undertaking**

The Grantee hereby agrees that, except as provided herein, the Grantee will not under any circumstances (either while employed, engaged, associated or otherwise affiliated with KKR, or at any time after the Termination Date) for any purpose other than in the ordinary course of the performance of the Grantee's duties as an employee, consultant, associate or other affiliated person of KKR, use or divulge, communicate, publish, make available, or otherwise disclose any Confidential Information to any person or entity, including but not limited to any business, firm, governmental body, partnership, corporation, press service or otherwise, other than to (i) any executive or employee of the Company in the ordinary course of the performance of Grantee's duties as an employee, consultant, associate or other affiliated person of KKR; (ii) any person or entity to the extent explicitly authorized by an executive of the Company in the ordinary course of the performance of Grantee's duties as an employee, consultant, associate or other affiliated person of KKR; (iii) any attorney, accountant, consultant or similar service provider retained by the Company who is required to know such information and is obligated to keep such information confidential; or (iv) any person or entity to the extent the law or legal process requires disclosure by the Grantee, provided that, in the case of clause (iv), the Grantee must first give the Partnership or the Designated Service Recipient prompt written notice of any such requirement, disclose no more information than is so required in the opinion of competent legal counsel, and cooperate fully with all efforts by the Company to obtain a protective order or similar confidentiality treatment for such information; provided, however, the Partnership shall not enforce and shall cause its subsidiaries not to enforce any confidentiality agreement that prohibits the Grantee from reporting possible violations of federal law or regulation to any governmental agency or entity, including but not limited to the U.S. Securities and Exchange Commission, or making other disclosures to the extent protected under the whistleblower provisions of federal law or regulation (or comparable laws or regulations that similarly prohibit the impediment of such protected disclosures). Notwithstanding the foregoing, neither the Partnership nor the Designated Service Recipient authorizes the waiver of (or the disclosure of information covered by) the attorney-client privilege or work product protection or any other privilege or protection belonging to the Partnership, the Designated Service Recipient or their subsidiaries, to the fullest extent permitted by law.

As used in this Schedule I, an "**executive**" of KKR means an officer, member, managing director, director, principal or employee of the Company, acting in a supervisory capacity. "**Confidential Information**" means (a) all confidential, proprietary or non-public information of, or concerning the business, operations, activities, personnel, finances, plans, personal lives, habits, history, clients, investors, or otherwise of, any person who at any time is or was a member, partner, officer, director, other executive, employee or stockholder of any of the foregoing, (b) all confidential, proprietary or non-public information of or concerning any member of a family of any of the individuals referred to in clause (a), whether by birth, adoption or marriage (including but not limited to any of their current or former spouses or any living or deceased relatives), and (c) all confidential, proprietary or non-public information of or concerning any of the clients or investors of the KKR Related Entities or any other person or entity with which or whom any of the KKR Related Entities or their respective clients or investors does business or has a relationship. Confidential Information includes information about the KKR Related Entities relating to or concerning any of their (i) finances, investments, profits, pricing, costs, and accounting, (ii) intellectual property (including but not limited to patents, inventions, discoveries, plans, research and development, processes, formulae, reports, protocols, computer software, databases, documentation, trade secrets, know-how and business methods), (iii) personnel, compensation, recruiting and training, and (iv) any pending or completed settlements, arbitrations, litigation, governmental investigations and similar proceedings. Notwithstanding the foregoing, Confidential Information does not include any portions of the foregoing that the

Grantee can demonstrate by sufficient evidence satisfactory to the Company that has been (i) lawfully published in a form generally available to the public prior to any disclosure by the Grantee in breach of this Appendix D or (ii) made legitimately available to the Grantee by a third party without breach of any obligation of confidence owed to the Company or any Portfolio Company.

Without limiting the generality of the foregoing, the Grantee agrees that it will be a breach of this Appendix D to write about, provide, disclose or use in any fashion at any time any Confidential Information that is or becomes part of the basis for, or is used in any way in connection with any part of any book, magazine or newspaper article, any interview or is otherwise published in any media of any kind utilizing any technology now known or created in the future.

Upon termination of the Grantee's employment, engagement, association or other similar affiliation with KKR for any reason, the Grantee hereby agrees to (i) cease and not thereafter commence any and all use of any Confidential Information; (ii) upon the request of the Company promptly deliver to the Company or, at the option of the Company destroy, delete or expunge all originals and copies of any Confidential Information in any form or medium in the Grantee's possession or control (including any of the foregoing stored or located in the Grantee's home, laptop or other computer that is not the property of the Company, its affiliates or Portfolio Companies); (iii) notify and fully cooperate with the Company regarding the delivery or destruction of any other Confidential Information of which the Grantee is aware; and (iv) upon the request of the Company sign and deliver a statement that the foregoing has been accomplished.

The Grantee acknowledges that he or she is aware that applicable securities laws place certain restrictions on any person who has received from an issuer material, non-public information concerning the issuer with respect to purchasing or selling securities of such issuer or from communicating such information to any other person and further agrees to comply with such securities laws. Without limiting anything in this Appendix D, the Grantee hereby expressly confirms his or her explicit understanding that the Grantee's obligations hereunder are in addition to, and in no way limit, the Grantee's obligations under compliance procedures of the Company including those contained in the Written Policies.

Notwithstanding anything in this Appendix D to the contrary, the Grantee may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of any member of the Company in which the Grantee holds an interest and all materials of any kind (including opinions or other tax analyses) that are provided to the Grantee relating to such tax treatment and tax structure.

## APPENDIX E

### KKR & CO. L.P. 2010 EQUITY INCENTIVE PLAN

#### 1. Purpose of the Plan

The KKR & Co. L.P. 2010 Equity Incentive Plan (the "Plan") is designed to promote the long term financial interests and growth of KKR & Co. L.P., a Delaware limited partnership (the "Partnership") and its Affiliates by (i) attracting and retaining directors, officers, employees, consultants or other service providers of the Partnership or any of its Affiliates, including but not limited to directors of KKR Management LLC, the Partnership's general partner (the "General Partner") and (ii) aligning the interests of such individuals with those of the Partnership and its Affiliates by providing them with equity-based awards based on the common units of limited partner interest in the Partnership (the "Common Units").

#### 2. Definitions

The following capitalized terms used in the Plan have the respective meanings set forth in this Section:

- (a) Act: The Securities Exchange Act of 1934, as amended, or any successor thereto.
- (b) Administrator: The Board, or the committee or subcommittee thereof to whom authority to administer the Plan has been delegated pursuant to Section 4 hereof.
- (c) Affiliate: With respect to any specified Person, any other Person that directly or indirectly through one or more intermediaries Controls, is Controlled by or is under common control with such specified Person. As used herein, the term "Control" (including the terms "Controlled by" and "under common Control with") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, as trustee or executor, by contract or otherwise, including the ownership, directly or indirectly, of securities having the power to elect a majority of the board of directors or similar body governing the affairs of such Person.

(d) Award: Individually or collectively, any Option, Unit Appreciation Right, or Other Unit-Based Awards based on or relating to the Common Units issuable under the Plan.

(e) Board: The board of directors of the General Partner.

(f) Change in Control: Except as otherwise set forth in any applicable Award agreement, (i) the occurrence of any Person, other than a Person approved by the General Partner, becoming the general partner of the Partnership, (ii) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation) in one or more series of related transactions of all or substantially all of the combined assets of the Group Partnerships taken as a whole to any Person other than a Permitted Person, (iii) the consummation of any transaction or a series of related transactions (including any merger or consolidation) that results in any Person (other than a Permitted Person) becoming the beneficial owner of a majority of the controlling interests in any one or more Group Partnerships that together hold all or substantially all of the combined assets of the Group Partnerships taken as a whole, or (iv) the occurrence of any other event as determined by the Board to constitute a Change in Control. Solely for the purpose of this definition, the term "person" shall have the meaning given to such term under Section 13(d)(3) of the Act or any successor provision thereto; and for purposes of the Plan, the term "beneficial owner" shall have the meaning given to such term under Rule 13d-3 promulgated under the Act or any successor provision thereto, and the combined assets of the Group Partnerships shall exclude the portion of any such assets that are allocable to holders of any non-controlling interests in any consolidated subsidiaries.

(g) Code: The Internal Revenue Code of 1986, as amended, or any successor thereto.

(h) Effective Date: The date on which the Board adopts the Plan, or such later date as is designated by the Board, provided that in no event shall such date be prior to the date that limited partnership interests of the Partnership become listed and traded on the New York Stock Exchange or The NASDAQ Stock Market.

(i) Employee Exchange Agreement: That certain Exchange Agreement, dated as of July 14, 2010, by and among KKR & Co. L.P., KKR Management Holdings L.P., KKR Fund Holdings L.P., and KKR Holdings L.P.

(j) Employment: The term "Employment" as used herein shall be deemed to refer to (i) a Participant's employment if the Participant is an employee of the Partnership or any of its Affiliates, (ii) a Participant's services as a consultant or partner, if the Participant is consultant to, or partner of, the Partnership or of any of its Affiliates, and (iii) a Participant's services as a non-employee director, if the Participant is a non-employee member of the Board.

(k) Fair Market Value: Of a Common Unit on any given date means (i) the closing sale price per Common Unit on the New York Stock Exchange or The NASDAQ Stock Market (a "U.S. Exchange") on that date (or, if no closing sale price is reported, the last reported sale price), (ii) if the Common Units are not listed for trading on a U.S. Exchange, the closing sale price (or, if no closing sale price is reported, the last reported sale price) as reported on that date in composite transactions for the principal national securities exchange registered pursuant to the Act on which the Common Units are listed, (iii) if the Common Units are not so listed on a U.S. Exchange, the last quoted bid price for the Common Units on that date in the over-the-counter market as reported by Pink Sheets LLC or a similar organization, or (iv) if the Common Units are not so quoted by Pink Sheets LLC or a similar organization, the average of the mid-point of the last bid and ask prices for the Common Units on that date from a nationally recognized independent investment banking firm selected by the General Partner for this purpose.

(l) Group Partnerships: KKR Management Holdings L.P., a Delaware limited partnership, and KKR Fund Holdings L.P., a Cayman Island exempted limited partnership, along with any partnership designated in the future as a "Group Partnership" by the Partnership.

(m) Group Partnership Unit: A "Group Partnership Unit" as defined in the Pre-Listing Plan.

(n) KKR Group: The Group Partnerships, the direct and indirect parents of the Group Partnerships (the "Parents"), any direct or indirect subsidiaries of the Parents or the Group Partnerships, the general partner or similar controlling entities of any investment fund or vehicle that is managed, advised or sponsored by the KKR Group (the "Funds") and any other entity through which any of the foregoing directly or indirectly conducts its business, but shall exclude any company over which a Fund exercises a significant degree of control as an investor.

(o) Option: An option to purchase Common Units granted pursuant to Section 6 of the Plan.

(p) Option Price: The purchase price per Common Unit of an Option, as determined pursuant to Section 6(a) of the Plan.

(q) Other Unit-Based Awards: Awards granted pursuant to Section 8 of the Plan.



(r) Participant: A director, officer, employee, consultant or other service provider of the Partnership or of any of its Affiliates, including but not limited to any director of the General Partner, who is selected by the Administrator to participate in the Plan.

(s) Permitted Person: The term "Permitted Person" means (i) an individual who (a) is an executive of the KKR Group, (b) devotes substantially all of his or her business and professional time to the activities of the KKR Group and (c) did not become an executive of the KKR Group or begin devoting substantially all of his or her business and professional time to the activities of the KKR Group in contemplation of a Change in Control or (ii) any Person in which any one or more such individuals directly or indirectly holds a majority of the controlling interests.

(t) Person: Any individual, corporation, partnership, limited partnership, limited liability company, limited company, joint venture, trust, unincorporated or governmental organization or any agency or political subdivision thereof.

(u) Pre-Listing Award: Any equity-based award (whether an option, unit appreciation right, restricted equity unit, phantom equity unit, or other equity-based award based in whole or in part on the fair market value of any equity unit or otherwise) granted pursuant to the Pre-Listing Plan.

(v) Pre-Listing Plan: KKR Management Holdings L.P. 2009 Equity Incentive Plan.

(w) Unit Appreciation Right: A unit appreciation right granted pursuant to Section 7 of the Plan.

### 3. Common Units Subject to the Plan

Subject to Section 9 hereof, the total number of Common Units which shall be available for issuance under the Plan shall be, as of the Effective Date, 15% of the Common Units outstanding as of the Effective Date on a fully converted and diluted basis (the "Initial Plan Amount"), of which all or any portion may be issued as Common Units. Notwithstanding the foregoing, beginning with the first fiscal year of the Partnership occurring after the Effective Date and continuing with each subsequent fiscal year of the Partnership occurring thereafter, the aggregate number of Common Units covered by the Plan will be increased, on the first day of each fiscal year of the Partnership occurring during the term of the Plan, by a number of Common Units equal to the positive difference, if any, of (x) 15% of the aggregate number of Common Units outstanding on the last day of the immediately preceding fiscal year of the Partnership minus (y) the Initial Plan Amount, as such amount may have been increased by this sentence in any prior fiscal year, unless the Administrator should decide to increase the number of Common Units covered by the Plan by a lesser amount on any such date. The issuance of Common Units or the payment of cash upon the exercise of an Award or any Pre-Listing Award or in consideration of the settlement, cancellation or termination of an Award or any Pre-Listing Award shall reduce the total number of Common Units covered by and available for issuance under the Plan, as applicable (with any Awards or Pre-Listing Awards settled in cash reducing the total number of Common Units by the number of Common Units determined by dividing the cash amount to be paid thereunder by the Fair Market Value of one Common Unit on the date of payment), and the issuance of Group Partnership Units in consideration of the settlement, cancellation or termination of any Pre-Listing Award shall reduce the total number of Common Units covered by and available for issuance under the Plan by a number of Common Units equal to the number of Group Partnership Units so issued multiplied by the Exchange Rate (as defined in the Employee Exchange Agreement). Common Units which are subject to Awards which are cancelled, forfeited, terminated or otherwise expired by their terms without the payment of consideration, and Common Units which are used to pay the exercise price of any Award, may be granted again subject to Awards under the Plan. For the avoidance of doubt, Common Units which are subject to Awards other than Options or Unit Appreciation Rights which are withheld to pay tax withholding obligations will be deemed not to have been delivered and will be available for further Awards under the Plan.

For purposes of this Section 3, the number of Common Units that, as of a particular date, will be considered to be "covered by" the Plan will be equal to the sum of (i) the number of Common Units available for issuance pursuant to the Plan but which are not subject to an outstanding Award or Pre-Listing Award as of such date, (ii) the number of Common Units subject to outstanding Awards or Pre-Listing Awards as of such date and (iii) the number of Group Partnership Units subject to outstanding Pre-Listing Awards as of such date multiplied by the Exchange Rate (as defined in the Employee Exchange Agreement) as in effect on such date. For purposes of this Section 3, (A) an Option or Unit Appreciation Right that has been granted under the Plan or the Pre-Listing Plan will be considered to be an "outstanding" Award or Pre-Listing Award, as applicable, until it is exercised or cancelled, forfeited, terminated or otherwise expires by its terms, (B) a Common Unit that has been granted as an Award under the Plan that is subject to vesting conditions will be considered an "outstanding" Award until the vesting conditions have been satisfied or the Award otherwise terminates or expires unvested by its terms, (C) a Group Partnership Unit that has been granted as a Pre-Listing Award under the Pre-Listing Plan that is subject to vesting conditions will be considered an "outstanding" Pre-Listing Award until the vesting conditions have been satisfied or the Pre-Listing Award otherwise terminates or expires unvested by its terms and (D) any Award or Pre-Listing Award other than an Option, Unit Appreciation Right, Common Unit or Group Partnership Unit that is subject to vesting conditions will be considered to be an "outstanding" Award or Pre-Listing Award, as applicable, until it has been settled.

#### 4. Administration

(a) Administration and Delegation. The Plan shall be administered by the Administrator. The Administrator may delegate the authority to grant Awards under the Plan to any employee or group of employees of the Partnership or of any Affiliate of the Partnership; provided that such delegation and grants are consistent with applicable law and guidelines established by the Board from time to time. The Administrator may delegate the day-to-day administration of the Plan to any employee or group of employees of the Partnership or the General Partner or any of their respective Affiliates or a nationally recognized third-party stock plan administrator.

(b) Substitution of Prior Awards. Awards may, in the discretion of the Administrator, be made under the Plan in assumption of, or in substitution for, outstanding awards previously granted by the Partnership, any Affiliate of the Partnership or any entity acquired by the Partnership or with which the Partnership combines. The number of Common Units underlying such substitute awards shall be counted against the aggregate number of Common Units available for Awards under the Plan.

(c) Interpretation; Corrections; Final and Binding Decisions. The Administrator is authorized to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, and to make any other determinations that it deems necessary or desirable for the administration of the Plan. The Administrator may correct any defect or supply any omission or reconcile any inconsistency in the Plan or Award agreement in the manner and to the extent the Administrator deems necessary or desirable, without the consent of any Participant. Any decision of the Administrator in the interpretation and administration of the Plan, as described herein, shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned (including, but not limited to, Participants and their beneficiaries and successors).

(d) Establishment of Award Terms. The Administrator shall have the full power and authority to establish the terms and conditions of any Award consistent with the provisions of the Plan and to waive any such terms and conditions at any time (including, without limitation, accelerating or waiving any vesting conditions).

(e) Payment of Taxes Due. The Administrator shall require payment of any amount it may determine to be necessary to withhold for federal, state, local or other taxes as a result of the exercise, grant or vesting of an Award. To the extent that such withholding arises in connection with the settlement of an Award with Common Units, the Administrator may, in its sole discretion, cause such payments to be funded by reducing the Common Units delivered upon settlement by an amount of Common Units having a Fair Market Value equal to the amount of payments that would then be due (and if an Award is settled in cash, the Administrator may withhold cash in respect to such taxes due). The Administrator shall establish the manner in which any such tax obligation may be satisfied by the Participant.

#### 5. Limitations

No Award may be granted under the Plan after the tenth anniversary of the Effective Date, but Awards theretofore granted may extend beyond that date.

#### 6. Terms and Conditions of Options

Options granted under the Plan shall be non-qualified options for federal income tax purposes, and shall be subject to the foregoing and the following terms and conditions and to such other terms and conditions, not inconsistent therewith, as the Administrator shall determine:

(a) Option Price. The Option Price per Common Unit shall be determined by the Administrator, provided that, solely for the purposes of an Option granted under the Plan to a Participant who is a U.S. taxpayer, in no event will the Option Price be less than 100% of the Fair Market Value on the date an Option is granted.

(b) Exercisability. Options granted under the Plan shall be exercisable at such time and upon such terms and conditions as may be determined by the Administrator, but in no event shall an Option be exercisable more than ten years after the date it is granted.

(c) Exercise of Options.

(i) Except as otherwise provided in the Plan or in an Award agreement, an Option may be exercised for all, or from time to time any part, of the Common Units for which it is then exercisable. For purposes of this Section 6 of the Plan, the exercise date of an Option shall be the later of the date a notice of exercise is received by the Partnership and, if applicable, the date payment is received by the Partnership pursuant to clauses (A), (B), (C) or (D) in the following sentence.

(ii) The Option Price for the Common Units as to which an Option is exercised shall be paid to the Partnership, and in the manner designated by the Administrator, pursuant to one or more of the following methods: (A) in cash or its equivalent (e.g., by personal check); (B) in Common Units having a Fair Market Value equal to the aggregate Option Price for the

Common Units being purchased and satisfying such other requirements as may be imposed by the Administrator; provided that such Common Units have been held by the Participant for such period as may be established from time to time by the Administrator in order to avoid adverse accounting treatment applying generally accepted accounting principles; (C) partly in cash and partly in such Common Units; (D) if there is a public market for the Common Units at such time, through the delivery of irrevocable instructions to a broker to sell Common Units obtained upon the exercise of the Option and to deliver promptly to the Partnership an amount out of the proceeds of such sale equal to the aggregate Option Price for the Common Units being purchased, or (E) to the extent permitted by the Administrator, through net settlement in Common Units.

(iii) To the extent compliant with applicable laws, no Participant shall have any rights to distributions or other rights of a holder with respect to Common Units subject to an Option until the Participant has given written notice of exercise of the Option, paid in full the Option Price for such Common Units and, if applicable, has satisfied any other conditions imposed by the Administrator pursuant to the Plan.

(d) Attestation. Wherever in this Plan or any agreement evidencing an Award a Participant is permitted to pay the Option Price of an Option or taxes relating to the exercise of an Option by delivering Common Units, the Participant may, subject to procedures satisfactory to the Administrator, satisfy such delivery requirement by presenting proof of beneficial ownership of such Common Units, in which case the Partnership shall treat the Option as exercised without further payment and/or shall withhold such number of Common Units from the Common Units acquired by the exercise of the Option, as appropriate.

## 7. Terms and Conditions of Unit Appreciation Rights

(a) Grants. The Administrator may grant (i) a Unit Appreciation Right independent of an Option or (ii) a Unit Appreciation Right in connection with an Option, or a portion thereof. A Unit Appreciation Right granted pursuant to clause (ii) of the preceding sentence (A) may be granted at the time the related Option is granted or at any time prior to the exercise or cancellation of the related Option, (B) shall cover the same number of Common Units covered by an Option (or such lesser number of Common Units as the Administrator may determine) and (C) shall be subject to the same terms and conditions as such Option except for such additional limitations as are contemplated by this Section 7 (or such additional limitations as may be included in an Award agreement).

(b) Exercise Price. The exercise price per Common Unit of a Unit Appreciation Right shall be an amount determined by the Administrator; provided, however, that in the case of a Unit Appreciation Right granted in conjunction with an Option, or a portion thereof, the exercise price may not be less than the Option Price of the related Option; provided, further that, solely for the purposes of a Unit Appreciation Right granted under the Plan to a Participant who is a U.S. taxpayer, in the case of a Unit Appreciation Right that was not granted in conjunction with an Option, the exercise price per Unit Appreciation Right shall not be less than 100% of the Fair Market Value on the date the Unit Appreciation Right is granted.

(c) Terms of Grant: Each Unit Appreciation Right granted independent of an Option shall entitle a Participant upon exercise to an amount equal to (i) the excess of (A) the Fair Market Value on the exercise date of one Common Unit over (B) the exercise price per Common Unit, times (ii) the number of Common Units covered by the Unit Appreciation Right. Each Unit Appreciation Right granted in conjunction with an Option, or a portion thereof, shall entitle a Participant to surrender to the Partnership the unexercised Option, or any portion thereof, and to receive from the Partnership in exchange therefore an amount equal to (i) the excess of (A) the Fair Market Value on the exercise date of one Common Unit over (B) the Option Price per Common Unit, times (ii) the number of Common Units covered by the Option, or portion thereof, which is surrendered. Payment shall be made in Common Units or in cash, or partly in Common Units and partly in cash (any such Common Units valued at such Fair Market Value), all as shall be determined by the Administrator.

(d) Exercisability: Unit Appreciation Rights may be exercised from time to time upon actual receipt by the Partnership of written notice of exercise stating the number of Common Units with respect to which the Unit Appreciation Right is being exercised. The date a notice of exercise is received by the Partnership shall be the exercise date. The Administrator, in its sole discretion, may determine that no fractional Common Units will be issued in payment for Unit Appreciation Rights, but instead cash will be paid for the fractional Common Units and the number of Common Units to be delivered will be rounded downward to the next whole Common Unit.

(e) Limitations. The Administrator may impose, in its discretion, such conditions upon the exercisability of Unit Appreciation Rights as it may deem fit, but in no event shall a Unit Appreciation Right be exercisable more than ten years after the date it is granted.

## 8. Other Unit-Based Awards

The Administrator, in its sole discretion, may grant or sell Awards of Common Units, restricted Common Units, deferred restricted Common Units, phantom restricted Common Units or other Common Unit-based awards based in whole or in part on the Fair Market Value of the Common Units ("Other Unit-Based Awards"). Such Other Unit-Based Awards shall be in such form, and dependent on such conditions, as the Administrator shall determine, including, without limitation, the right to receive, or vest

with respect to, one or more Common Units (or the equivalent cash value of such Common Units) upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. Other Unit-Based Awards may be granted alone or in addition to any other Awards granted under the Plan. Subject to the provisions of the Plan, the Administrator shall determine to whom and when Other Unit-Based Awards will be made, the number of Common Units to be awarded under (or otherwise related to) such Other Unit-Based Awards; whether such Other Unit-Based Awards shall be settled in cash, Common Units, or other assets or a combination of cash, Common Units and other assets; and all other terms and conditions of such Awards (including, without limitation, the vesting provisions thereof and provisions ensuring that all Common Units so awarded and issued shall be fully paid and non-assessable).

## **9. Adjustments Upon Certain Events**

Notwithstanding any other provisions in the Plan to the contrary, the following provisions shall apply to all Awards granted under the Plan:

(a) Equity Restructurings. In the event of any extraordinary Common Unit distribution or split, recapitalization, rights offering, split-up or spin-off or any other event that constitutes an “equity restructuring” (as defined under Financial Accounting Standards Board (FASB) Accounting Standards Codification 718) with respect to Common Units, the Administrator shall, in the manner determined appropriate or desirable by the Administrator and without liability to any person, adjust any or all of (i) the number of Common Units or other securities of the Partnership (or number and kind of other securities or property) with respect to which Awards may be granted under the Plan, and (ii) the terms of outstanding Awards, including, but not limited to (A) the number of Common Units or other securities of the Partnership (or number and kind of other securities or property) subject to outstanding Awards or to which outstanding Awards relate, (B) the Option Price or exercise price of any Option or Unit Appreciation Right and (C) any performance targets or other applicable terms.

(b) Mergers, Reorganizations and Other Corporate Transactions. In the event of any reorganization, merger, consolidation, combination, repurchase or exchange of Common Units or other securities of the Partnership, issuance of warrants or other rights to purchase Common Units or other securities of the Partnership, or other similar corporate transaction or event that affects the Common Units such that an adjustment is determined by the Administrator in its discretion to be appropriate or desirable, the Administrator in its sole discretion and without liability to any person shall make such substitution or adjustment, if any, as it deems to be equitable as to (i) the number of Common Units or other securities of the Partnership (or number and kind of other securities or property) with respect to which Awards may be granted under the Plan, and (ii) the terms of any outstanding Award, including (A) the number of Common Units or other securities of the Partnership (or number and kind of other securities or property) subject to outstanding Awards or to which outstanding Awards relate, (B) the Option Price or exercise price of any Option or Unit Appreciation Right and (C) any performance targets or other applicable terms.

(c) Change in Control. In the event of a Change in Control after the Effective Date, (i) if determined by the Administrator in the applicable Award agreement or otherwise, any outstanding Awards then held by Participants which are unexercisable or otherwise unvested or subject to lapse restrictions shall automatically be deemed exercisable or otherwise vested or no longer subject to lapse restrictions, as the case may be, as of immediately prior to such Change in Control and (ii) the Administrator may (subject to Sections 16 and 18), but shall not be obligated to: (A) accelerate, vest or cause the restrictions to lapse with respect to all or any portion of an Award; (B) cancel such Awards for fair value (as determined in the sole discretion of the Administrator) which, in the case of Options and Unit Appreciation Rights, may equal the excess, if any, of value of the consideration to be paid in the Change in Control transaction to holders of the same number of Common Units subject to such Options or Unit Appreciation Rights (or, if no consideration is paid in any such transaction, the Fair Market Value of the Common Units subject to such Options or Unit Appreciation Rights) over the aggregate exercise price of such Options or Unit Appreciation Rights; (C) provide that any Options or Unit Appreciation Right having an exercise price per Common Unit that is greater than the per Common Unit value of the consideration to be paid in the Change in Control transaction to a holder of a Common Unit shall be cancelled without payment of any consideration therefor; (D) provide for the issuance of substitute Awards that will substantially preserve the otherwise applicable terms of any affected Awards previously granted hereunder as determined by the Administrator in its sole discretion; or (E) provide that for a period of at least 15 days prior to the Change in Control, such Options shall be exercisable as to all shares subject thereto and that upon the occurrence of the Change in Control, such Options shall terminate and be of no further force and effect.

## **10. No Right to Employment or Awards**

The granting of an Award under the Plan shall impose no obligation on the Partnership or any Affiliate to continue the Employment of a Participant and shall not lessen or affect the Partnership's or Affiliate's right to terminate the Employment of such Participant. No Participant or other Person shall have any claim to be granted any Award (including as a result of recurring prior Award), and there is no obligation for uniformity of treatment of Participants, or holders or beneficiaries of Awards. No Award shall constitute compensation for purposes of determining any benefits under any benefit plan. The terms and conditions of Awards and the Administrator's determinations and interpretations with respect thereto need not be the same with respect to each Participant (whether or not such Participants are similarly situated).

## **11. Successors and Assigns**

The Plan shall be binding on all successors and assigns of the Partnership and a Participant, including without limitation, the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

## **12. Nontransferability of Awards**

Unless otherwise determined or approved by the Administrator, an Award shall not be transferable or assignable by the Participant otherwise than by will or by the laws of descent and distribution. Any transfer or assignment in violation of the prior sentence shall be null and void. An Award exercisable after the death of a Participant may be exercised by the legatees, personal representatives or distributees of the Participant.

## **13. Amendments or Termination**

The Board may amend, alter or discontinue the Plan or any outstanding Award, but no amendment, alteration or discontinuation shall be made, without the consent of a Participant, if such action would materially diminish any of the rights of the Participant under any Award theretofore granted to such Participant under the Plan; provided, however, that the Administrator may without the Participant's consent (a) amend the Plan or any outstanding Award in such manner as it deems necessary to permit the granting of Awards meeting the requirements of the Code or other applicable laws (including, without limitation, to avoid adverse tax consequences to the Partnership or to Participants as provided in Section 14 and Section 18 below), and (b) amend any outstanding Awards in a manner that is not adverse (other than in a *de minimis* manner) to a Participant, except as otherwise may be permitted pursuant to Section 9 hereof or as is otherwise contemplated pursuant to the terms of the Award, without the Participant's consent.

## **14. International Participants**

With respect to Participants who reside or work outside the United States of America, the Administrator may, in its sole discretion, amend the terms of the Plan or Awards with respect to such Participants in order to conform such terms with the requirements of local law or to obtain more favorable tax or other treatment for a Participant, the Partnership or an Affiliate.

## **15. Choice of Law**

The Plan shall be governed by and construed in accordance with the law of the State of New York without giving effect to any otherwise governing principles of conflicts of law that would apply the laws of another jurisdiction.

## **16. Other Laws; Restrictions on Transfer of Common Units**

The Administrator may refuse to issue or transfer any Common Units or other consideration under an Award if, acting in its sole discretion, it determines that the issuance or transfer of such Common Units or such other consideration might violate any applicable law or regulation or entitle the Partnership to recover the same under Section 16(b) of the Act, as amended, and any payment tendered to the Partnership by a Participant, other holder or beneficiary in connection with the exercise of such Award shall be promptly refunded to the relevant Participant, holder or beneficiary. Without limiting the generality of the foregoing, no Award granted hereunder shall be construed as an offer to sell securities of the Partnership, and no such offer shall be outstanding, unless and until the Administrator in its sole discretion has determined that any such offer, if made, would be in compliance with all applicable requirements of the United States federal and any other applicable securities laws.

## **17. Effectiveness of the Plan**

The Plan shall be effective as of the Effective Date.

## **18. Section 409A**

To the extent applicable, this Plan and Awards issued hereunder shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretative guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding other provisions of the Plan or any Award agreements issued thereunder, no Award shall be granted, deferred, accelerated, extended, paid out or modified under this Plan in a manner that would result in the imposition of an additional tax under Section 409A of the Code upon a Participant. In the event that it is reasonably determined by the Administrator that, as a result of Section 409A of the Code, payments in respect of any Award under the Plan may not be made at the time contemplated by the terms of the Plan or the relevant Award agreement, as the case may be, without causing the Participant holding such Award to be subject to taxation under Section 409A of the Code, consistent with the provisions of Section 13(a) above, the Partnership may take whatever actions the Administrator determines necessary or appropriate to comply with, or exempt the Plan and Award agreement from the requirements of Section 409A of the Code and related Department of Treasury guidance and other interpretive materials as may be issued after the Effective Date including, without limitation, (a) adopting such amendments to the Plan and Awards and

appropriate policies and procedures, including amendments and policies with retroactive effect, that the Administrator determines necessary or appropriate to preserve the intended tax treatment of the benefits provided by the Plan and Awards hereunder and/or (b) taking such other actions as the Administrator determines necessary or appropriate to avoid the imposition of an additional tax under Section 409A of the Code, which action may include, but is not limited to, delaying payment to a Participant who is a "specified employee" within the meaning of Section 409A of the Code until the first day following the six-month period beginning on the date of the Participant's termination of Employment . The Partnership shall use commercially reasonable efforts to implement the provisions of this Section 18 in good faith; provided that neither the Partnership, the Administrator nor any employee, director or representative of the Partnership or of any of its Affiliates shall have any liability to Participants with respect to this Section 18 .

**FIDELITY STOCK PLAN SERVICES, LLC  
PARTICIPANT CONSENT  
KKR & CO. L.P.**

**PARTICIPANT CONSENT**

Pursuant to provisions of this grant agreement between me and KKR & Co. L.P. (the "Company") and/or other parties thereto, and as a condition of receiving such grant agreement, I hereby authorize Fidelity Stock Plan Services, LLC and its affiliates (including, but not limited to Fidelity Brokerage Services LLC, National Financial Services LLC, and Fidelity Personal Trust Company, FSB) ("Fidelity") (i) to act upon the directions of Company or its designee direction to restrict my ability to sell, transfer or to take other actions with respect to certain Company equity that I may hold, and (ii) to act the directions of the Company or its designee, pursuant to provisions of the Company's plans and this grant agreement requiring my forfeiture of Company equity if I violate certain restrictive covenants, to transfer in kind Company equity held by Fidelity on my behalf to the Company or its designee.

Participant Name: **Participant Name**

Participant Signature: **Electronic Signature**

Date: **Acceptance Date**

**GRANT CERTIFICATE**  
**(Executive Officers)**

**Market Condition Equity Grant — Participant Name**

This Grant Certificate confirms that you have been granted the Units identified below (the “ **Granted Units** ”), which upon issuance are Fully Unvested Units and become vested only in accordance with the terms and conditions set forth herein. The Granted Units are subject to the terms of the First Amended and Restated Limited Partnership Agreement of KKR Holdings L.P., dated October 1, 2009, as amended (the “ **Holdings LPA** ”), and (save for the matters specifically addressed in this Grant Certificate) to the applicable terms of any other written documents executed by you relating to your interests in KKR Holdings L.P. (which may include a Consent, Admission and Award Agreement). Capitalized terms not otherwise defined herein have the meanings set forth in the Holdings LPA. In the event of a conflict between any term or provision contained in the Holdings LPA and this Grant Certificate, the applicable terms and provisions of this Grant Certificate will govern and prevail.

Without limiting the foregoing, and notwithstanding anything to the contrary in this Grant Certificate, the Holdings LPA or any other document, this award of Granted Units is conditioned upon and subject to your agreement to be bound by the Confidentiality and Restrictive Covenant Obligations contained in each grant agreement with respect to the equity awards granted or to be granted to you under the KKR & Co. L.P. 2010 Equity Incentive Plan (the “ **Public Company Plan** ”) and any other similar confidentiality and restrictive covenant agreement with any member of the KKR Group or KKR Capstone, as applicable, that you have previously executed or will execute while a Limited Partner (collectively, referred to as the “ **Confidentiality and Restrictive Covenant Agreement** ”).

**Grant Date:** **Grant Date**

**Number of Granted Units :** **Number of Awards Granted**

**Terms and Conditions of Granted Units:**

*Service Condition for Vesting*

Provided that the applicable Price Condition (as defined below) has been achieved, a percentage of the Granted Units shall become Fully Vested Units subject to the Limited Partner’s continued Employment (as defined below) through and at the close of business on the applicable Service Vesting Date (the “ **Service Condition** ”). The following table sets forth the maximum number of Granted Units that are eligible to become Fully Vested Units on each Service Vesting Date.

Maximum Percentage of Granted Units that may become Vested on Applicable Service Vesting Date	Applicable Service Vesting Date

To the extent the percentage of Granted Units that have achieved the Price Condition exceed the maximum percentage of Granted Units that may become Fully Vested Units on a given Service Vesting Date, such excess (up to the next applicable maximum percentage) shall become Fully Vested Units on the next Service Vesting Date, subject to the Limited Partner’s continued Employment through the close of business on such date.

To the extent the Service Condition with respect to any Granted Units is satisfied prior to the achievement of the Price Condition applicable to such Granted Units, then the relevant percentage of Granted Units will be Fully Vested Units only on the date such Price Condition is achieved.

“ **Employment** ” means the Limited Partner’s employment or engagement (including any similar association determined by the General Partner in its sole discretion to constitute employment or engagement for purposes of this Grant Certificate) with (x) any member of the KKR Group or KKR Capstone, as applicable, or (y) any consultant or service provider that provides services to any member of the KKR Group; provided that in the case of clause (y), service provided as a consultant or service provider other than through KKR Capstone must be approved by the General Partner in its sole discretion in order to qualify as “Employment” hereunder.

*Price Condition for Vesting*

The “ **Price Condition** ” shall be achieved with respect to the percentage of the Granted Units when the Closing Price (as defined below) per Issuer Unit meets or exceeds the applicable “Price Target” for a period of twenty (20) consecutive trading days, in each case, as set forth in the table below:

Tranche	Incremental Percentage of Granted Units that Satisfy the Price Condition	Price Target (at closing for 20 consecutive trading days)
1		
2		
3		
4		



The Price Condition is not achieved if the Closing Price is below the Price Target during such twenty (20) consecutive trading days.

In the event of any extraordinary unit distribution, unit split, unit combination, recapitalization, rights offering, split-up, spin-off or similar event that constitutes an “equity restructuring” (as defined under Financial Accounting Standards Board (FASB) Accounting Standards Codification 718) with respect to the Issuer Units, then the General Partner shall, in the manner determined appropriate or desirable by the General Partner and without liability to any person, adjust any or all of (x) the Price Target, (y) the number of Granted Units, and (z) any other term applicable to the Granted Units.

“ **Closing Price** ” for any trading day shall mean the closing price per Issuer Unit reported on the NYSE (or, if not listed on the NYSE, the principal securities exchange on which the Issuer Units are listed). If Issuer Units are not listed on any securities exchange, the Closing Price shall be the Fair Value thereof as reasonably determined by the General Partner.

#### *Overall Vesting Principles*

Notwithstanding any provision to the contrary, (i) both the Service Condition and the Price Condition must be satisfied for any Granted Unit to constitute a Fully Vested Unit, (ii) no Granted Unit shall be a Fully Vested Unit prior to January 1, 2018, and (iii) any Granted Unit that fails to become a Fully Vested Unit by the close of business on January 1, 2021 shall be canceled and forfeited without any consideration.

#### *No Vesting Upon Retirement*

Notwithstanding anything to the contrary in the Holdings LPA, the Granted Units shall not be affected when a Limited Partner becomes a Terminated Limited Partner due to Retirement, and Section 3.6(c) of the Holdings LPA shall not apply to the Granted Units.

#### *No Vesting Upon Change of Control*

Notwithstanding anything to the contrary in the Holdings LPA, the Granted Units shall not be affected by the occurrence of any Change of Control, and Section 3.5(b)(iv) of the Holdings LPA shall not apply to the Granted Units.

#### *Continued Service Condition Vesting Upon Death or Disability*

Notwithstanding anything to the contrary in the Holdings LPA, in the event of the Limited Partner’s death or Disability, the Granted Units shall remain outstanding until January 1, 2021 and, to the extent the applicable Price Conditions are satisfied with respect thereto, shall be eligible to become Fully Vested Units on the applicable Service Vesting Dates (as though the Limited Partner’s Employment had not terminated). Notwithstanding

anything to the contrary in the Holdings LPA, the determination of a Limited Partner's Disability shall be determined by the General Partner in its sole discretion.

*Continued Service Condition Vesting for Termination without Cause*

Notwithstanding anything to the contrary in the Holdings LPA, in the event that the Employment of the Limited Partner is involuntarily terminated by the KKR Group or KKR Capstone, as applicable, for any reason other than for Cause or by reason of death or Disability (a “ **Involuntary Termination without Cause** ”), each Granted Unit for which the applicable Price Condition has been satisfied prior to the date of the Termination without Cause shall be eligible to become a Fully Vested Unit on the applicable Service Vesting Dates (as though the Limited Partner's Employment had not terminated). This vesting eligibility shall not occur pursuant to this paragraph for any (i) termination of Employment by the Limited Partner for any reason, (ii) involuntary termination of Employment by the KKR Group or KKR Capstone, as applicable, for Cause, or (iii) termination of Employment by reason of death or Disability (which is governed by the paragraph above).

*Forfeiture for Any Other Termination*

If the Limited Partner's Employment terminates for any reason other than for death, Disability or Involuntarily Termination without Cause as provided in this Grant Certificate, then all Granted Units that are not Fully Vested Units at the time of termination of Employment shall be canceled and forfeited without consideration.

*Two-Year Clawback for Termination for Cause or Breach of Confidentiality and Restrictive Covenant Agreement*

If either (i) for any reason the Limited Partner's Employment is terminated for Cause or (ii) the Limited Partner breaches the confidentiality, non-competition and non-solicitation provisions set forth in the Limited Partner's Confidentiality and Restrictive Covenant Agreement (each event in clauses (i) or (ii), a “ **Triggering Event** ”), then a number of Units (whether Granted Units or any other Units owned by such Limited Partner) equal to the number of Granted Units that became Fully Vested Units during the two (2) year period immediately prior to the date of the Triggering Event shall be canceled and forfeited without consideration (or, if exchanged or sold, the Limited Partner may be required to return or repay to the Partnership the net proceeds of such exchange or sale), unless otherwise determined in writing by the General Partner in its sole discretion. Any Granted Units that became Fully Vested Units earlier than the two (2) year period immediately prior to the Triggering Event shall not be subject to the provisions of this paragraph, and nothing in this paragraph shall be deemed to limit any other rights or remedies that may be available to the General Partner, the Partnership or their Affiliates with respect to the occurrence of a Triggering Event.

*No Additional Vesting Provisions and No Transfer Restrictions*

The additional vesting provisions set forth in Appendix B of the Holdings LPA and the transfer restrictions set forth in Appendix C and Appendix D of the Holdings LPA shall not apply to the Granted Units.

*[Remainder of Page Intentionally Left Blank]*

**In Witness Whereof** , the parties hereto have executed this Grant Certificate as of the date specified under the signature of the Limited Partner

**KKR HOLDINGS L.P.**

By: KKR HOLDINGS GP LIMITED,  
its general partner

By: /s/ William J. Janetschek  
William Janetschek  
Director

**In Witness Whereof** , the undersigned Limited Partner has caused this signature page to the Grant Certificate of **KKR HOLDINGS L.P.** to be duly executed on the date specified under the signature of the Limited Partner.

**“LIMITED PARTNER”**

**Electronic Signature**

Name: **Participant Name**

Dated: **Grant Date**

**DEVELOPMENT AGREEMENT**

**Dated as of October 28, 2015**

**between**

**ERY DEVELOPER LLC, as developer**

**and**

**KKR HY LLC**

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## DEVELOPMENT AGREEMENT

DEVELOPMENT AGREEMENT (as the same may be amended in accordance herewith, this “Agreement”) made as of [--], 2015 by and between **ERY DEVELOPER LLC**, a Delaware limited liability company with an office at c/o The Related Companies, L.P., 60 Columbus Circle, New York, New York 10023 (“Developer”) and **KKR HY LLC**, a Delaware limited liability company with an office at 9 West 57<sup>th</sup> Street, Suite 4200, New York, NY 10019 (“PE Member”).

### Introductory Statement

A. ERY Tenant LLC, a Delaware limited liability company (“ERY Tenant”), as ground lessee, entered into that certain Agreement of Lease (Eastern Rail Yard Section of the John D. Caemmerer West Side Yard), dated as of April 10, 2013, with the Metropolitan Transportation Authority, a body corporate and politic constituting a public benefit corporation of the State of New York (the “MTA”), as ground lessor, as amended by that certain First Amendment to Lease dated as of December 30, 2013, and as further amended by that certain Second Amendment to Lease dated as of March 17, 2014 (as modified, amended or restated from time to time in accordance with the terms of this Agreement and the Operating Agreement (as hereinafter defined), the “Initial Balance Lease”), pursuant to which ERY Tenant ground leased from the MTA certain airspace above and terra firma within the Eastern Rail Yard Section (the “ERY”) of the John D. Caemmerer West Side Yard in the City, County and State of New York, as more particularly described in the Initial Balance Lease (the “Initial Balance Lease Premises”);

B. ERY Tenant, as lessee, entered into that certain Agreement of Lease (Eastern Rail Yard Section of the John D. Caemmerer West Side Yard – Tower A/Retail Parcel) dated as of March 17, 2014 with the MTA, as lessor (as amended, restated, replaced, supplemented or otherwise modified from time to time in accordance with the terms of this Agreement and the Operating Agreement, the “A/B Balance Lease”), pursuant to which ERY Tenant leases from the MTA the real property described therein (the “A/B Balance Lease Premises”);

C. R/O Member, the Office Member and TW NY Properties LLC, a Delaware limited liability company (“TW Member”) entered into that certain Master Agreement of Limited Liability Company of Hudson Yards North Tower Holdings LLC (the “LLC”) dated as of January 16, 2014, as amended by the First Amendment to Master Agreement of Limited Liability Company of Hudson Yards North Tower Holdings LLC, dated as of March 17, 2014 (as so amended, the “Original Operating Agreement”) with respect

to the LLC.

D. R/O Member, the Office Member, TW Member and ERY North Tower Ob Deck Member LLC, a Delaware limited liability company (“Observation Deck Member”), entered into that certain Amended and Restated Master Agreement of Limited Liability Company of the LLC dated as of February 17, 2015 (as modified, amended or restated from time to time in accordance therewith, the “Operating Agreement”).

E. Upon satisfaction of certain conditions more particularly set forth in the A/B Balance Lease and herein, R/O Member shall cause the MTA to (A) enter into the Initial Condominium Documents (as hereinafter defined) dividing the A/B Balance Lease Premises and the improvements to be constructed thereon into multiple Units (as hereinafter defined), currently intended to be four (4) Units, as more fully set forth in the Preliminary Submitted Condominium Documents (as defined herein) and subject to the Members’ rights to exercise the Multiple Unit Election (as defined in the Operating Agreement), and (B) effectuate Severances (as hereinafter defined) so as to create (i) a Severed Parcel (as defined in the A/B Balance Lease) for the Time Warner Unit, the Office Unit and the Ob Deck Unit (each as defined in the Preliminary Submitted Condominium Documents), with such Units collectively being referred to herein as the “Tower Units”), and, with respect to such Severed Parcel, to enter into, as landlord, a Severed Parcel Lease (as defined in the A/B Balance Lease) with Hudson Yards North Tower Tenant LLC, a Delaware limited liability company (“Tower A Tenant”), which is a wholly owned, direct or indirect subsidiary of the LLC, as tenant, substantially in the form and substance of the Severed Parcel Lease attached to the A/B Balance Lease (the “Tower A Lease,” and the premises demised thereunder being referred to as the “Tower A Severed Parcel”), and (ii) a Severed Parcel for the Retail Unit (as defined in the Preliminary Submitted Condominium Documents) (such Unit, the “Destination Retail Unit”), and, with respect to such Severed Parcel, to enter into, as landlord, a Severed Parcel Lease with ERY Retail Podium LLC, a Delaware limited liability company (“Destination Retail Tenant”), which is a wholly owned, direct or indirect subsidiary of Destination Retail JV (as hereinafter defined), as tenant, substantially in the form and substance of the Severed Parcel Lease attached to the A/B Balance Lease (the “Destination Retail Lease,” and the premises demised thereunder being referred to as the “Destination Retail Severed Parcel”). Simultaneously therewith and as a condition to Severance, Tower A Tenant and Destination Retail Tenant will enter into the Co-Construction Agreement.

F. Subject to the satisfaction of the conditions set forth herein, concurrently with the effectuation of the Severance Date Transactions (as hereinafter defined), (i) Office Member and PE Member shall have executed the Assignment Agreement (as hereinafter defined), pursuant to which PE Member shall be admitted to the LLC as an Economic Member (as defined in the Operating Agreement) owning a Series (as defined in the Operating Agreement) representing beneficial ownership in the PE Unit and the Leasehold Estate (as hereinafter defined) with respect thereto, and (ii) PE Member and the Other Members shall have executed and delivered the LLC Amendment (as hereinafter defined).

G. Developer will develop and construct, in accordance with the terms of this Agreement, the Tower Building and certain portions of the Destination Retail Building as more fully set forth herein and in the Co-Construction Agreement.

NOW, THEREFORE, in consideration of the promises and obligations of Developer and PE Member set forth in this Agreement, subject to the terms of this Agreement and intending to be legally bound hereby, the parties agree as follows:

## ARTICLE 1

### CERTAIN DEFINITIONS

Section 1.01 Defined Terms. For all purposes of this Agreement, except as otherwise expressly provided in this Agreement:

“30 HY Project Documents” has the meaning set forth in Section 15.01(g).

“50 HY Block” has meaning set forth in Section 15.01(j).

“50 HY Deed Restriction” means an Agreement Re: Restrictive Covenant in the form of Exhibit I attached hereto.

“50 HY Mortgage” has the meaning set forth in Section 11.01(a)(xv).

“50 HY Mortgage Subordination” has the meaning set forth in Section 11.01(a)(xv).

“50 HY Restrictive Covenant” has the meaning set forth in Section 3.10(d).

“A/B Balance Lease” has the meaning set forth in the Recitals.

“A/B Balance Lease Premises” has the meaning set forth in the Recitals.

“Actual PE Unit SF” means 343,328 RSF.

“Additional Lease Extension” means, with respect to any Additional Lease, any amendment or other agreement (including without limitation any occupancy agreement) entered into after the initial execution of an Additional Lease in accordance with the terms of this Agreement extending an Additional Lease Tenant’s right under such Additional Lease to occupy the premises under such Additional Lease, that has been approved (or deemed approved) by Developer as and to the extent required under Section 6.03(e).

“Additional Lease Tenant” means, individually or collectively, as the context may require, an Affiliate of PE Member which is the holder of the occupant’s interest under an Additional Lease.

“Additional Leases” means one or more leases entered into by PE Member or an Affiliate for space not exceeding one hundred thousand (100,000) rentable square feet in the aggregate that meets the following criteria: (i) such lease is coterminous with the Existing Leases, (ii) the lease is on commercially reasonable market terms, (iii) the gross rents payable under any such lease does not exceed One Hundred Dollars (\$100) per rentable square foot, and (iv) the holdover provisions in such lease have been approved in writing by Developer (such approval not to be unreasonably withheld). Any such individual lease is referred to herein as an “Additional Lease”. Each “Additional Lease” shall include any amendment thereof entered into after the date of original execution thereof that constitutes an Additional Lease Extension entered into in accordance with Section 6.03(e).

“Additional Parties” has the meaning set forth in Section 19.03(a).

“Additional Rent” means, collectively, all amounts payable under any Existing Lease or Additional Lease other than “fixed rent” or its equivalent, including, without limitation, escalations or pass through payments with respect to taxes and operating expenses, porters wage escalations, charges for services and expense reimbursements.

“Additional Space” means, with respect to any Additional Lease entered into in accordance with the provisions of this Agreement, the space demised to the applicable Additional Lease Tenant under such Additional Lease as of the date of execution of such Additional Lease, as such space may be modified by any Additional Lease Extension.

“Affiliate” means, with respect to a Person, any other Person that, directly or indirectly through one or more intermediaries, Controls, or is Controlled by, or is under common Control with, such first Person. The LLC shall not be deemed an Affiliate of any of its Members (for the avoidance of doubt, the LLC shall be deemed an Affiliate of Developer), but each of Related Parent and Oxford Parent are Affiliates of Developer and R/O Member. For the purposes of Sections 17.01 and 19.10, an Affiliate of Oxford Parent and Oxford Guarantor shall include, without limitation, any Person in which OAC holds directly or indirectly at least a 50% economic interest.

“Agreement” has the meaning set forth in the Recitals.

“Ancillary Rights Agreement” means that certain Ancillary Rights Agreement, dated as of the date hereof (but effective only as of the Severance Date), by and between PE Member and Gen-Par, as the same may be amended or replaced from time to time.

“Anti-Terrorism Order” means Executive Order No. 13224, dated September 24, 2001, issued by the President of the United States (Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), as may be amended or supplemented from time to time.

“Approved Replacement Developer” has the meaning set forth in the Operating Agreement.

“Arbiter” has the meaning set forth in Section 14.01(a).

“Arbitration” means an arbitration in accordance with the provisions of Article 14.

“Area Charts and Area Diagrams” means the document titled Area Charts and Diagrams, in the form agreed by the Parties and dated as of the date hereof (which sets forth certain area charts and area diagrams relating to the Project, and the area calculation methodology applicable thereto).

“Assignment Agreement” means an agreement, in form and substance reasonably acceptable to PE Member and the Office Member, pursuant to which (i) “Series C” (as defined in the Operating Agreement) shall be subdivided into one or more Series collectively representing beneficial ownership in the Office Unit and (ii) Office Member shall assign, transfer and convey to PE Member the Series representing beneficial ownership in the PE Unit and the Leasehold Estate (as hereinafter defined) with respect

thereto and PE Member shall be admitted to the LLC as an Economic Member.

“ Assumption Agreement ” has the meaning set forth in Section 6.04(a) .

“ Assumption Notice ” has the meaning set forth in Section 6.04(a) .

“ Authorized Representative ” means, with respect to each party, each Person relating thereto identified on the List of Authorized Representatives and Notice Addresses, as such list of Authorized Representatives may be amended upon a party’s giving to the other party not less than three (3) Business Days’ notice and otherwise in accordance with this Agreement.

“ Base Building ” has the meaning set forth in the Operating Agreement.

“ Base Building Lighting ” means the lighting plan for the Tower Building exterior that is part of the Plans.

“ Base Building Work ” means all items of work, labor, material, equipment and installation necessary to construct and complete the Base Building in accordance with the Plans and Schedule.

“ Benefitted Parties ” means Tower A Tenant, any owner of the Office Unit (prior to subdivision) or subdivided unit of the Office Unit comprising floors 74 through 83 (the “Upper Office Unit”) (from and after such subdivision), any Declarant Net Lessee (as defined in the Condominium Documents) of the Office Unit (prior to such subdivision) or the Upper Office Unit (from and after such subdivision), PE Member, and their respective successors and assigns.

“ Best Efforts ” means, as applied to Developer, those commercially reasonable efforts that a well-qualified and diligent development manager would use to fulfill the obligations of Developer hereunder, using its best professional skill and judgment and consistent with best practices in the industry.

“ Broker ” has the meaning set forth in Section 19.16 .

“ Building ” has the meaning set forth in the Operating Agreement.

“ Building Completion Guaranty ” means a guaranty to be delivered on and dated as of the Severance Date by Related/Oxford Guarantor in favor of PE Member in the form of Exhibit B .

“ Business Day ” has the meaning set forth in the Operating Agreement.

“ Cap ” has the meaning set forth in Section 10.02(a) .

“ Certificate of Substantial Completion ” means a certificate of substantial completion signed by the Project Architect in the form of Exhibit C .

“ City ” means the City of New York.

“ Claims ” has the meaning set forth in Section 17.02(a) .

“ Closing ” has the meaning set forth in the Operating Agreement.

“ Closing Date ” has the meaning set forth in the Operating Agreement.

“ Co-Construction Agreement ” has the meaning set forth in the Operating Agreement.

“ Co-Construction Term Sheet ” has the meaning set forth in the Operating Agreement.

“ Common Elements ” has the meaning set forth in the Condominium Documents.

“ Completion Deposits ” means, with respect to any Construction Loan, collectively, any and all amounts required to be deposited from time to time pursuant to the Construction Loan Documents in order for such Construction Loan to be “in balance”. Each of the Completion Deposits is referred to herein as a “ Completion Deposit ” .

“ Condominium ” has the meaning set forth in the Condominium Documents.

“ Condominium Board ” has the meaning set forth in the Condominium Documents.

“ Condominium Documents ” means, (i) prior to Severance, the Preliminary Submitted Condominium Documents, and (ii)

from and after Severance, the Initial Condominium Documents as the same may be amended, restated, supplemented, replaced or otherwise modified from time to time from and after Severance (it being understood and agreed that

a modification or amendment to the Condominium Documents following Severance shall require the approval of PE Member to the extent that such modification or amendment would have required PE Member's approval if, as of the date of such modification or amendment, PE Member were a Unit Owner thereunder and the PE Unit were a Unit thereunder).

“Condominium Warranty” has the meaning set forth in Section 9.03(a).

“Construction Agreement” has the meaning set forth in the Operating Agreement.

“Construction Lender” has the meaning set forth in the Operating Agreement.

“Construction Loan” has the meaning set forth in the Operating Agreement.

“Construction Loan Documents” has the meaning set forth in the Operating Agreement.

“Construction Management Agreement” means that certain Construction Agreement dated as of June 30, 2015, between Executive Construction Manager and Tishman Construction Corporation, as the same may be amended or replaced from time to time.

“Construction Manager” means each construction manager engaged by Developer relating to the construction of the Project.

“Consultant” means any or all of PE's Consultants or Developer's Consultants, as applicable in context.

“Contractor Warranty” has the meaning set forth in Section 9.03(a).

“Core & Shell TCO” means a temporary certificate of occupancy for the core and shell of the Tower Building issued pursuant to Section 645 of the New York City Charter.

“Covered Period” means, as to each Existing Lease and any Additional Lease, the period commencing on the Occupancy Date and continuing until the earlier to occur of (1) the date on which the applicable Affiliates of PE Member or PE Guarantors have moved into the PE Unit, or would have moved into the PE Unit if PE Member had complied with its obligations under Section 6.03(c) or (2) if Developer delivers a Holdover Termination Notice in accordance with Section 6.03(b)(i), the Holdover Termination Date.

“DC Punch List” means the Proposed DC Punch List for each Delivery Block, as amended following resolution by Developer and PE Member or by the Work Dispute Arbiter in an Arbitration of any dispute with respect thereto (including in respect of the dates for completion of the DC Punch List Work).

“DC Punch List Work” means, collectively, with respect to each Delivery Block or portion thereof, minor or insubstantial details of construction, decoration, mechanical adjustment, or installation, the non-completion of which does not prevent the use and occupancy of the PE Areas for their intended purposes.

“DC Punch List Work Completion Dates” has the meaning set forth in Section 9.02(b).

“Declaration of Easements” has the meaning set forth in the Operating Agreement.

“Default Rate” means interest at the rate of ten percent (10%) per annum.

“Defective Work” has the meaning set forth in Section 9.03(a).

“Deferred ERY Completion Condition” has the meaning set forth in Section 12.03(c).

“Delivery Block” means each of the First Delivery Block and the Second Delivery Block, each of which groups of floors shall be delivered to PE Member as a single block of floors or space (subject to Developer's right to deliver full floor portions thereof in accordance with Section 9.02).

“Delivery Condition” means the conditions for delivery of each Delivery Block described on Exhibit D attached hereto.

“Delivery Date” means, with respect to each Delivery Block, the date on which such Delivery Block has been delivered to PE Member in Delivery Condition, as agreed to by Developer and PE Member (or as shall be deemed to have occurred in the event

that PE Member fails to timely deliver an Exceptions Notice) in accordance with the provisions of Section 9.02, or, in the event PE Member timely delivers an Exceptions Notice and the parties do not agree on the Delivery Date, as determined by Arbitration as provided herein.

“Destination Retail Building” has the meaning set forth in the Co-Construction Agreement Term Sheet.

“Destination Retail JV” means ERY Retail Podium Holdings LLC, a Delaware limited liability company, together with its successors and assigns.

“Destination Retail JV Member” means any member of Destination Retail JV from time to time.

“Destination Retail Lease” has the meaning set forth in the Recitals.

“Destination Retail Severed Parcel” has the meaning set forth in the Recitals.

“Destination Retail Tenant” has the meaning set forth in the Recitals.

“Destination Retail Unit” has the meaning set forth in the Recitals.

“Developer” has the meaning set forth in the Preamble.

“Developer Default” means any failure by Developer, beyond any applicable notice and cure periods (if any), in fulfilling, achieving or complying with Developer’s obligations hereunder, including any Developer Misconduct Default and any Professional Standard Default.

“Developer Finish Work” means the items of PE Finish Work described in the Gensler Plans and Specifications Comments as being performed by Developer and such other items of PE Finish Work that may be performed by Developer as set forth in the Developer Finish Work Agreement.

“Developer Finish Work Agreement” means an agreement to be entered into between Developer and PE Member at or prior to Severance regarding the design, performance and construction of the Developer Finish Work which shall provide for (i) performance by Developer of the Developer Finish Work in accordance with the terms thereof in exchange for payment by PE Member to Developer of the actual costs of the Developer Finish Work plus a development fee equal to 3% of such costs and a payment in respect of Developer’s overhead equal to 3% of such costs, and (ii) such other terms and provisions regarding the design, performance and construction of the Developer Finish Work as reasonably agreed to by Developer and PE Member.

“Developer Indemnitees” means Developer, Related Parent, Oxford Guarantor, Construction Lender, and all Affiliates of Developer, Related Parent or Oxford Guarantor, Developer’s Consultants and the Project Architect, and the respective directors, officers, shareholders, principals, partners, members, managers, agents and employees of the foregoing, and their respective successors and assigns; and the term “Developer Indemnitee” means any one of the Developer Indemnitees, as the context requires.

“Developer Misconduct Default” means any failure by Developer in fulfilling, achieving or complying with Developer’s obligations hereunder arising from Developer’s gross negligence, willful misconduct, bad faith, intentional breach of this Agreement, or fraud.

“Developer Violations” means all Violations filed, noticed or notified to the PE Unit (or in respect of any PE Area) that would reasonably be expected to prevent or delay PE Member or its Affiliates from using or occupying the PE Areas or any Common Elements, or any portion thereof, for the normal conduct of PE Member’s (and its Affiliates’) business in the ordinary course, other than any Violations resulting from PE Finish Work or otherwise arising from any act or wrongful omission (i.e., where there is an obligation to affirmatively act) of PE Member, PE Member’s Architect or any of PE Member’s Consultants.

“Developer Work” means the completion by Developer of the following, in each case in accordance with the Plans to the extent applicable: (a) the core and shell of the Tower Building and any other Base Building Work; (b) such other portions of the Building as shall be necessary (i) to complete the PE Exclusive Areas or the PE Shared Building Systems and Areas or (ii) to cause any such areas or systems to be operational and reasonably accessible to PE Member and its Affiliates and their respective employees; (c) the Required Destination Retail Building Work (other than portions of such work to be exclusively used or occupied by Other Members); (d) the PE Areas; (e) the core bathrooms within the PE Unit; (f) all sidewalks, including paving, directly adjacent to the Tower Building; (g) all Landscaping; (h) all Base Building Lighting; (i) all entrances and points of ingress to and egress from the Tower Building; and (j) the Subway Entrance. For the avoidance of doubt, the Developer Work (i) shall not include any PE Finish Work, and (ii) shall include the foundation and entire exterior envelope of the Tower Building (including the curtain wall, windows and roofs (whether setback or otherwise)) and the entire superstructure of the Tower Building (including the columns,

girders, beams, supports, all support and metal deck floor slabs).

“ Developer’s Consultant(s) ” means any or all of the architects, engineers, consultants, or advisors (other than the Construction Manager, the Executive Construction Manager, and the Project Architect) engaged by or on behalf of the LLC, Tower A Tenant, or Developer, as agent for Tower A Tenant, or by the Executive Construction Manager, with respect to the design and construction of the Developer Work.

“ Development Management Agreement ” has the meaning set forth in the Operating Agreement.

“ Dispute ” has the meaning set forth in Section 14.01(b).

“ Dispute Notice ” has the meaning set forth in Section 14.01(b).

“ Disputing Party ” has the meaning set forth in Section 14.01(b).

“ DLLCA ” means the Delaware Limited Liability Company Act.

“ DMA Development Fee ” has the meaning set forth in Section 2.04(a).

“ DOB ” means the New York City Department of Buildings or any successor agency responsible for conducting inspections and issuing building permits, certificates of occupancy or elevator or other like permits or certificates.

“ Draw Request ” means, as the context requires, (a) a requisition to any Member for a capital contribution to the LLC, made by a Member or Developer (on behalf of a Member), to fund Project Costs pursuant to and in accordance with the terms of the Operating Agreement and this Agreement, or (b) a requisition for an advance of proceeds under the Construction Loan to fund Project Costs, submitted by Tower A Tenant or Developer (on behalf of Tower A Tenant), in each case which complies with the applicable provisions of this Agreement, the Operating Agreement, and the Construction Loan Documents, to the extent applicable.

“ DRB CM ” has the meaning set forth in Section 2.02(e).

“ DRB Construction Lenders ” means all lenders advancing any DRB Construction Loan from time to time.

“ DRB Construction Loan ” means, collectively, any mortgage loans and any mezzanine loans to finance a portion of the costs of construction of the Destination Retail Building (including, without limitation, the Common Elements and exclusive easement areas located therein), secured (i) in the case of a mortgage loan, by one or more leasehold mortgages of Destination Retail Tenant’s Leasehold Estate in the Destination Retail Unit or (ii) in the case of a mezzanine loan, secured by pledges of equity in Destination Retail Tenant or one or more mezzanine borrowers.

“ DRB Development Agreement ” means, with respect to the Destination Retail Building, that certain Development Agreement, dated as of October 1, 2014, between Destination Retail Tenant and Developer, as the same may be amended or replaced from time to time.

“ DRB ECM ” has the meaning set forth in the definition of DRB ECM Agreement.

“ DRB ECM Agreement ” means, with respect to the Destination Retail Building, that certain Executive Construction Management Agreement, dated as of October 1, 2014, between Developer, as agent for Destination Retail Tenant, and Executive Construction Manager (the “ DRB ECM ”), as the same may be amended or replaced from time to time.

“ Email Notice ” has the meaning set forth in Section 18.02(b).

“ Encumbrance ” has the meaning set forth in the Operating Agreement.

“ Environmental Laws ” means, collectively, the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. Section 9601 et seq.), and any federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning, any hazardous, toxic, radioactive, biohazardous or dangerous waste, substance or materials, including any regulations adopted and publications promulgated with respect thereto.

“ ERY ” has the meaning set forth in the Recitals.

“ ERY Completion Condition ” has the meaning set forth in Section 12.03(c).

“ ERY Holdback Amount ” has the meaning set forth in Section 12.03(c).



“ERY Site Logistics Plan” means the site logistics plan for the ERY, in the form agreed by the Parties and dated as of the date hereof.

“ERY Site Plan” means the site plan for the ERY, in the form agreed by the Parties and dated as of the date hereof.

“ERY Tenant” has the meaning set forth in the Recitals.

“Estimated Delivery Date” means (i) with respect to the First Delivery Block, January 31, 2019, and (ii) with respect to the Second Delivery Block, March 31, 2019.

“Exceptions Notice” has the meaning set forth in Section 9.02(c).

“Excluded Lease Costs” has the meaning set forth in the definition of Holdover Costs.

“Executive Construction Management Agreement” means that certain Executive Construction Management Agreement, dated as of February 17, 2015, between Developer, as agent for Tower A Tenant, and Executive Construction Manager, as the same may be amended, or replaced from time to time.

“Executive Construction Manager” means Hudson Yards Construction LLC, a Delaware limited liability company.

“Exhibits” means, collectively, the exhibits attached to this Agreement (or subsequently incorporated herein through amendments hereto), as the same may be amended from time to time in accordance with this Agreement.

“Existing Lease Disclosure Certificate” has the meaning set forth in Section 6.03(d).

“Existing Lease Estoppel” has the meaning set forth in Section 6.03(d).

“Existing Lease Expiration Date” means December 31, 2020.

“Existing Lease Extension” means, with respect to any Existing Lease, any amendment or other agreement (including without limitation any occupancy agreement) entered into after the date hereof extending the Existing Lease Tenant’s right under such Existing Lease to occupy the premises under such Existing Lease, that has been approved (or deemed approved) by Developer as and to the extent required under Section 6.03(e).

“Existing Lease Tenant” means, individually or collectively, as the context may require, an Affiliate of PE Member which is the holder of the occupant’s interest under an Existing Lease. Each Existing Lease Tenant in existence as of the date hereof is set forth on the Existing Lease Disclosure Certificate.

“Existing Leases” means, collectively, the leases for the Existing Space described on the Existing Lease Disclosure Certificate and “Existing Lease” means any of the Existing Leases, as the context requires. Each “Existing Lease” shall include any amendment thereof entered into after the date hereof that constitutes an Existing Lease Extension entered into in accordance with Section 6.03(e).

“Existing Space” means the space occupied by the Existing Lease Tenants at 9 West 57<sup>th</sup> Street, New York, New York 10019 pursuant to the Existing Leases, consisting of approximately 195,974 square feet in the aggregate as of the date hereof, as such space may be modified by any Existing Lease Extension.

“Field Changes” means changes necessitated by job conditions in the field which are customarily resolved by architects and construction managers and which have no material design ramifications and do not constitute discretionary scope changes.

“Field Office” means that certain office of Developer for the Project located at 511 West 33<sup>rd</sup> Street in New York, New York, or any replacement office for the Project maintained by Developer from time to time.

“Fifth Floor Entrance” means the fifth floor entrance to the Destination Retail Building from the Tower Building as shown on the Plans.

“Final Completion” means the stage in the development of the Project when all of the following have occurred:

- (a) the completion of all Developer Work (other than the Subway Entrance) and the achievement of Substantial Completion;
- (b) the completion of all DC Punch List work and all Punch List Work in accordance with (i) the Plans, (ii) this

Agreement, and (iii) all applicable Laws;

(c) the completion of all Base Building Lighting in accordance with (i) the Plans, (ii) this Agreement, and (iii) all applicable Laws;

(d) the Executive Construction Manager, the Construction Manager, the Project Architect and Developer's Consultants, and any executive construction manager, construction manager, project architect and any Developer's consultants with respect to the Destination Retail Building, and all direct "hard cost" contractors and subcontractors retained or contracted in connection with the Developer Work and/or work in and to the PE Unit (other than PE Finish Work) have all delivered waivers of liens and claims for all work performed and paid for to the date of Final Completion (or, if not, Developer shall provide evidence of the bonding of any such lien(s) or the provision of other security (reasonably satisfactory to PE Member) sufficient to discharge any such liens);

(e) Developer has delivered to PE Member all operations and maintenance manuals in Developer's possession with respect to all PE Exclusive Areas (if any), to the extent not previously delivered; and

(f) Developer has assigned or caused to be assigned to the Condominium Board all Condominium Warranties (to the extent not previously assigned to the Condominium Board or to the extent relating to portions of the Project not constituting Developer Work which are not yet complete, which Condominium Warranties shall be assigned to the Condominium Board when the applicable work is complete).

"Finish Work" means the installations, furnishing, fixtures, finishes, equipment, fitting-out and other improvements, if any, to be developed and constructed from time to time by or on behalf of a Member or its Affiliate and its contractors (as opposed to Developer on behalf of Tower A Tenant or Destination Retail Tenant) within any Unit owned or to be owned (directly or beneficially through Tower A Tenant or Destination Retail Tenant) in order to ready the same for initial use and occupancy by such Member or its Affiliate or any tenant of such Unit.

"Fireman's Elevator" means that certain elevator designated as "SA1" on the Plans, which shall serve the Tower Units in accordance with the Condominium Documents.

"First Delivery Block" means the group of floors consisting of floors 74 through 79 of the Tower Building as shown on the Plans.

"Floor" has the meaning set forth in Section 10.02(a).

"Floor Area" has the meaning ascribed thereto in Section 12-10 of the Zoning Resolution and shall be measured in accordance with the standards set forth in the Zoning Resolution (notwithstanding that the Building may be exempt from application of the Zoning Resolution under Public Authorities Law Section 1266(8)).

"Force Majeure" means any failure of or delay in the availability of any public utility; any City-wide strikes or labor disputes; any unusual delays or shortages encountered in transportation, fuel, material or labor supplies; casualties; earthquake, hurricane, flood, tidal wave or other severe weather events and other acts of God; acts of a public enemy or of war or terrorism; governmental embargo restrictions; injunctions; other acts or occurrences beyond the reasonable control of a party; provided, however, that (i) any of the foregoing events or occurrences shall not be a Force Majeure event if caused by the party claiming Force Majeure or its Affiliate (and, if Developer is the party claiming Force Majeure, if caused by R/O Member, Destination Retail JV, Destination Retail Tenant, Related Parent, Oxford Parent or any Affiliate of any of the foregoing), (ii) in each case, Developer (if it is the party claiming Force Majeure) shall have given PE Member notice of any such claim on or prior to the date which is the earlier to occur of (y) five (5) Business Days after the cessation of such Force Majeure event and (z) ten (10) Business Days after the LLC, Tower A Tenant, Developer or any Affiliate of any of such Persons (other than PE Member or its Affiliates) has knowledge of the existence of the Force Majeure event, and (iii) in each case, Developer (if it is the party claiming Force Majeure) shall use Best Efforts to minimize the delay occasioned thereby. In no event shall a Force Majeure event result from (or be deemed to have occurred as a result of) (x) any failure or inability to fund, or any delay in funding, any construction or other work or (y) any breach or default by any party (other than PE Member or its Affiliates) to the 30 HY Project Documents (it being acknowledged and agreed that Developer shall not be deemed in default of its obligations under this Agreement solely as a result of any such breach or default under the 30 HY Project Documents by any party that is not Developer or an Affiliate of Developer).

"Force Majeure Change" has the meaning set forth in Section 3.05(b).

"Gen-Par" means Hudson Yards Gen-Par LLC, a Delaware limited liability company, together with its successors.

"General Common Elements" has the meaning set forth in the Condominium Documents.

“ Gensler Plans and Specifications Comments ” means the document prepared by Gensler titled “Project K Comments to Plans and Specifications,” dated October 23, 2015, in the form agreed by the Parties.

“ Government Entity ” means the United States of America; the State of New York; the City; any other political subdivision of any of the foregoing; and any agency, authority, department, court, commission or other legal entity of any of the foregoing.

“ Hazardous Material(s) ” means materials, substances, fluids, chemicals, gases, or other compounds the presence, use, storage, emission, drainage, leakage, effusion, modification or disposition of which is prohibited by applicable Law or is subject by applicable Law to specific procedures, controls or restrictions, or which are otherwise deemed toxic, poisonous or unsafe, and shall include asbestos, lead paint and polychlorinated biphenyls.

“ Holdover ” means, with respect to any Existing Lease or Additional Lease, any holdover by the Existing Lease Tenant or Additional Lease Tenant under such Existing Lease or Additional Lease, as applicable, beyond the Existing Lease Expiration Date.

“ Holdover Cost Satisfaction Date ” has the meaning set forth in Section 6.03(b).

“ Holdover Cost Trigger Date ” has the meaning set forth in Section 6.03(b).

“ Holdover Cost Trigger Event ” has the meaning set forth in Section 6.03(b).

“ Holdover Costs ” means (1) with respect to each Existing Lease and any Additional Lease entered into in accordance with the provisions of this Agreement, the Total Rent (including, without limitation, any holdover or other penalty or premium, increase to fair market rental value or “use and occupancy”, but expressly excluding any Excluded Lease Costs) actually paid or actually required to be paid in respect of the Covered Period by the applicable Existing Lease Tenant or Additional Lease Tenant under such Existing Lease or Additional Lease; and (2) in the event any Existing Lease Tenant or Additional Lease Tenant (or any Affiliate of PE Member) vacates any Existing Space or Additional Space with respect to one or more Existing Leases or Additional Leases and moves into PE Temporary Space, (a) the Total Rent actually paid or actually required to be paid by the applicable Existing Lease Tenant or Additional Lease Tenant (or any Affiliate of PE Member) (“ Temporary Space Tenant ”) under the occupancy agreement for such PE Temporary Space (“ Temporary Space Agreement ”) for the Covered Period (to the extent that (x) such Total Rent is at fair market rental rates and terms, taking into account all relevant factors, including the short-term nature of such occupancy agreement and available space in the market and (y) the holdover provisions in such Temporary Space Agreement are reasonably approved by Developer), plus (b) reasonable out-of-pocket moving expenses to relocate to the Temporary Space, plus (c) commercially reasonable third party transaction costs incurred in good faith by the Temporary Space Tenant (or any of its Affiliates) in connection with entering into such Temporary Space Agreement for such PE Temporary Space (including, without limitation, brokerage commissions, attorneys’ fees, alterations costs and amounts paid to telecommunications providers for relocation and temporary service), but expressly excluding any Excluded Lease Costs. “ Holdover Costs ” also includes (x) damages and indemnity payments (including indemnity payments to the landlord from claims, losses, damages, liabilities, costs and expenses such as attorney’s fees and disbursements and claims made by any succeeding tenant) actually paid or actually required to be paid by the applicable Existing Lease Tenant, Additional Lease Tenant or Temporary Space Tenant in respect of the Covered Period on account of such Holdover, but only to the extent the same are (1) provided for in the Existing Lease as in effect as of the date hereof (as the same may be modified by any Existing Lease Extension) or the Additional Lease entered into in accordance with the provisions of this Agreement (as the same may be modified by any Additional Lease Extension) or the Temporary Space Agreement, as applicable, and are applicable to such Holdover pursuant to such Existing Lease (as the same may be modified by any Existing Lease Extension), Additional Lease (as the same may be modified by any Additional Lease Extension) or Temporary Space Agreement, as applicable, or (2) awarded to the landlord by a court of competent jurisdiction, after exhaustion of all appeals, by reason of a Holdover under such Existing Lease (as modified by any Existing Lease Extension), Additional Lease (as the same may be modified by any Additional Lease Extension) or Temporary Space Agreement, as applicable, (y) any costs, without duplication, specified as “holdover costs” or the like in the Existing Lease (or Existing Lease Extension), any Additional Lease (or Additional Lease Extension) or Temporary Space Agreement, as applicable, and in each case claimed by the landlord, and (z) any legal fees or enforcement costs expressly required to be paid to the landlord under such Existing Lease (or Existing Lease Extension), any Additional Lease (or Additional Lease Extension), as applicable, and in each case to the extent resulting from such Holdover.

Notwithstanding the foregoing, “ Holdover Costs ” shall not include (and in no event shall Developer be liable for) any of the following items (or any holdover penalty or premium that is based on any of the following) (collectively, the “ Excluded Lease Costs ”): (i) any damages or additional rents or charges to the extent arising from a default or breach by the applicable Existing Lease Tenant, or those claiming by, through or under such Existing Lease Tenant, of the Existing Lease (or such Additional Lease Tenant of such Additional Lease or such Temporary Space Tenant of such Temporary Space Agreement) (other than the Holdover, subject to clause (ii) below), including, without limitation, any failure to make repairs, maintenance or improvements, any failure to clean or restore the applicable Existing Space, Additional Space, Temporary Space or any portion thereof, to the condition required under such Existing Lease, Additional Lease or Temporary Space and any failure to turn over plans, security codes, software or similar

items, (ii) any damages or additional rents or charges that arise out of any holding over by any subtenant, licensee, or other occupant (in each such instance, other than an Affiliate of PE Member) claiming by, through or under the Existing Lease Tenant, Additional Lease Tenant, or Temporary Space Tenant, (iii) any additional rents or liability attributable to repairs, maintenance, or restoration with respect to the Existing Space or any Additional Space or any PE Temporary Space, including capital expenditures (other than operating expense pass-throughs charged by the landlord), (iv) any reimbursements of the landlord's legal, architectural or other professional fees, including fees for approval of assignments, subleases or alterations or other consents, other than fees resulting from a Holdover, (v) additional rents in respect of the Existing Lease Tenant's or any Additional Lease Tenant's indemnification obligations under the Existing Lease or any Additional Lease (other than additional rent or indemnification obligations with respect to a Holdover), (vi) additional rents for any services requested of the landlord under such Existing Lease or Additional Lease or Temporary Space Agreement which are in excess of the ordinary and customary services obtained by the Existing Lease Tenant or Additional Lease Tenant or Temporary Space Tenant consistent with its past practices, (vii) rents that accrue in respect of a period other than the Covered Period, and (viii) any of the foregoing amounts to the extent directly and solely arising from PE Delay. For avoidance of doubt, Holdover Costs shall not include (and in no event shall Developer be liable for) any of PE Member's, any Existing Lease Tenant's or Additional Lease Tenant's or any of their respective Affiliates' (as opposed to the applicable landlord's) consequential damages, special damages, punitive damages, lost opportunity costs, or other similar damages or costs.

“Holdover Delay Period” has the meaning set forth in Section 6.03(b).

“Holdover Termination Date” has the meaning set forth in Section 6.03(b)(i).

“Holdover Termination Notice” has the meaning set forth in Section 6.03(b)(i).

“IDA” has the meaning set forth in the Operating Agreement.

“IDA Documents” has the meaning set forth in the Operating Agreement.

“Initial Balance Lease” has the meaning set forth in the Recitals.

“Initial Balance Lease Premises” has the meaning set forth in the Recitals.

“Initial Condominium Documents” means the declaration and by-laws for the Building to be entered into by the MTA and recorded against the Property at Severance (including all schedules and exhibits thereto), which shall be approved by PE Member to the extent required under Section 11.01(a)(v).

“Insurance Coverage Specifications” means the document titled Insurance Coverage, in the form agreed by the Parties and dated as of the date hereof.

“Interest Rate” means, with respect to any amount advanced or contributed, interest at the rate of five percent (5%) per annum.

“KPF” means Kohn Pederson Fox Associates PC.

“Land” has the meaning set forth in the Operating Agreement.

“Landlord Claim” has the meaning set forth in Section 6.03(g).

“Landscaping” means the permanent landscaping and hardscaping described on the Plans.

“Law” or “Laws” means any law, rule, regulation, order, statute, ordinance, resolution, regulation, code, decree, judgment, injunction, mandate or other legally binding requirement of any Government Entity.

“Leasehold Estate” has the meaning set forth in the Operating Agreement.

“Leave-Out Hoists Plan” means the document titled Leave-Out Hoists Plan, in the form agreed by the Parties and dated as of the date hereof.

“LEED” means Leadership in Energy and Environmental Design.

“Legal Proceeding” means an action, litigation, arbitration, administrative proceeding or other legal or equitable proceeding of any kind.

“Lender Election Date” has the meaning set forth in Section 6.04(a).

“Lender Transfer Date” has the meaning set forth in Section 6.04(a).

“Letter of Credit” means a standby letter of credit that (a) is issued by a bank reasonably acceptable to Developer, (b) has an expiry date not earlier than December 15, 2015, (c) may be drawn upon by presentation by Developer of a sight draft in a location reasonably satisfactory to Developer, and (d) is otherwise in form and substance reasonably satisfactory to Developer.

“Limited Common Elements” has the meaning set forth in the Condominium Documents.

“List of Authorized Representatives and Notice Addresses” means the document titled List of Authorized Representatives and Notice Addresses, in the form agreed by the Parties and dated as of the date hereof.

“List of Qualified Developers” means the document titled List of Qualified Developers, in the form agreed by the Parties and dated as of the date hereof.

“LLC” has the meaning set forth in the Recitals.

“LLC Amendment” means an amendment to the Operating Agreement (or an amended and restated limited liability company agreement for the LLC), in form and substance reasonably satisfactory to PE Member and the Other Members, pursuant to which the Operating Agreement is amended (or amended and restated) to incorporate the matters described in the LLC Amendment Term Sheet.

“LLC Amendment Term Sheet” means the term sheet for the matters to be set forth in the LLC Amendment that is attached hereto as Exhibit A.

“Losses” means any actual loss, actual cost, actual damage, actual charge, actual liability or actual expense (including interest thereon at the Default Rate from the date incurred to the date of recovery).

“Management Change Event” has the meaning set forth in Section 10.02(d).

“Managing Member” has the meaning set forth in the Operating Agreement.

“Maximum PE Change Cost” has the meaning set forth in Section 3.07(b).

“Maximum PE Change Delay” has the meaning set forth in Section 3.07(b).

“Member” has the meaning set forth in the Operating Agreement.

“Member Designee” has the meaning set forth in Section 12.01(a)(ii).

“MTA” has the meaning set forth in the Recitals.

“MTA Parties” has the meaning set forth in the Operating Agreement.

“MTA Project Documents” has the meaning set forth in the Operating Agreement.

“Multiple Unit Election” has the meaning set forth in the Operating Agreement.

“Net Increased Cost” has the meaning set forth in Section 3.07(b).

“Non-Compete Agreement” means that certain Non-Compete Agreement, dated as of the date hereof (but effective only as of the Severance Date), by and between Related Guarantor and PE Guarantors, as the same may be amended or replaced from time to time.

“Northeast Building Entrance” means the entrance to the Building at 33<sup>rd</sup> Street and 10<sup>th</sup> Avenue as shown on the Plans.

“Northwest Building Entrance” means the entrance to the Building at 33<sup>rd</sup> Street and Hudson Boulevard as shown on the Plans.

“Notes and Acknowledgements” means, with respect to any set of the Plans, all notes and acknowledgements with respect thereto that are agreed to in writing by the parties.

“Notice” has the meaning set forth in Section 18.01.

- “OAC” has the meaning set forth in the Operating Agreement.
- “Observation Deck Member” has the meaning set forth in the Recitals.
- “Ob Deck Member LLC Agreement” has the meaning set forth in Section 12.03(c).
- “Ob Deck Pref Interest” has the meaning set forth in Section 12.03(c).
- “Ob Deck Pref Pledge” has the meaning set forth in Section 12.03(c).
- “Ob Deck Unit” has the meaning set forth in the Condominium Documents.
- “Occupancy Date” means December 31, 2020, subject to extension on a day-for-day basis for each day that the Outside Delivery Date or the Outside Substantial Completion Date was delayed as a result of PE Delay.
- “occupiable” means, with respect to any PE Areas or similar terms, that such area is intended for human occupancy, including office and studio space, lobbies, and rest rooms, but excluding risers, shafts, elevators or elevator shafts, fire stairs, mechanical or equipment rooms and other core areas.
- “Office Member” has the meaning set forth in the Recitals.
- “Office Unit” has the meaning set forth in the Condominium Documents.
- “Office Unit Messenger Center” means the “Tower Messenger Center” as defined in the Condominium Documents.
- “Operating Agreement” has the meaning set forth in the Recitals.
- “Original Operating Agreement” has the meaning set forth in the Recitals.
- “Other Disputing Party” has the meaning set forth in Section 14.01(b).
- “Other Members” means the Members of the LLC other than PE Member or PE Member’s successors and assigns.
- “Other Tower Units” means all Tower Units other than the PE Unit.
- “Other Units” means all Units of the Condominium other than the PE Unit.
- “Outside Delivery Date” means December 31, 2019, as such date is extended on a day-for-day basis for each day that delivery of any Delivery Block is delayed as a result of PE Delay.
- “Outside Severance Date” has the meaning set forth in Section 11.03(a).
- “Outside Substantial Completion Date” means August 31, 2020, as such date is extended on a day-for-day basis for each day that Substantial Completion is delayed as a result of PE Delay.
- “Oxford Guarantor” has the meaning set forth in the Operating Agreement.
- “Oxford Parent” has the meaning set forth in the Operating Agreement.
- “PE Approval Areas” has the meaning set forth in Section 3.04(a).
- “PE Areas” means, collectively, (a) the Tower A Access Areas, (b) the PE Core Areas, (c) the PE Elevators, (d) the PE Exclusive Areas, and (e) the PE Shared Building Systems and Areas.
- “PE Change Delay” has the meaning set forth in Section 3.07(b).
- “PE Change Delay Cost” has the meaning set forth in Section 3.07(b).
- “PE Change Development Fee” has the meaning set forth in Section 3.07(b).
- “PE Change Order” has the meaning set forth in Section 3.06(a).
- “PE Core Areas” means, as shown on the Plans, collectively, (a) those portions of the Tower Building in which are located

the PE Elevators, (b) such other risers, air shafts, elevators, elevator shafts and elevator lobbies, electrical and other utility closets, equipment rooms, fire doors and fire stairways serving the PE Areas, and (c) the “core” bathrooms located in portions of the Tower Building that are to be used and/or occupied exclusively by PE Member and/or its Affiliates.

“PE Dedicated First Floor Lobby” means the dedicated lobby for the PE Unit located on the first floor of the Tower Building as shown on the Plans and the PE Exclusive Areas Plan.

“PE Delay” means any PE Change Delay, any PE Work Delay and/or any other delay expressly described in this Agreement as constituting PE Delay; provided, however, for all purposes of this Agreement, concurrent PE Delays shall be counted only once, as a single period of delay.

“PE Deposit LOC” has the meaning set forth in Section 11.03(a).

“PE Developer Guaranty” means the Member Guaranty (as defined in the Operating Agreement), dated as of the date hereof (but effective only as of the Severance Date), by PE Guarantors in favor of Developer and R/O Member.

“PE Elevators” means the PE Podium Elevators and the PE High-Rise Elevators, which shall be Limited Common Elements under the Condominium Documents.

“PE Exclusive Areas” means those portions in the Tower Building depicted on the PE Exclusive Areas Plan.

“PE Exclusive Areas Plan” means the document titled PE Exclusive Areas, in the form agreed by the Parties and dated as of the date hereof.

“PE Finish Work” means the Finish Work to be constructed or installed by or on behalf of PE Member or its Affiliates and their contractors (and not by Developer) within the PE Areas. For the avoidance of doubt, “PE Finish Work” does not include the Developer Work.

“PE Floor Area” has the meaning set forth in Section 16.01.

“PE Guarantors” means, collectively, KKR Fund Holdings L.P., a Cayman Islands limited partnership, KKR Management Holdings L.P., a Delaware limited partnership and KKR International Holdings L.P., a Cayman Islands limited partnership, or, if applicable, a Guarantor Successor (as defined in the PE Developer Guaranty).

“PE High-Rise Elevators” means the passenger elevators from the PE Sky Lobby to the PE Unit designated as elevators “G1” through “G9” on the Plans.

“PE Indemnitees” means PE Member, PE Guarantors, and all Affiliates of PE Member and PE Guarantors, and PE’s Architect, PE’s Consultants, and each of their respective directors, officers, shareholders, principals, partners, members, managers, agents and employees, and each of their respective successors and assigns; and the term “PE Indemnitee” means any one of the PE Indemnitees, as the context requires.

“PE Lobbies” means the PE Sky Lobby and the PE Dedicated First Floor Lobby.

“PE Member” has the meaning set forth in the Preamble.

“PE Member Additional Development Costs” has the meaning set forth in Section 10.01(b).

“PE Member Additional Payment” means an amount equal to \$2,400,000.00.

“PE Member Condominium Term Sheet” means the term sheet for matters to be included in the Condominium Documents prior to the PE Unit Closing, in the form agreed by the Parties and dated as of the date hereof.

“PE Member Debt Funding Amount” means an amount equal to \$292,566,955.20.

“PE Member Equity Funding Amount” means an amount equal to \$ 157,536,052.80.

“PE Member Fixed Land Cost” means an amount equal to \$67,292,288.00.

“PE Member Fixed MTA Deed Payment” means an amount equal to \$25,406,272.00.

“PE Member Preliminary Equity Payments Schedule” means the preliminary schedule for payment of the PE Member

Equity Funding Amount that is attached to the term sheet titled KKR Purchase at 30 Hudson Yards and dated as of June 3, 2015.

“PE Member Remaining Equity Amount” means the amount by which (i) the PE Member Equity Funding Amount, exceeds (ii) the PE Member Severance Date Payment.

“PE Member Remaining Equity Payments” means payments of the PE Member Remaining Equity Amount to be made by PE Member following the Severance Date, which shall be made in such amounts (not to exceed in the aggregate the PE Member Remaining Equity Amount) and at such times as set forth in the PE Member Remaining Equity Payments Schedule.

“PE Member Remaining Equity Payments Schedule” has the meaning set forth in Section 11.01(a)(x).

“PE Member Severance Date Payment” means the sum of (i) the PE Member Fixed Land Cost plus (ii) the PE Share of all Project Costs incurred on or prior to the Severance Date; provided, however, the PE Member Severance Date Payment shall not exceed the PE Member Equity Funding Amount.

“PE Member Total Development Cost” means an amount equal to \$450,103,008.00.

“PE Member True-Up Payment” means the amount (if any) by which (x) the PE Member Total Development Cost exceeds (y) the sum of (in each case to the extent actually funded by the PE Member) (i) the PE Member Severance Date Payment, plus (ii) the PE Member Remaining Equity Payments, plus (iii) amounts (if any) to be funded by PE Member pursuant to Section 4.02(b)(iii) in respect of the PE Share in the event that the Construction Lender does not fund requisitioned Construction Loan proceeds in respect of the PE Share, plus (iv) the PE Unit Allocated Construction Loan Amount.

“PE Podium Elevators” means the passenger elevators from the first floor of the Tower Building to the PE Sky Lobby designated as elevators “D1”, “D2”, “D3” and “SA4” on the Plans.

“PE Punch List Delay” has the meaning set forth in Section 13.01(a).

“PE Share” means the share of Project Costs allocated (on a reasonable, equitable and non-discriminatory basis) to the PE Unit; provided, however, the PE Share shall not include any PE Member Additional Development Costs.

“PE Shared Building Systems and Areas” means, collectively, (a) the heating, ventilating, air conditioning, electrical, communications, plumbing, mechanical and fire protection systems within the Building or below the Platform, the Tower A Loading Docks/Bays and the Fireman’s Elevator, including, with respect to each of the foregoing, the fixtures, equipment and areas with respect thereto, in each case which are to be shared by the PE Unit and Other Units as shown on the Plans and set forth in the Condominium Documents, (b) the Office Unit Messenger Center, and (c) any other areas and facilities in the Tower Building or Retail Building to be shared by the PE Unit and Other Units, including, without limitation, the risers, air shafts, elevator shafts, freight elevators, lobbies, lobby escalators, electrical and other utility closets, equipment rooms, bathrooms, fire doors and fire stairways which contain (or in which are located) any such shared systems, fixtures, equipment or utilities as shown on the Plans and set forth in the Condominium Documents.

“PE Sky Lobby” means the dedicated portion of the lobby on the 35<sup>th</sup> floor of the Tower Building as shown on the Plans and the PE Exclusive Areas Plan.

“PE Temporary Space” means each short-term temporary space to which an Existing Lease Tenant or Additional Lease Tenant relocates which is a reasonable replacement under the circumstances for such Existing Lease Tenant’s Existing Space or such Additional Lease Tenant’s Additional Space, in each case for the reasonably expected period between the expiration of the Existing Lease or Additional Lease, as applicable, and relocation to the Tower Building, taking into account the availability of short-term temporary space.

“PE Unit” means the PE Exclusive Areas (which will include a condominium unit in the Condominium containing floors 74 through 79, a portion of floor 80 and floors 81 through 83 of the Tower Building as shown on the Plans and the PE Exclusive Areas Plan and the PE Podium Elevators) together with an undivided interest in the portions of the Building designated in the Condominium Documents as the “General Common Elements” and the rights to Limited Common Elements and exclusive easements (and other rights and interests) appurtenant thereto to be described in the Condominium Documents (as the same will be modified prior to the PE Unit Closing in accordance with Section 12.01(a)(iii)). The PE Unit shall initially (as of Severance) be a portion of the Office Unit described in the Initial Condominium Documents, and, prior to the PE Unit Closing, will be subdivided into a separate condominium unit pursuant to an amendment to the Condominium Documents to be entered into prior to the PE Unit Closing in accordance with Section 12.01(a)(iii).

“PE Unit Allocated Construction Loan Amount” means the total loan proceeds actually funded by Construction Lender in



respect of the PE Share; provided, that the PE Unit Allocated Construction Loan Amount shall not exceed the PE Member Debt Funding Amount (less amounts (if any) funded by PE Member under Section 4.02(b)(iii)).

“PE Unit Closing” has the meaning set forth in Section 12.01(a).

“PE Unit Closing Date” has the meaning set forth in Section 12.01(b).

“PE Unit Lender Agreement” means a non-disturbance agreement to be entered into between PE Member and Construction Lender at Severance in form reasonably acceptable to Construction Lender and PE Member.

“PE Work Delay” has the meaning set forth in Section 8.04(b).

“PE’s Architect” means Gensler, or any successor architectural firm designated by PE Member.

“PE’s Consultant(s)” means any or all of the architects (other than PE’s Architect), engineers, consultants or advisors, and/or any of their respective subconsultants, engaged by PE Member with respect to the Project, as applicable in context. For the avoidance of doubt, certain of the foregoing persons have also been engaged by Developer (and/or its Affiliates) and/or other Members and such Persons shall only be deemed to be “PE’s Consultants” when acting for PE Member (or its Affiliates).

“Permitted Encumbrances” has the meaning set forth in the Operating Agreement.

“Person” has the meaning set forth in the Operating Agreement.

“PILOT” has the meaning set forth in the Operating Agreement.

“Plan Revision Cost” has the meaning set forth in Section 3.07(b).

“Plans” means, collectively, (i) the final construction drawings and final technical specifications for the Project (including the PE Unit and the Common Elements within the Tower Building), in the form agreed by the Parties and dated as of the date hereof, and the other documents (if any) agreed by the Parties to constitute the Plans as of the date hereof, (ii) the Basis of Design / Design Criteria prepared by Jaros, Baum & Bolles dated August 6, 2015 and (iii) the Area Charts and Area Diagrams, and further including, in each case, the Notes and Acknowledgements from PE Member thereon (which Notes and Acknowledgements are reflected in and consist of the Gensler Plans and Specifications Comments and will be incorporated into the final construction drawings subject to additional costs to be paid by the PE Member as noted therein).

“Platform” has the meaning set forth in the Operating Agreement .

“Platform Funding Agreement” has the meaning set forth in the Operating Agreement .

“Preliminary Submitted Condominium Documents” means the Condominium Declaration, Condominium By-Laws (Exhibit A to such Condominium Declaration) and Non-Competition Requirements (Exhibit D to such Condominium Declaration), in the form agreed by the Parties and dated as of the date hereof.

“Professional Standard Default” means any failure by Developer, beyond any applicable notice and cure periods (if any), in fulfilling Developer’s obligations hereunder, arising from Developer’s failure to comply in all material respects with the standards of a well-qualified diligent development manager, using its best professional skill and judgment consistent with the best practices in the industry, or Developer’s negligence. For avoidance of doubt, Professional Standard Default shall not include any Developer Misconduct Default.

“Professional Standard Default Claim” means any claim arising from or based on (i) a Professional Standard Default (but excluding any Developer Misconduct Default), including (without limitation) any increase in the actual cost of PE Finish Work arising from a Professional Standard Default and/or (ii) any negligence of R/O Member, Destination Retail JV, or Destination Retail Tenant under this Agreement.

“Professional Standard Default Liability” means any Losses arising out of any Professional Standard Default Claim.

“Project” means the design, construction, development and completion of the Tower Building and the Developer Work, each in accordance with the Plans, to the extent applicable. For avoidance of doubt, the Project does not include any Finish Work, the Destination Retail Building, the Platform or any other improvements being constructed by Developer or its Affiliates at the ERY, other than the Tower Building and the Developer Work.

“Project Architect” means KPF, which is the “core and shell” architect for the Building, or any other “core and shell”

architect selected by Developer, on behalf of Tower A Tenant and Destination Retail Tenant.

“Project Architect Agreement” means that certain Architectural Services Agreement, dated as of July 22, 2013, between Developer and KPF with respect to the Tower Building (a true and complete copy of which Developer represents and warrants to PE Member was delivered to PE Member prior to the date hereof), as the same may be amended or replaced from time to time. The Project Architect Agreement was assigned by Developer to Tower A Tenant pursuant to an Assignment, Amendment and Assumption Agreement (30 Hudson Yards/Tower A) dated as of October 28, 2014.

“Project Costs” means all hard and soft costs of designing, constructing and developing the Project. For avoidance of doubt, such soft costs include all actual out-of-pocket costs (including legal fees) incurred in connection with establishing the Condominium, including without limitation, the preparation and filing of the Initial Condominium Documents and any amendment, supplement, restatement, replacement or other modification thereto entered into prior to the PE Unit Closing, and real estate taxes and PILOT accruing from and after Commencement of Construction (as defined in the Operating Agreement) and overhead payable by PE Member in respect of PE Change Orders to the extent set forth in this Agreement. Project Costs shall be allocated (on a reasonable, equitable and non-discriminatory basis) between the Office Unit and the Other Units (and, as to Project Costs allocated (on a reasonable, equitable and non-discriminatory basis) to the Office Unit, between the KKR Unit and other portions of the Office Unit on a reasonable, equitable and non-discriminatory basis).

“Project Data Site” means a data site for the Project using e-Builder, Buzzsaw or other similar software programs, reasonably approved by PE Member from time to time, and to which PE Member and PE’s Consultants have complete, uninterrupted and continuous access to the documents and information described in Section 4.01 and any other documents or information provided by Developer by posting to the Project Data Site pursuant to this Agreement (subject to password protection consistent with PE Member’s need to access the Project Data Site and outages beyond Developer’s control).

“Project Documents” has the meaning set forth in the Operating Agreement.

“Project Labor Agreement” has the meaning set forth in the Operating Agreement.

“Property” means the Land and the Tower Building, collectively (whether or not submitted to a condominium regime).

“Proposed DC Punch List” has the meaning set forth in Section 9.02(b).

“Proposed PE Delay Mitigation Estimate” has the meaning set forth in Section 6.02(b).

“Proposed PE Delay Mitigation Plan” has the meaning set forth in Section 6.02(b).

“Punch List Work” means, collectively, minor or insubstantial details of construction, decoration, mechanical adjustment, or installation, the non-completion of which does not prevent the use and occupancy of the Tower Building for its intended purposes.

“Qualified Developer” means either (i) a developer that is on the List of Qualified Developers or (ii) another reputable, experienced and nationally recognized real estate development company that is approved by PE Member (such approval not to be unreasonably withheld, conditioned or delayed).

“R/O Member” has the meaning set forth in the Recitals.

“R/O Parties” has the meaning set forth in Section 19.10(a).

“Related/Oxford Guarantor” means, collectively, Related Parent and Oxford Guarantor, together with their respective permitted successors and assigns.

“Related/Oxford Parties” has the meaning set forth in the Operating Agreement.

“Related Affiliate” means any Person (a) over which any Related Control Person exercises day-to-day operational and managerial control as a managing member or otherwise, and (b) of which one or more Related Beneficial Owners collectively own, directly or indirectly, at least two percent (2%) of the economic interests.

“Related Beneficial Owner” means any of Stephen M. Ross or Jeff T. Blau or Bruce A. Beal, Jr., and their respective spouses, descendants, heirs, legatees and devisees, and any trust created for the benefit of any of such persons.

“Related Control Person” means any of Stephen M. Ross or Jeff T. Blau or Bruce A. Beal, Jr.

“Related Parent” means The Related Companies, L.P., a New York limited partnership, together with its successors.

“Required Destination Retail Building Work” has the meaning set forth in the Co-Construction Term Sheet.

“Rescission Effective Date” has the meaning set forth in Section 11.04(a).

“Rescission Election” has the meaning set forth in Section 11.04(a).

“Rescission Election Notice” has the meaning set forth in Section 11.04(a).

“Rescission Open Date” means December 31, 2021, as such date is extended on a day-for-day basis for each day that delivery of any Delivery Block (in accordance with Section 11.04(a)) is delayed as a result of a Force Majeure event or PE Delay (provided, the Rescission Open Date shall not be extended for more than six (6) months in the aggregate due to Force Majeure events).

“Rescission Payment” has the meaning set forth in Section 11.04(a).

“Response Period” has the meaning set forth in Section 18.03(a).

“Retail Services Agreement” means that certain Retail Services Agreement, dated as of the date hereof (but effective only as of the Severance Date), by and between Retail Tenant and PE Member, as the same may be amended or replaced from time to time.

“RSF” means rentable square feet, determined on the basis of the Recommended Method of Floor Measurement for Office Buildings of the Real Estate Board of New York, effective January 1, 1987, using a twenty-nine percent (29%) loss factor.

“Satellite Dish Terrace” means the portion of the 80<sup>th</sup> floor of the Tower Building where TW Member’s satellite dishes are to be located, as shown on the Plans (which is referred to the Condominium Documents as the “TW Mechanical Terrace”).

“Schedule” means the schedule for the predevelopment, development and construction of the Project, in the form agreed by the Parties and dated as of the date hereof, as modified from time to time.

“Second Delivery Block” means the group of floors consisting of a portion of floor 80 and floors 81 through 83 of the Tower Building as shown on the Plans.

“Severance” has the meaning set forth in the A/B Balance Lease.

“Severance Date” means the date on which each the Severance Date Transactions have been consummated (including performance by PE Member of all its obligations under this Agreement to be performed at Severance).

“Severance Date Transactions” has the meaning set forth in the Operating Agreement.

“Severed Parcel” has the meaning set forth in the A/B Balance Lease.

“Severed Parcel Lease” has the meaning set forth in the A/B Balance Lease.

“Shop Drawings, Product Data and Samples” means (i) drawings, diagrams, schedules and other data to illustrate some portion of the construction work, (ii) illustrations, standard schedules, performance charts, instructions, brochures, diagrams and other information to illustrate materials or equipment for some portion of the construction work, and (iii) physical examples which illustrate materials, equipment or workmanship and establish standards by which the construction work will be evaluated, all as the same relate to construction of the Developer Work.

“Sign Off” means, with respect to the PE Finish Work, any approval (including by self-certification) required by applicable Government Entities (including the DOB, the New York City Department of Environmental Protection, the Fire Department of the City of New York, the Electrical Advisory Board, and the New York City Department of Transportation).

“Site Logistics Procedures” has the meaning set forth in Section 8.03.

“Specified Finish Work Costs” has the meaning set forth in Section 6.03(h).

“Standby Power Agreement” means an agreement to be entered into by the Condominium Board with respect to the purchase of backup power (and payment for reservation thereof) by each of the Tower Units from the “Cogen Facility” which shall be substantially on the terms set forth in the Terms for Standby Power Agreement and otherwise in form and substance reasonably acceptable to PE Member.

“ State ” means the State of New York.

“ Statement of Changes ” has the meaning set forth in Section 3.07(b).

“ Subguard Insurer ” has the meaning set forth in Section 7.01(a).

“ Subguard Policy ” has the meaning set forth in Section 7.01(a).

“ Substantial Completion ” means the stage in the development of the Project when all of the following have occurred, subject to completion of Punch List Work:

(a) (x) both Delivery Blocks have been delivered to the PE Member in Delivery Condition, (y) the core and shell of the Tower Building and any other Base Building Work is substantially completed in accordance with the Plans, this Agreement and applicable Laws, and (z) Developer has obtained a Core & Shell TCO;

(b) without limiting clause (a) above, the PE Shared Building Systems and Areas, inclusive of permanent lighting and life safety systems in the building stairwells, core mechanical equipment rooms, core tel/data rooms, core standpipe and core sprinkler systems and core toilet rooms, have been completed in accordance with the Plans, this Agreement and applicable Laws so that regular and permanent service is available, and all such systems have been turned over to PE Member for “Beneficial Use”, defined as the point when equipment has been installed in accordance with the Plans, this Agreement and all applicable Laws. Notwithstanding the foregoing, if certain PE Shared Building Systems and Areas are not complete but do not have a material adverse impact on PE Member’s or its Affiliates’ occupancy of the PE Unit, then Substantial Completion will be deemed to have occurred, and Developer shall complete the remaining work within 120 days;

(c) the exterior envelope and curtain wall of the Building are complete and the Building is fully and permanently enclosed in a water and weather-tight manner and as shown on the Plans, except for leave-outs for hoists which shall be determined on or before the Severance Date and shall be reasonably acceptable to PE Member and shall be consistent with the Leave-Out Hoists Plan and/or shown on the Site Logistics Procedures (other than limited instances of scratched or failed glass panels that Developer will replace at Developer’s cost), and PE Member agrees that Developer shall have reasonable access to the PE Areas following Substantial Completion to remove leave-out hoists and replace any such glass panels;

(d) except as provided in the Leave-Out Hoists Plan, any tower cranes affixed to or penetrating the PE Areas in the Tower Building (or the façade surrounding the same) and any brackets relating to any such tower cranes shall have been removed, and any penetrations through the core of such PE Areas (or the façade surrounding the same) resulting from any tower crane removal shall have been patched, any temporary enclosures facilitating use of the hoist (i.e., vestibules) within such PE Areas (or the façade surrounding the same) shall have been removed, and any penetrations through the core of such PE Areas (or the façade surrounding the same) resulting from such removal (which shall include, but is not limited to, fire proofing, fire stopping, rust proofing, slabs, penetrations and curtain wall) shall have been patched; except in the location of the northern hoist as described in the Leave-Out Hoists Plan;

(e) except for the hoist complex and associated protection permitted to remain at Substantial Completion in accordance with the Site Logistics Procedures and/or the Leave-Out Hoists Plan, removal of construction trailers and sidewalk protection sheds surrounding the Tower Building and completion of all permanent sidewalks and pavement required by the New York City Department of Transportation to restore the street pursuant to the Builder’s Pavement Plan approved by DOB, except for certain limited construction logistics areas necessary to complete the base building, such areas configured to allow reasonable access to the building as shown on the document titled Condition of Areas Surrounding Building at Substantial Completion, in the form agreed by the Parties and dated as of the date hereof; provided, that if and to the extent the DOB requires any such sidewalk protection shed(s) to be maintained, the maintenance of such sidewalk protection shed(s) shall not be deemed a failure to satisfy this condition (provided that Developer shall use reasonable efforts to configure or locate the same in an area or areas that minimize any disruption of access to and use and occupancy of the PE Unit for the normal conduct of PE Members’ (and its Affiliates) business in the ordinary course);

(f) PE Elevators sufficient to provide reasonable access for PE Member and its Affiliates to access the PE Unit and one Tower Building elevator providing access to the Tower Building roof: (i) have been finished, tested and adjusted, (ii) are operational, and (iii) have been inspected and certified for use by the DOB, provided that all PE Elevators and one Tower Building elevator shall satisfy the foregoing conditions within ninety (90) days after Substantial Completion;

(g) the elevator frames and doors, and the hall call buttons and lanterns and associated devices, are permanently installed in or for the PE Elevators;

(h) safe and continuous access is available to the office areas within the PE Exclusive Areas in the Tower Building

through the PE Dedicated First Floor Lobby and safe and continuous access is available to all other PE Exclusive Areas; all “front of house” areas that will directly serve PE Member employees (excluding service corridors, loading dock space and mechanical areas) in PE Member dedicated office areas and shared Common Elements as required for access to PE Member dedicated office areas within the Tower Building (other than Limited Common Elements for the exclusive use of any Other Units) are cleared of any debris, construction materials or equipment (except as reasonably required for the completion of Punch List Work), surplus materials, rubbish, rubble, tools, discarded equipment, spillage of solid or liquid waste (except to the extent such debris or other items are present as a result of any PE Finish Work); access routes to all other PE Exclusive Areas will be cleared of debris, construction materials or equipment and surplus materials (except as reasonably required for the completion of Punch List Work or as necessary for the completion of the Building);

(i) the removal of such Developer Violations as are required (subject to PE Member’s completion of the PE Finish Work) to obtain a temporary certificate of occupancy for the PE Unit; and

(j) receipt by PE Member of a Certificate of Substantial Completion solely with respect to the Base Building Work and the Developer Work.

“Subway Entrance” means the passages (including entrances thereto) leading from the Tower Building to the number 7 subway station at Hudson Boulevard, as shown on the Plans and the document titled Subway Entrance, in the form agreed by the Parties and dated as of the date hereof, as modified from time to time in accordance with this Agreement.

“Temporary Space Agreement” has the meaning set forth in the definition of Holdover Costs.

“Temporary Space Tenant” has the meaning set forth in the definition of Holdover Costs.

“Terms for Standby Power Agreement” means the document titled Terms for Standpower Power Agreement, in the form agreed by the Parties and dated as of the date hereof.

“Title Insurer(s)” has the meaning set forth in the Operating Agreement.

“Title Policy” has the meaning set for in Section 12.01(a)(viii).

“Total Rent” means, with respect to any lease or occupancy agreement, the total rent and other charges, costs or amounts actually paid or actually required to be paid under such lease or occupancy agreement, including, without limitation, Additional Rent.

“Total PE Change Cost” has the meaning set forth in Section 3.07(b).

“Tower A Access Areas” means those areas located within the Tower Building that are reasonably required for access to or use, operation, maintenance, or repair of the PE Unit and any Limited Common Elements and any exclusive easements appurtenant thereto.

“Tower A Lease” has the meaning set forth in the Recitals.

“Tower A Loading Docks/Bays” means the loading bays within the Tower Building as shown on the Plans.

“Tower A Severed Parcel” has the meaning set forth in the Recitals.

“Tower A Tenant” has the meaning set forth in the Recitals.

“Tower Building” has the meaning set forth in the Co-Construction Agreement Term Sheet.

“Tower Unit(s)” has the meaning set forth in the Recitals.

“Transfer” has the meaning set forth in the Operating Agreement.

“Transfer Taxes” means the transfer taxes, including any interest or penalties thereon, payable in connection with the transactions contemplated hereunder, the Original Operating Agreement, and the Operating Agreement pursuant to the Transfer Tax Laws.

“Transfer Tax Laws” has the meaning set forth in the Operating Agreement.

“TW Agreements” has the meaning set forth in Section 3.04(b).

“TW Development Agreement” has the meaning set forth in the Operating Agreement.

“TW Member” has the meaning set forth in the Recitals.

“Unburdened Parcel” has the meaning set forth in Section 3.10(d).

“Unburdened Parcel Mortgage” has the meaning set forth in Section 3.10(d).

“Unburdened Parcel Mortgage Subordination” has the meaning set forth in Section 3.10(d).

“Unburdened Parcel Restriction” has the meaning set forth in Section 3.10(d).

“Unit(s)” has the meaning set forth in the Condominium Documents .

“Unit Carry Costs” has the meaning set forth in Section 12.02 .

“Unit Closing Conditions” has the meaning set forth in Section 12.01(a).

“Unit Owner” means the owner of a Unit.

“UTEP” has the meaning set forth in the Operating Agreement .

“Violation” means any note or notice of any violation of law noted in or issued by any Government Entity against or with respect to the Building or any portion thereof.

“Walk-Through Date” has the meaning set forth in Section 9.02(b).

“Work Dispute Arbitrator” has the meaning set forth in Section 14.01(a).

“ZLDA” has the meaning set forth in the Operating Agreement .

“Zoning Resolution” means the Zoning Resolution of the City of New York, effective December 15, 1961, as amended to date.

Section 1.02 Rules of Construction. Wherever used in this Agreement:

- (a) the word “day” means a calendar day unless otherwise specified;
- (b) the word “party” means one or more of the signatories to this Agreement, as the context requires;
- (c) the word “notice” means a notice in writing, whether or not specifically so stated;
- (d) unless otherwise specifically provided herein to the contrary, all consents and approvals to be granted hereunder shall, in order to be valid and recognized by the parties, be and be required to be in writing, whether or not specifically so stated. All references in this Agreement to a matter “approved” by a party (or “consented to” or words of similar import) shall include a matter that has been deemed approved pursuant to any provisions of this Agreement or the Operating Agreement providing for deemed approval;
- (e) “month” means a calendar month unless otherwise specified;
- (f) the word “amended” or “modified” means “amended, restated, replaced, supplemented, or otherwise modified from time to time”; and the word “amendment” or “modification” means “amendment, restatement, replacement, supplement, or other modification”;
- (g) the phrase “subject to the terms of this Agreement” means “upon and subject to all terms, covenants, conditions and provisions of this Agreement”;
- (h) the word “withheld” means “withheld, conditioned or delayed”;
- (i) the word “or” is not exclusive and the word “including,” and all variations thereof, are not limiting;
- (j) the word “approval” means “written approval”;

(k) the word “delay” means a delay or interference to a particular schedule which (i) will require more than a minimal rearrangement of or delay in other activities or commitments by the affected party, (ii) was not caused by action or inaction of the affected party, and (iii) is the sole cause of the rearrangement of or delay in other activities or commitments by the affected party;

(l) wherever a party has the right to give or withhold a consent or approval in its “sole discretion,” or words of similar import, the same shall be deemed to mean “sole but good faith discretion”;

(m) wherever this Agreement refers to a “floor” of the Tower Building, the same shall be deemed to refer to a marketing floor, unless otherwise specified;

(n) except as otherwise specifically provided herein, all references to sections are to those of this Agreement;

(o) the words “hereof,” “herein,” and “hereunder” and words of similar import when used in this Agreement refer to this Agreement as a whole and not to any particular provision; and

(p) all meanings attributed to defined terms herein are equally applicable to both the singular and plural forms of the terms so defined.

## ARTICLE 2

### DEVELOPER’S RESPONSIBILITIES

Section 2.01 Retention of Developer. PE Member hereby retains Developer to act as PE Member’s developer in connection with the Developer Work and to provide the services hereinafter set forth. Developer hereby accepts the obligations set forth in this Agreement, including, without limitation, with respect to (a) the design, budgeting and scheduling of the Project, and (b) the performance of the Developer Work. Developer shall act in good faith, shall use Best Efforts and shall do all things necessary to perform its obligations and services under this Agreement. Notwithstanding anything to the contrary contained herein, all amounts required to be paid or contributed by PE Member pursuant to the provisions of this Agreement shall be deemed to be capital contributions to the LLC, and PE Member shall have no obligation to make any payments of the PE Member Total Development Cost or PE Member Additional Development Costs directly to Developer or any other Person, other than payments owed to Developer Indemnitees pursuant to any indemnification obligations of PE Member hereunder and other than payment of (i) the PE Unit Allocated Construction Loan Amount, which shall be paid directly to Construction Lender in accordance with the provisions of Section 12.01(b) below and (ii) the PE Member Fixed MTA Deed Payment which shall be paid to (or at the direction of) Developer in accordance with the provisions of Section 12.01(b) below.

Section 2.02 Developer’s Responsibilities. Developer shall (i) use Best Efforts to coordinate, supervise and facilitate such services as may be necessary to implement the development, construction and completion of the Project in accordance with this Agreement, the Plans and the Schedule, and (ii) provide consultation, advice and assistance to PE Member concerning all matters with respect to the development of the Project. Developer shall supply the personnel necessary to perform its responsibilities under this Agreement, and all such persons shall be employees of Developer or an Affiliate of Developer or Developer’s Consultants and shall not be, or be deemed to be, employees of PE Member or the LLC or any of their direct or indirect subsidiaries. Developer’s obligations under this Agreement shall include, but shall not be limited to, the following:

(a) Developer, Tower A Tenant or the Executive Construction Manager, as applicable, shall: (i) employ or continue to employ the Project Architect pursuant to the Project Architect Agreement, and (ii) enforce its rights and remedies (as appropriate) under any such agreements, to the extent commercially reasonable to do so; provided, however, that this subparagraph shall not preclude Developer from terminating, or causing the termination of (in each case in accordance with the terms of this Agreement), the Project Architect Agreement or any future contracts entered into by Developer, on account of a breach thereof by any such Person or counter-party, nor shall this subparagraph preclude Developer from entering into additional contracts with architects or other consultants in accordance with this Agreement;

(b) Developer, as agent for Tower A Tenant, shall: (i) employ or continue to employ the Executive Construction Manager pursuant to the Executive Construction Management Agreement; and (ii) cause the Executive Construction Manager to employ or continue to employ the Construction Manager pursuant to the Construction Management Agreement; and (iii) enforce, and cause the Executive Construction Manager to enforce, its rights and remedies (as appropriate) under the Construction Management Agreement to the extent commercially reasonable to do so;

(c) Developer, as agent for Tower A Tenant (and as agent for Destination Retail Tenant), shall or shall cause the Executive Construction Manager to (i) retain such Persons, and (ii) make such purchases of materials, equipment and supplies, as

shall be necessary or appropriate to design, construct and complete the Developer Work and to achieve Final Completion (and completion of the Subway Entrance) and (iii) enforce its (or their) rights and remedies (as appropriate) under any agreements with any such Persons, to the extent commercially reasonable to do so;

(d) Developer, as agent for Tower A Tenant (and as agent for Destination Retail Tenant), shall, or shall cause the Executive Construction Manager, to comply in all material respects with their obligations under any contracts, letter agreements or purchase orders or other agreements they enter into (or have entered into) in connection with the construction of the Developer Work; provided, however, that nothing in this Agreement shall preclude Developer from terminating, or causing the termination of, the Construction Management Agreement or the Project Architect Agreement or any of the contracts or purchase orders entered into by Developer or the Executive Construction Manager, on account of a breach thereof by the Construction Manager or by any such other Person or counter-party, nor shall it preclude the Executive Construction Manager from terminating, or causing the termination of, any contract or canceling any purchase order entered into in connection with the Project on account of a breach by the applicable contractor, consultant or materialman;

(e) Developer, as agent for Destination Retail Tenant, shall: (i) employ or continue to employ the Executive Construction Manager pursuant to the DRB ECM Agreement; (ii) cause the Executive Construction Manager, to employ or continue to employ the construction manager for the Required Destination Retail Building Work (“DRB CM”); (iii) cause the Executive Construction Manager, to employ or continue to employ contractors, subcontractors, consultants, advisors and suppliers which perform work or provide materials in connection with the Required Destination Retail Building Work pursuant to their respective applicable agreements; and (iv) enforce, and cause the Executive Construction Manager to enforce, its respective rights and remedies (as appropriate) under any such agreements, to the extent commercially reasonable to do so;

(f) Developer shall oversee, manage and coordinate the development of the Project, so as to, without limiting the foregoing, (i) cause the Developer Work to be completed and cause Substantial Completion, Punch List Work, and Final Completion to be achieved, and cause the Subway Entrance to be completed (subject to and in accordance with the terms and conditions of Section 3.10(b)) in each case, in accordance with the Plans, the Schedule, the applicable Construction Loan Documents, this Agreement and all applicable Laws, free from fault or defect, on a lien-free basis (subject only to Permitted Encumbrances and Developer’s right to bond and contest liens in good faith by appropriate proceedings) in a good and workman-like manner and incorporating only new materials and equipment, and by means and methods complying with all applicable Laws and insurance requirements and the MTA Project Documents; (ii) apply for and obtain (or cause to be applied for and obtained) all building and other permits required for the Project, as and when required in accordance with the Schedule, including all certificates of occupancy to be obtained by Developer as required herein; (iii) manage and oversee the performance by (and enforce and pursue claims against, as appropriate and where reasonable to do so) the Executive Construction Manager, the Project Architect, the Construction Manager and all of Developer’s Consultants, contractors, subcontractors and vendors involved in the Project (except for any of the foregoing obtained or retained by any Member, in connection with the performance of any Finish Work for such Member); (iv) enforce the obligations of Destination Retail Tenant under the Co-Construction Agreement; and (v) cause the entire Building to be completed in accordance with a first-class standard;

(g) Prior to the assignment of any Contractor Warranty as provided in Section 9.03, Developer shall use Best Efforts to enforce all such Contractor Warranties to the extent set forth in Section 9.03;

(h) Developer shall or shall cause the Executive Construction Manager, the DRB ECM or the applicable contractor to remove or bond or satisfy all mechanic’s or materialmen’s liens filed (including, with respect to the PE Unit only, after the PE Unit Closing) against, or which encumber, the PE Unit or the Property (or any portion thereof) resulting from any work (other than PE Finish Work) performed by or on behalf of Developer, the LLC, Tower A Tenant, the Executive Construction Manager, the DRB ECM or any other Person, in each case within forty-five (45) days of delivery by Developer (or the LLC, Tower A Tenant, the Executive Construction Manager, the DRB ECM, or such other Person) of copies of any such lien (or shall cause the Title Insurer to insure over such lien(s), if permitted by the Construction Lender in order to have a Draw Request funded), or at the PE Unit Closing shall cause the title insurer of PE Member to insure over such liens with respect to the PE Unit and cause the title insurer of PE Member’s lenders, if any (if permitted by such lenders) to insure over such lien(s)) with respect to the PE Unit; and Developer shall cure and remove of record (or cause to be cured and removed of record) all Developer Violations within forty-five (45) days of delivery of copies of any such violation or as soon thereafter as is practicable. The costs to cure such liens and/or Violations shall be Project Costs;

(i) Developer shall, or shall cause the Executive Construction Manager and/or the DRB ECM to, coordinate the safe and efficient performance, by all Unit Owners, of any Finish Work to be performed in the Building (in, except as otherwise provided in Section 8.03 of this Agreement, a reasonable, equitable and non-discriminatory manner and otherwise as required herein and in the Site Logistics Procedures), and shall coordinate the safe and efficient performance and completion of any Developer Work with any Finish Work being performed (likewise, except as otherwise provided in Section 8.03, in a reasonable, equitable and non-discriminatory manner but in a manner so as not to impede the completion of the Project, and otherwise as required herein and in the



Site Logistics Procedures), which coordination, from and after the Severance Date, shall also be subject to the applicable provisions of the Condominium Documents and Co-Construction Agreement;

(j) Developer shall, or shall cause the Executive Construction Manager and the DRB ECM to, be responsible for developing, with the approval of all requisite City departments, and implementing a site safety plan for all construction work being performed in and around the Building (including, without limitation, such netting and sidewalk sheds and other elements as required by applicable Law);

(k) Developer shall arrange for the testing and inspecting and commissioning of all facilities, systems and equipment that are part of the Developer Work and promptly deliver to PE Member copies of all reports, results, sign-offs and certifications with respect thereto to PE Member;

(l) Within one hundred eighty (180) days of achieving Final Completion, Developer shall cause to be prepared and delivered to PE Member a complete set of final “as built” construction drawings in a format reasonably acceptable to PE Member with respect to the Developer Work;

(m) Developer shall cause the Project to be constructed so that the Building is eligible to achieve, at a minimum, LEED BD+C Gold for New Construction v2009 certification from the United States Green Building Council and shall use Best Efforts to obtain such certification. In addition, Developer shall cause the ERY to be constructed in a manner so that it is eligible to achieve LEED Neighborhood Development Certification from the United States Green Building Council and shall use Best Efforts to obtain such certification;

(n) Developer shall pay, or shall cause Other Members or other Persons (other than PE Member) to pay, all Project Costs in excess of the PE Member Total Development Cost, other than any PE Member Additional Development Costs;

(o) Upon request from PE Member, Developer shall provide (and Developer will use commercially reasonable efforts to cause its Affiliates to provide) reasonable assistance to (and shall reasonably cooperate with) PE Member to help facilitate PE Member’s financing of the PE Member Total Development Cost and any financing, leasing and/or sale of the PE Unit;

(p) Upon request from PE Member, Developer shall provide (and Developer will use commercially reasonable efforts to cause its Affiliates to provide) reasonable assistance to PE Member to help facilitate PE Member’s search for up to 60,000 square feet of Additional Space during the period from and after the date hereof and prior to the PE Unit Closing Date;

(q) Developer shall use reasonable efforts to provide temporary work space for 1-2 personnel of PE Member (and/or PE Member’s Consultants) at the Field Office to work for short periods of time upon reasonable advance request from PE Member (it being acknowledged that the foregoing is subject to availability of space and there will not be permanent work space or a permanent work station or office dedicated to PE Member in the Field Office); and

(r) Developer shall perform all other obligations of Developer described elsewhere in this Agreement.

Section 2.03 Standard of Performance. Without limiting Developer’s obligations under this Agreement, Developer shall use Best Efforts in the performance of its obligations under Section 2.01 and Section 2.02.

Section 2.04 Development Fee.

(a) The PE Member Total Development Cost includes and covers the PE Member’s share of the Development Fee as defined in the Development Management Agreement (the “DMA Development Fee”). Notwithstanding anything to the contrary contained in the Development Management Agreement, PE Member shall have no liability, as a Member of the LLC or otherwise, on account of the DMA Development Fee (or any other fee to Developer or its Affiliates) other than the fees included in and covered by the PE Member Total Development Cost and any PE Change Development Fee payable pursuant to Section 3.07(b).

(b) In the event any PE Change Development Fee is payable in respect of PE Change Orders in accordance with the provisions of Section 3.07(b), such PE Change Development Fee shall be included in each Draw Request with respect to any PE Change Orders as to which such PE Change Development Fee is payable. Overhead with respect to any PE Change Orders shall be included in each Draw Request with respect to such PE Change Orders.

Section 2.05 Survival. The provisions of this Article 2 shall survive the PE Unit Closing.

### ARTICLE 3

## ARCHITECT AND CONSULTANTS; PLANS, AND CHANGES TO PLANS; 30 HY PROJECT DOCUMENTS

### Section 3.01 Project Architect and Consultants; Construction Manager.

(s) PE Member hereby acknowledges that KPF has been engaged as the Project Architect pursuant to the Project Architect Agreement. Developer, Tower A Tenant, Destination Retail Tenant and/or the LLC shall have the right to retain any substitute firm to act as the Project Architect and/or to amend to the Project Architect Agreement, and to amend or modify its separate contract with the Project Architect with respect to the Destination Retail Building, in each case without PE Member's consent.

(t) All costs associated with the performance of the Developer Work by the Developer, the Project Architect, the Executive Construction Manager, the Construction Manager or any substitute or additional Project Architect, Executive Construction Manager, Construction Manager or other contractor or consultant are included in (and covered by) the PE Member Total Development Cost.

(u) PE Member acknowledges that Hudson Yards Construction LLC has been engaged as the Executive Construction Manager for the Project, Tishman Construction has been engaged as the Construction Manager for the Project, Tutor Perini Building Corp. has been engaged as the DRB CM and the Executive Construction Manager is the DRB ECM. Developer and/or the LLC shall have the right to (i) retain any substitute firm to act as executive construction manager, construction manager or general contractor for the Project or the Destination Retail Building, (ii) enter into the Construction Management Agreement, or (iii) enter into any amendment to the Executive Construction Management Agreement, Construction Management Agreement, any new contract with the initial Executive Construction Manager or Construction Manager or any substitute Executive Construction Manager or Construction Manager, or any amendment to any such new contract, in each case without the prior written approval of PE Member. For avoidance of doubt, Destination Retail Tenant and the DRB ECM shall have the right to amend or modify the contract with DRB CM without PE Member's consent.

### Section 3.02 Plans.

(a) Each of PE Member, Tower A Tenant, Developer, the LLC, and Destination Retail Tenant acknowledges that it has approved the Plans. Developer shall have the right to amend or modify the Plans from time to time; provided, however, PE Member's prior written approval shall be required for any amendment or modification to the Plans to the extent the approval of PE Member is expressly required therefor under the provisions of this Agreement.

(b) Developer shall timely requisition, or cause to be requisitioned, funds from the LLC, Destination Retail Tenant, any Construction Lender and/or any DRB Construction Lender in order to cause the Project Architect, Developer's Consultants, the Executive Construction Manager and the Construction Manager and all consultants and contractors performing the Developer Work to be paid amounts due to such Persons when due in order to ensure continuity and diligent prosecution of the design and development process; provided, however, that, so long as (after the Severance Date) the same is permitted pursuant to the applicable Construction Loan Documents and subject to compliance with the applicable provisions thereof, nothing herein shall preclude Developer or the LLC, on behalf of Tower A Tenant or Destination Retail Tenant, from withholding payment in connection with a valid dispute with any such Person.

### Section 3.03 Consultation with PE Member and PE's Consultants.

(c) Developer shall cause Developer's Consultants, the Executive Construction Manager and the DRB ECM to consult directly with PE Member and PE's Architect and PE's Consultants (and/or any agent, representative or other designee of the foregoing) on matters affecting the PE Unit, the PE Areas or the PE Approval Areas, including, without limitation, the costs of design, construction, operation or maintenance or tax treatment thereof, the Developer Work, the Schedule, the schedule for TW Member's Finish Work (as defined in the Operating Agreement), the timing for delivery of the Delivery Blocks and Substantial Completion (but in the case of the schedule for TW Member's Finish Work (as defined in the Operating Agreement), only to the extent such information is made available to Developer and Developer is not subject to confidentiality restrictions with respect thereto prohibiting disclosure thereof), all on reasonable notice to, and in the presence of, Developer's representatives. PE Member and PE's Architect and PE's Consultants (and/or any agent, representative or other designee of the foregoing) shall have the right to attend weekly principal project and design meetings involving or affecting the PE Unit, PE Areas, the PE Approval Areas, the Developer Work, the timing for delivery of the Delivery Blocks and Substantial Completion and/or the Schedule or the overall Base Building design, as well as any design changes to any Other Units which would affect any of the PE Approval Areas, the PE Areas or the PE Unit, including, without limitation, the costs of design, construction, operation or maintenance or tax treatment thereof. Developer, PE Member, PE's Architect and PE's Consultants (and/or any agent, representative or other designee of the foregoing) shall meet not less often than monthly (or more frequently at PE Member's reasonable request), to review changes to the Plans and Schedule, and to evaluate the status and progress of the design, development or construction of the Project or the ERY. Developer

will not be obligated to include PE Member in design meetings that do not involve or affect the PE Unit, the Schedule, any PE Areas, any Developer Work or any PE Approval Areas. Developer shall cause Developer's Consultants, the Executive Construction Manager and the DRB ECM to promptly provide directly to PE Member, PE's Architect and PE's Consultants (and/or any agent, representative or other designee of the foregoing) all plans, specifications and other materials prepared by any such Persons which relate to the Developer Work, the PE Unit (and the Limited Common Elements and exclusive easement areas appurtenant thereto and access thereto and therefrom), the PE Areas or the other PE Approval Areas or as otherwise provided herein.

(d) PE Member shall cause PE's Architect and PE's Consultants to consult directly with Developer and the Project Architect and Developer's Consultants with respect to any PE Finish Work impacting any areas of the Building other than the PE Areas.

Section 3.04 PE Member's Approval Rights; Change Orders; Changes Required by Law.

(a) Subject to the provisions of Sections 3.04(b), 3.04(c), 3.04(d) and 3.05, PE Member's prior written approval shall be required for any change to the Plans which affects or impacts any PE Exclusive Area or any PE Approval Area other than to a *de minimis* extent, which approval shall not be unreasonably withheld (except with respect to the PE Approval Areas described in clauses (ii), (iii), (v), (vii) (but only to the extent relating to the PE Exclusive Areas), (viii) (but only with respect to access), (xii) and (xvi) below, for which approval may be given or withheld in PE Member's sole discretion). For purposes of this Agreement, "PE Approval Area" means the following:

- (i) the Schedule for delivery of the Delivery Blocks, Substantial Completion, DC Punch List Work and/or Final Completion;
- (ii) the volume (including floor-to-ceiling heights), area, quality, lay-out, use, safety, functionality or efficiency of any of the PE Exclusive Areas and the finishes in any of the PE Exclusive Areas to the extent they are to be performed by Developer;
- (iii) the location and size of any columns and floor penetrations in or through PE Exclusive Areas;
- (iv) the specifications for, any of the systems, utilities or fixtures forming a part of the PE Shared Building Systems and Areas (but only as they affect the PE Exclusive Areas);
- (v) the location and specifications of any elevator, escalator, stairway and stairwell serving the PE Exclusive Areas (including, without limitation, the PE Elevators);
- (vi) any acoustical ratings for the curtain wall;
- (vii) the design of the PE Lobbies or other lobbies in the Tower Building, access from the occupiable PE Areas to the PE Lobbies, including without limitation the PE Sky Lobby, or signage at or in the PE Lobbies;
- (viii) the design of, or access from the occupiable PE Areas to, any shared Tower Building lobbies;
- (ix) the massing, envelope and superstructure of the Tower Building, the facade of the Tower Building (including any change to the exterior finishes and materials of the Tower Building), and any crown or treatment on the top of the Tower Building;
- (x) the Northeast Building Entrance, the Northwest Building Entrance, the Fifth Floor Entrance and any other entrance to the Tower Building by which the general public enters the Tower Building, or access from the occupiable PE Areas to any such entrances;
- (xi) subject to all applicable Laws, signage at the PE Lobbies and any lobby shared by PE Member and any other owner of a Tower Unit and signage at the Northeast Building Entrance, the Northwest Building Entrance, the Fifth Floor Entrance, and any other Tower Building entrance and signage at any lobby areas adjacent to such entrances;
- (xii) the total Floor Area allocated to the PE Unit;
- (xiii) the water proofing details or acoustical systems, as applicable, for any floor of any Other Tower Unit that is immediately above or immediately below an occupiable floor of the PE Unit, and any areas of the PE Unit that are immediately adjacent to a shared lobby, if such floor or areas are intended to be occupied for a use that will create an unreasonable risk of water leaks or unreasonable disturbance from noise or vibrations (in each case taking into account the intended use of the affected space within the PE Unit). Developer shall give advance Notice to PE of any elements proposed

to be installed on any floors above the PE Unit that create any unreasonable risk of water leaks, transmission of sound or vibrations or fire, and will require the Member owning the Other Tower Units in which such floors are located to incorporate reasonable protections with respect to such risks, consistent with Class A buildings in New York City;

(xiv) changes to the design of the Subway Entrance, or access from Tower Building lobby to the Subway Entrance, that in either case prevent or materially impair reasonable access from the Tower Building lobby to the number 7 subway station on Hudson Boulevard;

(xv) the Tower Units' qualification for any real estate tax abatements, including, without limitation, the tax abatement under UTEP; or

(xvi) the configuration of and access to the Satellite Dish Terrace (including the screening).

(b) If a change in the Plans is required by applicable Law or the MTA Parties or Construction Lender, and if such change would otherwise require the approval of PE Member under Section 3.04(a), Developer shall advise and promptly consult with PE Member as to the particular requirement and the solution or solutions it is considering. Unless there is only one clear way to comply with such requirement, Developer shall obtain PE Member's prior written approval for the proposed change, which approval shall not be unreasonably withheld; provided, that, to the extent economically feasible, Developer shall use Best Efforts to make such change in the manner that has the least impact on (x) the Plans for the Developer Work, (y) the delivery of the Delivery Blocks on or prior to the Outside Delivery Date and (z) the PE Areas and the PE Approval Areas (so long as such manner does not discriminate in its impact on the Plans against any Other Unit or the cost of any Other Unit or result in a breach of any obligation of Developer or its Affiliates under any agreements with Time Warner and its Affiliates (the "TW Agreements")). For the avoidance of doubt, Developer shall not be obligated to make any change to the Plans requested by PE Member if, and to the extent, such change would violate the terms of the MTA Project Documents, the IDA Documents, the Construction Loan Documents or the TW Agreements, as applicable, or which has been disapproved by the MTA Parties, the IDA, the Construction Lender, TW Member or its Affiliates, if and to the extent the MTA Parties, the IDA, Construction Lender or TW Member or its Affiliates has a discretionary right to disapprove such change under the MTA Project Documents, the IDA Documents, or the Construction Loan Documents, as applicable.

(c) Except as otherwise provided in Section 3.05, if PE Member does not respond, object to, or comment on, any written request for approval of any change to the Plans requiring PE Member's approval within ten (10) Business Days of delivery of a written request for approval from Developer (which may be given by Email Notice) and such request includes on the first page thereof (or in the Email Notice) in bold face print the phrase "**REQUEST FOR APPROVAL OF CHANGE TO PLANS PURSUANT TO SECTION 3.04 OF THE DEVELOPMENT AGREEMENT; FAILURE TO RESPOND WITHIN 10 BUSINESS DAYS WILL RESULT IN DEEMED APPROVAL PURSUANT TO SECTION 3.04(c) OF THE DEVELOPMENT AGREEMENT**", then PE Member will be deemed to have approved the proposed change.

(d) Any dispute as to whether any matter is subject (or not) to the approval of PE Member (or, if applicable, the reasonableness of any such approval) as set forth in Section 3.04(a) above shall be submitted to Arbitration to be resolved in accordance with the provisions of Article 14.

#### Section 3.05 Field Changes; Force Majeure Changes.

(a) Field Changes. PE Member shall make a representative available to approve or disapprove Field Changes which are subject to PE Member's approval in accordance with the provisions of Section 3.04 within two (2) Business Days following delivery to PE Member of Email Notice that a proposed Field Change is available on the Project Data Site together with such relevant information and materials as shall be reasonably required to consider such proposed Field Change, including the reason for the Field Change and the impact, if any, on (x) the occurrence of the Delivery Date for any Delivery Block on or prior to the Outside Delivery Date, or (y) the occurrence of Substantial Completion on or prior to the Outside Substantial Completion Date. It is understood and agreed that Field Changes are non-discretionary changes and accordingly any such approval by PE Member shall be limited to approving the appropriate means of addressing the event or events that necessitated the Field Change in question. If PE Member does not approve or disapprove a Field Change which is subject to PE Member's approval (in accordance with the provisions of Section 3.04) within such two (2) Business Day period, then PE Member will be deemed to have approved such Field Change.

#### (b) Force Majeure Changes.

(i) If any Force Majeure event occurs, and any change is required that would otherwise be subject to PE Member's approval under Section 3.04(a), PE Member shall have the right to approve (such approval not to be unreasonably withheld) the appropriate means of addressing such Force Majeure event, which means may include changes to the Plans, change orders, amendments to soft cost contracts or trade contracts, or new Plans required to address such Force Majeure

event (each a “Force Majeure Change”). PE Member’s approval or disapproval shall be given within five (5) Business Days following delivery to PE Member of Email Notice that a Force Majeure event has occurred and proposing the means of addressing the same. If PE Member does not approve or disapprove any Force Majeure Change which is subject to PE Member’s approval within such five (5) Business Day period, then PE Member will be deemed to have approved such Force Majeure Change.

(ii) Any dispute concerning the existence or duration of a Force Majeure event or the need for any Force Majeure Change shall be resolved by Arbitration.

(c) Developer shall maintain a log of all Field Changes and Force Majeure Changes at the Field Office or on the Project Data Site, and shall keep such log current, and shall make such log available for inspection by PE Member, PE’s Architect, and PE’s Consultants promptly upon request therefor. Any dispute as to whether any Field Change or Force Majeure Change is (or is not) subject to the approval of PE Member, or as to the reasonableness of any approval shall be submitted to Arbitration to be resolved in accordance with the provisions of Article 14.

#### Section 3.06 Developer’s Approval Over Design Changes Initiated by PE Member; Payment for Such Changes.

(a) PE Member may, from time to time, request changes in the design of the PE Exclusive Areas or the “core” bathrooms located in portions of the Building that are to be used and/or occupied exclusively by PE Member and/or its Affiliates as reflected in the Plans (a “PE Change Order”) by submitting to Developer a written request describing the change in question. Any such change shall be subject to Developer’s approval (not to be unreasonably withheld); provided, however, PE Member shall not have the right to request changes in the design of any PE Exclusive Areas if such change will require more than *de minimis* changes to any portion of the Building other than to the PE Exclusive Areas, or to the Platform or Subway Entrance. The aggregate Total PE Change Cost (if any) of implementing all PE Change Orders, determined in accordance with Section 3.07, will constitute PE Member Additional Development Costs and shall be paid for solely by PE Member. For the avoidance of doubt and without limiting the foregoing conditions of this Section 3.06(a), (1) PE Member shall not have the right to request changes to the Plans other than changes to the PE Exclusive Areas and the “core” bathrooms located in portions of the Building that are to be used and/or occupied exclusively by PE Member and/or its Affiliates, (2) Developer shall not be obligated to make any change to the Plans requested by PE Member if, and to the extent, such change would violate the terms of the MTA Project Documents, the IDA Documents, or the Construction Loan Documents, as applicable, or which has been disapproved by the MTA Parties, the IDA, or the Construction Lender, if and to the extent the MTA Parties, the IDA, or Construction Lender has a discretionary right to disapprove such change under the MTA Project Documents, the IDA Documents, or the Construction Loan Documents, as applicable, and (3) it shall be reasonable for Developer to disapprove of any change to the Plans requested by the PE Member if such change would not be permitted under Section 3.04(d) of the TW Development Agreement.

(b) PE Member acknowledges that, in some cases, the ability of Developer to implement or consent to a PE Change Order may be subject to obtaining the consent of TW Member and/or other Unit Owners, the MTA Parties and/or the Construction Lender which, if Developer is otherwise prepared to approve, Developer shall promptly seek and use Best Efforts to obtain where same is required, shall keep PE Member reasonably apprised of the progress of obtaining such consent, and shall notify PE Member promptly if and when such consent is obtained or denied. Any consent granted by Developer to any change requested by PE Member shall be deemed a representation by Developer that it has obtained (or has determined that it was not required to obtain) the prior consent of the MTA Parties, the Construction Lender, and any other Unit Owner (including, without limitation, TW Member) to such change, unless, together with the giving of its consent, Developer notifies PE Member that the consent of the MTA Parties, the Construction Lender, or any other Unit Owner (including, without limitation, TW Member), as applicable, to such change is required and has not yet been obtained, in which event Developer shall advise PE Member if it has an estimate of the time required to obtain such consent. Any actual delay attributable to the process of obtaining such consents with respect to a PE Change Order shall be PE Delay, and PE shall pay any costs associated with obtaining such consents.

(c) PE Member shall be responsible for depositing with Construction Lender any Completion Deposits that are required by Construction Lender as a result of any PE Change Order.

(d) Subject to the terms of the TW Agreements, Developer shall also consult with, and consider in good faith, the views of, PE Member if PE Member wishes to propose changes to the Plans affecting the lobby space or elevators in the Tower Building that PE Member shares with Other Members (including, without limitation, the elevator bank screen walls, interiors of shared elevators, shared areas and floors within the PE Sky Lobby and entrance into the PE High-Rise Elevators from the shared sky lobby); provided, however, Developer shall not have any liability to PE Member for failure to implement PE Member’s views with respect to such changes. Developer and PE Member shall consult and coordinate with each other in good faith with respect to the foregoing areas.

#### Section 3.07 Statement of Changes; Time for Approvals.

(a) Where PE Member's approval of any change in the Plans (other than Field Changes or Force Majeure Changes) is required or requested by Developer hereunder, Developer shall provide (or cause the Project Architect to provide) PE Member, PE's Architect and PE's Consultants (and/or any agent, representative or other designee of the foregoing) with notice of such change and shall make the documents reasonably required to evaluate such change available for review by PE Member, PE's Architect and PE's Consultants on the Project Data Site, in each case in order to solicit PE Member's views and obtain PE Member's written approval(s) thereto (to the extent required pursuant to the provisions of Section 3.04 and subject to the provisions of Section 3.05). Any Shop Drawings, Product Data and Samples with respect thereto shall be made available in accordance with Section 3.09.

(b) With respect to any PE Change Order, as soon as practicable but no later than ten (10) Business Days after delivery to Developer of PE Member's written request with respect thereto, Developer shall furnish (or cause the Executive Construction Manager to furnish) to PE Member, a reasonably detailed statement (a "Statement of Changes") in the form of Exhibit E setting forth in reasonable detail Developer's best reasonable estimate of (i) the net actual delay (the "PE Change Delay"), if any, that such proposed change will cause to the Schedule, including, without limitation, to the occurrence of Substantial Completion, which may be expressed as an anticipated range or maximum (the high end of such range or such maximum being referred to as the "Maximum PE Change Delay"), (ii) the actual net out-of-pocket cost that will be incurred, if any, solely as a result of any such net PE Change Delay, which cost shall include, without limitation, any costs required to be paid by Developer under the Construction Management Agreement or agreement with the DRB CM and to the Executive Construction Manager or the DRB ECM (collectively, the "PE Change Delay Cost"), (iii) the actual net out-of-pocket amount, if any, by which such proposed change will increase the cost of constructing the Project (including, without limitation, any increase in the Project Costs and overhead in the amount of three percent (3%) of the cost of the change (the amounts described in this clause (iii), the "Net Increased Cost"), and (iv) a development fee in the amount of three percent (3%) of the cost of the change (any such development fee, an "PE Change Development Fee"), (v) the actual out-of-pocket cost that shall be incurred by Developer, if any, in connection with the preparation of revised Plans as a result of such proposed change (such actual cost, the "Plan Revision Cost") and (vi) any actual decrease in the cost of constructing the Project as a result of such change. The sum of the PE Change Delay Cost, the PE Change Development Fee, the Net Increased Cost and the actual Plan Revision Cost with respect to any PE Change Order (net of any actual decrease in the cost of constructing the Project resulting from such change) is referred to herein as the "Total PE Change Cost". Notwithstanding the foregoing or anything to the contrary herein, in no event shall the Total PE Change Cost be less than zero and in the event shall the same reduce the PE Member Total Development Cost. Developer's reasonable estimate of the foregoing costs or savings may be expressed as a reasonably anticipated range or maximum (with one hundred five percent (105%) of the high end of such range or such maximum being referred to as the "Maximum PE Change Cost"). PE Member shall pay, subject to the provisions of this Section 3.07(b), all actual out-of-pocket architectural, engineering and cost estimating fees incurred by Developer in connection with the preparation of the Statement of Changes, whether or not PE Member elects to proceed with the PE Change Order. All Total PE Change Costs with respect to any PE Change Order shall constitute PE Member Additional Development Costs. PE Member acknowledges that the Total PE Change Cost and the PE Change Delay Cost, calculated as set forth above, are good-faith estimates only and PE Member and Developer agree that Developer shall not undertake to perform any such change order work unless and until PE Member authorizes Developer in writing to proceed with such work and agrees in writing to pay (exclusive of the PE Member Total Development Cost) the Total PE Change Cost (which may be on a time and materials basis as if Developer was performing such work for its own account); provided, that notwithstanding the foregoing or anything contained in this Agreement to the contrary, in no event shall (i) any PE Change Delay in excess of the Maximum PE Change Delay be a PE Delay or (ii) any Total PE Change Cost in excess of the Maximum PE Change Cost be included in the PE Member Additional Development Costs or payable by PE Member. PE Member shall comply, to the extent compliance by PE Member (as opposed to compliance by Tower A Tenant or Developer) is required, with the funding provisions of the Construction Loan Documents applicable thereto; provided, that notwithstanding any such agreement, PE Member and Developer shall attempt in good faith to agree on the Total PE Change Costs as set forth in Section 3.07(c), which process for agreement shall not interrupt or delay Developer's construction of the Project in accordance with the change requested by PE Member or limit PE Member's rights hereunder.

(c) Subject to Section 3.07(b), Developer and PE Member (and their respective Consultants) shall consult and attempt, in good faith, to agree on the Total PE Change Cost (with respect to any PE Change Order), any adjustment in the Schedule (which PE Member shall have the right to approve only if such change has the effect of delaying (x) the occurrence of the Delivery Date for any Delivery Block on or prior to the Outside Delivery Date, or (y) the occurrence of Substantial Completion on or prior to the Outside Substantial Completion Date) and any PE Delay arising therefrom, in each case as soon as practicable and within no more than ten (10) Business Days after PE Member receives a Statement of Changes and all additional information it may reasonably request in accordance with Section 18.03(a) to evaluate such Statement of Changes. Any such agreement (if, as and when reached) shall be memorialized in writing or in an amended and (to the extent PE Member has a right to approve the same) approved Schedule or set of Plans. Developer's approval or implementation of a change pursuant to a PE Change Order, as aforesaid, shall be deemed a representation by Developer that it has obtained (or has determined that it was not required to obtain) the prior consent of the MTA Parties, the Construction Lender and any other Unit Owner to such change, unless, together with the giving of its consent, Developer notifies PE Member that the consent of the MTA Parties, the Construction Lender, or any other Unit Owner is required and has not

yet been obtained. If Developer and PE Member are unable to agree on any Statement of Change, or on any component thereof, including, without limitation, any PE Change Delay or the Total PE Change Cost, within ten (10) Business Days, then either party may submit the dispute to Arbitration pursuant to the provisions of Article 14.

(d) Developer shall keep accurate books and records in accordance with generally accepted accounting principles (or other accounting method reasonably acceptable to PE Member) consistently applied to all items included in all Statements of Changes and shall make such books and records and all invoices, receipts, contracts, subcontracts and other information pertaining to the computation thereof available to PE Member (and/or its agents, representatives and/or designees) in accordance with the provisions of this Agreement.

Section 3.08 PE Member's Review of Plans Not a Representation or Assumption. The review and/or approval by PE Member (or PE's Architect or any of PE's Consultants on behalf of PE Member) of any of the Plans shall in no event be or be deemed to be (i) a representation or agreement, implied or otherwise, by PE Member, PE's Architect or any of PE's Consultants, that any such Plans or other materials comply with applicable Laws, the Construction Loan Documents, the IDA Documents or the MTA Project Documents, or (ii) an assumption by PE Member, PE's Architect or PE's Consultants of any liability in respect of any such Plans or materials, or in respect of the implementation of any such Plans or materials.

Section 3.09 Plans and Materials Available. Developer shall maintain on the Project Data Site (or other comparable electronic data retention system reasonably acceptable to PE Member), for inspection and use by PE Member, PE's Architect, and PE's Consultants and/or any agent, representative or other designee of the foregoing (on a non-exclusive basis), at least one record copy of (i) the Plans, and any change orders or other modifications to any such Plans, in each case in good order, and (ii) all Shop Drawings, Product Data and Samples showing or related to all current and pending Developer Work. The obligations of Developer pursuant to this Section 3.09 shall survive the PE Unit Closing and the termination of this Agreement for a period of seven (7) years after the latest of the PE Unit Closing, such termination, the date on which Final Completion is achieved, and the date on which the Subway Entrance is completed in accordance with this Agreement.

Section 3.10 ERY Site Plan.

(a) Developer and, by joining in the execution of this Agreement below, ERY Tenant, Tower A Tenant and Destination Retail Tenant each hereby agrees and covenants, for the benefit of PE Member, that to the extent the Related/Oxford Parties or any of their respective Affiliates engage in any further development or construction of the Initial Balance Lease Premises, or the ERY or any portion thereof, including any Severed Parcel, whether for its own account or otherwise, the same shall be developed and constructed substantially in accordance with the ERY Site Plan (without regard to the identity of any tenants or users stated thereon). Any breach by Developer, ERY Tenant, Tower A Tenant or Destination Retail Tenant of the terms of this Section 3.10(a) shall entitle PE Member to seek and obtain injunctive relief.

(b) Developer and ERY Tenant shall (i) cause the landscaping and hardscaping on the public plaza of the ERY to be completed substantially in accordance with the ERY Site Plan; provided, that, except as otherwise expressly provided herein, Developer shall not be subject to any penalties or liability to PE Member if the same are not completed within any particular time, (ii) cause the open space required under applicable zoning laws to be substantially completed no later than December 31, 2018 (subject to maintenance of hoists, protection and similar items pursuant to the Site Logistics Procedures or ERY Site Logistics Plan necessary for the completion of the Tower Building), and (iii) cause the Platform to be substantially completed by December 31, 2016. Developer shall use Best Efforts to cause the Subway Entrance to be completed within two (2) years following issuance of a temporary certificate of occupancy for the PE Unit, subject to receipt of all necessary approvals from the MTA and other government agencies. Developer agrees to pursue diligently all such approvals.

(c) From and after the PE Unit Closing, Developer shall provide (or cause to be provided) valet parking services for the Tower Building at cost subject to reasonable guidelines. Developer represents and warrants to PE Member, as of the date hereof, that Developer or its Affiliate has entered into binding agreements to purchase the parcels of real property designated as Block 705, Lots 45 and 46, and such agreements are in full force and effect. Developer shall, or shall cause such Affiliate to, use its best efforts to cause the acquisition of such parcels pursuant to such agreements. If Developer or its Affiliate acquires ownership or control after the date hereof of such parcels or any other parcel of real property within the 50 HY Block, Developer shall, or shall cause such Affiliate to, (1) record a restrictive covenant substantially in the form of the 50 HY Deed Restriction (the 50 HY Deed Restriction or any other restrictive covenant substantially in the form of the 50 HY Deed Restriction, a "50 HY Restrictive Covenant") against such parcel in the appropriate local land records ( provided, if such parcel is acquired by Developer or its Affiliate prior to Severance, such 50 HY Restrictive Covenant shall be recorded at Severance), and (2) simultaneously with or prior to the execution of such 50 HY Restrictive Covenant, cause any third party who may become the owner of any such parcel pursuant to a 50 HY Mortgage in effect as of the date of such acquisition to execute and record an instrument in the form of the 50 HY Mortgage Subordination subordinating its rights under such 50 HY Mortgage to the applicable 50 HY Restrictive Covenant. PE Member acknowledges and agrees that from and after the transfer by Developer or any of its Affiliates of any parcel within the 50 HY Block

that is subject to a 50 HY Restrictive Covenant and (if applicable) a 50 HY Mortgage Subordination to any third party (that is not Developer or an Affiliate of Developer), neither Developer nor any of its Affiliates shall have any obligation to enforce such 50 HY Restrictive Covenant or 50 HY Mortgage Subordination nor any liability for any breach of such 50 HY Restrictive Covenant or 50 HY Mortgage Subordination by such transferee or any subsequent third-party owner of such parcel (that is not Developer or an Affiliate of Developer). In no event shall Developer or any Affiliate thereof transfer Floor Area from any parcel located on the 50 HY Block to another parcel located on the 50 HY Block that is not subject to a 50 HY Restrictive Covenant (any such parcel on the 50 HY Block that is not subject to such a restrictive covenant, an “Unburdened Parcel”), unless, prior to any such transfer of Floor Area, (A) the transferee of such Floor Area executes and records against such Unburdened Parcel a restrictive declaration or other agreement, for the benefit of the Benefited Parties (as defined in the 50 HY Deed Restriction), that prohibits the construction or development on any portion of such Unburdened Parcel of any building, structure or improvement (including, without limitation, any parapet, bulkhead, fence, elevator shaft, water tower, antenna, cell tower, satellite dish, chimney, pipe, ladder, fire escape, or other mechanical or telecommunications equipment) that exceeds the Height Limit (as defined in the 50 HY Deed Restriction) (any such restrictive declaration or similar agreement recorded against an Unburdened Parcel, an “Unburdened Parcel Restriction”) and (B) the transferee of such Floor Area causes any third party who may become the owner of any such Unburdened Parcel pursuant to a recorded instrument (including, without limitation, a mortgage or lease with an option to purchase) (any such instrument, an “Unburdened Parcel Mortgage”) in effect as of the date of such transfer of Floor Area to execute and record an instrument substantially in the form of the 50 HY Mortgage Subordination subordinating its rights under such Unburdened Parcel Mortgage to the applicable Unburdened Parcel Restriction (any such instrument, an “Unburdened Parcel Mortgage Subordination”). PE Member and Developer acknowledge and agree that (i) from and after the recording of any such Unburdened Parcel Restriction and (if applicable) Unburdened Parcel Mortgage Subordination against any such Unburdened Parcel that is owned or controlled by a third party (that is not Developer or an Affiliate of Developer), (x) the Benefitted Parties shall have the sole right to enforce such Unburdened Parcel Restriction and Unburdened Parcel Mortgage Subordination, and Developer and its Affiliates shall have no obligation to enforce such Unburdened Parcel Restriction or Unburdened Parcel Mortgage Subordination and (y) Developer and its Affiliates shall have no liability to PE Member or its Affiliates in connection with the transfer of Floor Area to such Unburdened Parcel or any breach of such Unburdened Parcel Restriction or Unburdened Parcel Mortgage Subordination by the transferee of such Floor Area or any subsequent third-party owner of such Unburdened Parcel (that is not Developer or an Affiliate of Developer) and (ii) any transfer of Floor Area to an Unburdened Parcel without the prior recordation of an Unburdened Parcel Restriction and (if applicable) Unburdened Parcel Mortgage Subordination shall be void, and PE Member shall be entitled to obtain equitable relief by way of injunction and/or to compel specific performance of Developer’s obligation to obtain such Unburdened Parcel Restriction or Unburdened Parcel Mortgage Subordination (without the need to prove or demonstrate damages).

(d) The provisions of this Section 3.10 shall survive the PE Unit Closing. Delivery of Plans

#### Section 3.11 Construction Loan Documents; 30 HY Project Documents.

(a) PE Member’s prior written approval shall be required for any amendment, modification, supplement or waiver to the Construction Loan Documents (or the documents evidencing any refinancing of the Construction Loan) that (i) changes the amount of proceeds of the Construction Loan available for disbursement with respect to the PE Unit, (ii) changes the timing or (or conditions to) the obligation of PE Member with respect to payment of the PE Unit Allocated Construction Loan Amount in any material respect, (iii) imposes any liability on PE Member or PE Guarantors with respect to the Construction Loan other than as set forth in the PE Developer Guaranty, (iv) increases the liability of PE Guarantors under the PE Developer Guaranty, (v) changes any provision regarding the Construction Lender’s consent or approval rights (if any) with respect to the PE Finish Work, or (vi) modifies the subordination (or priority) applicable to the Building Completion Guaranty.

(b) PE Member’s prior written approval (not to be unreasonably withheld, conditioned or delayed) shall be required for entering into or approving any new 30 HY Project Document, or any amendment, modification, supplement or waiver to any 30 HY Project Document, in each case to the extent the same (x) discriminates against PE Member or the PE Unit as compared to the Other Members or Other Units, as applicable or (y) has a disproportionate material adverse effect on the PE Unit as compared to the Other Units. The foregoing shall not be deemed to replace or supersede (and shall be in addition to and shall supplement) any approval rights or consent rights provided to PE Member elsewhere in this Agreement or in the Operating Agreement (or in any other agreement with Developer or its Affiliates relating to the Project or the ERY to which PE Member is or becomes a direct party).

(c) During the period prior to the time which PE Member (or its Affiliate) becomes a “Member” under the Operating Agreement (and entitled to exercise the rights and privileges of a Member), Developer shall not take (and shall ensure that Managing Member and/or the LLC shall not take) without the prior consent of PE Member (x) any action or decision constituting a Major Decision (as defined in the Operating Agreement) or (y) any action or decision for which the consent of PE Member (or its Affiliate) would be required if the Assignment Agreement were effective and PE Member (or its Affiliate) were a Member (in each case subject to the same standards and provisions for approval as provided in the Operating Agreement).

(d) Developer shall provide PE Member (on a reasonably prompt basis) with copies of (i) any new 30 HY Project



Document, (ii) any material amendment, modification, supplement to any 30 HY Project Document and (iii) any written notice of default sent or received under any 30 HY Project Document (which obligation shall be satisfied by making any such document or agreement on the Project Data Site).

## ARTICLE 4

### **ACCESS TO INFORMATION; PAYMENT OF PE MEMBER TOTAL DEVELOPMENT COST AND PE MEMBER ADDITIONAL DEVELOPMENT COSTS; AUDIT RIGHTS; BOOKS AND RECORDS; ENVIRONMENTAL REPORTS**

#### Section 4.01 Access to Information; Meeting with the Construction Lender.

(c) PE Member and PE's Consultants (and/or any agent, representative or other designee of the foregoing) shall have prompt and complete access (on an unrestricted, complete and "open book" basis) to all spreadsheets and systems supporting any numbers or categories of costs relating to any Project Costs (including cost breakdowns and allocations), all revised Schedules, and all material financial analyses, studies and materials performed or prepared in connection with the Project. Developer shall make available on the Project Data Site or deliver as an attachment to an Email Notice all or any such materials prepared by Developer, Developer's Consultants, or other Persons employed in connection with the Project, and shall cause all of Developer's Consultants and other Persons employed in connection with the Project to provide prompt, complete and unrestricted access (subject to password protection (consistent with PE Member's need to access the Project Data Site) and outages beyond Developer's control) to all such materials to PE Member (and/or any agent, representative or other designee of PE Member), in each case promptly upon request of PE Member. In addition, upon request to Developer, Developer shall provide PE Member, PE's Architect and PE's Consultants (and/or any agent, representative or other designee of the foregoing) such other information and materials relating to the design, cost and construction of the Project or the ERY that PE Member may reasonably request.

(d) Without limiting the generality of the foregoing, Developer shall invite, or cause the LLC or Tower A Tenant to invite, PE Member and PE's Consultants to attend all regular monthly requisition meetings with the Construction Lender or its disbursement agents, and all other material meetings with the Construction Lender, and shall, simultaneously with any Draw Request or other material submission made to the Construction Lender or any disbursement agent regarding the Developer Work, copy, or cause the Executive Construction Manager to copy, PE Member on such Draw Request or submission, or make the same available on the Project Data Site (including providing or making available on the Project Data Site a copy of all supporting documentation simultaneously submitted to the Construction Lender or the disbursement agent for the Construction Lender), including copies of lien waivers, title continuations, architect's certificates or revised budgets showing re-allocations among line items included therein and notify PE Member thereof by Email Notice. For the avoidance of doubt, the foregoing obligations shall not apply with respect to the DRB Construction Loan or any meetings with or submissions to the DRB Construction Lender.

(e) To the extent (x) the schedule for TW Member's Finish Work (or any amendment thereto) is made available to Developer and (y) Developer is not restricted by confidentiality provisions from disclosing the same, Developer shall, upon receipt, promptly provide to PE Member copies of TW Member's schedule for its Finish Work (including amendments to such schedule).

#### Section 4.02 Draw Requests; Payment of PE Member Total Development Cost, PE Member Additional Development Costs and PE Member Additional Payment.

(e) From and after the Severance Date, Developer shall deliver to PE Member a copy of each Draw Request for payment of Project Costs being requisitioned from any Member or Construction Lender. Each such Draw Request shall set forth, to the extent applicable, (i) the applicable PE Member Remaining Equity Payment to be funded by PE Member at such time in accordance with the PE Member Remaining Equity Payments Schedule, and (ii) a specific delineation of any Project Costs that constitute PE Member Additional Development Costs that are required to be paid in connection with such Draw Request. PE Member shall pay any amounts which it is responsible to pay pursuant to any such Draw Request as provided in Sections 4.02(b) or 4.02(c) below within ten (10) days following delivery to PE Member of the applicable Draw Request.

(f) The PE Member Total Development Cost shall be funded as follows:

(i) On the Severance Date, PE Member shall make the Severance Date Payment in accordance with the provisions of Section 11.01(b);

(ii) Following the Severance Date, PE Member shall fund the PE Member Remaining Equity Payments in accordance with the PE Member Remaining Equity Payments Schedule within ten (10) days following receipt of the applicable Draw Request requesting each such PE Member Remaining Equity Payment;

(iii) Following the funding by PE Member of the PE Member Remaining Equity Payments, Developer shall

requisition funds from the Construction Lender to pay for the PE Share of all Project Costs set forth in any subsequent Draw Request until the total amount of Construction Loan proceeds funded in respect of the PE Share of Project Costs equals the PE Member Debt Funding Amount. Notwithstanding the foregoing, in the event that the Construction Lender does not fund Construction Loan proceeds requisitioned to pay for the PE Share of Project Costs set forth in any such Draw Request despite satisfaction of all material conditions to such funding as set forth in the Construction Loan Documents, PE Member shall make payments of the PE Member Total Development Cost in respect of such PE Share of Project Costs requisitioned in such Draw Request; provided, however, any such payments by PE Member pursuant to this clause (iii) shall not exceed in the aggregate the PE Member Debt Funding Amount; and

(iv) PE Member shall pay the PE Unit Allocated Construction Loan Amount, the PE Member Fixed MTA Deed Payment and, if applicable, the PE Member True-Up Payment in accordance with the provisions of Section 12.01.

(g) Notwithstanding anything to the contrary set forth herein, all Project Costs consisting of PE Member Additional Development Costs shall be the sole responsibility of PE Member (and shall not be included in the PE Member Total Development Cost) and PE Member shall pay all such PE Member Additional Development Costs to the extent set forth in any Draw Request within ten (10) days following delivery to PE Member of such Draw Request, or as such PE Member Additional Development Costs otherwise are payable pursuant to the provisions of this Agreement.

(h) Developer shall be solely responsible to pay (or cause to be paid) the PE Share of any Project Costs in excess of the PE Member Total Development Cost (other than PE Member Additional Development Costs).

(i) PE Member shall have the right to review each Draw Request, and shall have the right to dispute all or any portion of each Draw Request consisting of costs that are PE Member Additional Development Costs, and the allocation of costs consisting of PE Member Additional Development Costs to PE Member as shown in each Draw Request, as follows:

(i) If, in PE Member's opinion, the amount of any hard cost item to be funded pursuant to a Draw Request that constitutes PE Member Additional Development Costs is not supported by the work performed as of the date of such Draw Request, then within three (3) Business Days after delivery to PE Member of such Draw Request, PE Member shall inform Developer in writing (which may be by Email Notice) of its objection to the amount of such hard cost item or percentage of completion (it being agreed that any objection raised after such three (3) Business Day period shall be addressed in the following month's Draw Request). Developer, the Executive Construction Manager, and the Construction Manager shall review and attempt to resolve PE Member's objections within two (2) Business Days after delivery to Developer of such objection, and Developer and PE Member shall agree to do one of the following: (A) adjust such hard cost item, and the amount of such adjustment, in such Draw Request, (B) require additional documentation or inspection (including contracts with subcontractors, invoices, change orders, Field Change authorizations and drawings associated with the applicable Draw Request), or (C) remove the amount for such hard cost item in its entirety from such Draw Request. In the event that PE Member and Developer are unable to agree on the amount of any hard cost item included in a Draw Request, then such Draw Request shall be delivered for funding, including the amount of such hard cost item in dispute, and the dispute with respect to such amount shall be resolved through Arbitration pursuant to the provisions of Article 14.

(ii) If, in PE Member's opinion, the amount of any design professional costs or other soft costs to be funded pursuant to a Draw Request that constitutes PE Member Additional Development Costs is not supported by the work performed as of the date of such Draw Request, then within three (3) Business Days after delivery to PE Member of such Draw Request, PE Member shall inform Developer in writing (which may be by Email Notice) of its objection to the amount of such soft cost item or percentage of completion (it being agreed that any objection raised after such three (3) Business Day period shall be addressed in the following month's Draw Request). Developer shall respond (which may be by Email Notice) within two (2) Business Days after delivery to Developer of such objection by (A) adjusting the amount for such item in such Draw Request, (B) providing additional documentation to PE Member (including contracts with subcontractors, invoices, and change orders), (C) removing the amount for such item in its entirety from such Draw Request or (D) notifying PE Member that Developer does not agree with such objection. In the event that PE Member and Developer are unable to agree on the amount of any soft cost item included in a Draw Request, then such Draw Request shall be delivered for funding, including the amount of such soft cost item in dispute, and the dispute with respect to such amount shall be resolved through Arbitration pursuant to the provisions of Article 14.

(iii) PE Member shall be entitled to all materials and information that are reasonably necessary to evaluate and analyze the cost information in each Draw Request that includes PE Member Additional Development Costs (including contracts with subcontractors, invoices, change orders, Field Change authorizations and drawings associated with the applicable Draw Request), and Developer shall provide PE Member, PE's Architect and the applicable PE's Consultants with all such material and information. If PE Member disputes the allocation to PE Member of any cost in any Draw Request constituting PE Member Additional Development Costs, it shall notify Developer in writing (which may be by Email Notice)

within five (5) Business Days after delivery to PE Member of such Draw Request together with such material and information (it being agreed that any objection raised after such five (5) Business Day period shall be addressed in the following month's Draw Request). Developer and PE Member shall consult in good faith to resolve any allocation dispute, and any re-allocation of costs in resolution of such dispute will be implemented in the following month's Draw Request in accordance with the further provisions of this Section 4.02. In the event that PE Member and Developer are unable to agree on the allocation of any cost in the Draw Request constituting PE Member Additional Development Costs, then such Draw Request shall be delivered for funding, including the amount in dispute, and the dispute with respect to such amount shall be resolved through Arbitration pursuant to the provisions of Article 14.

(iv) In no event shall any dispute between PE Member and Developer with respect to any Draw Request give PE Member the right to withhold or delay the payment thereof beyond the due date set forth in the Operating Agreement.

(j) If PE Member fails to pay any amounts required to be paid by it pursuant to a Draw Request as provided in this Section 4.02 within ten (10) days after delivery of the Draw Request, or fails to pay any other sum due hereunder on the date set forth herein, then PE Member shall pay to Developer (which amount shall not be a capital contribution to the LLC) a late charge in the amount of five percent (5%) of the unpaid portion of the amount set forth in such Draw Request; provided that with respect to the first two (2) instances during the term of this Agreement that a Draw Request is not paid on the due date thereof, no late charge shall be payable unless such failure continues for more than three (3) Business Days after written notice from Developer. Such late charge shall constitute compensation to Developer for the additional expense and inconvenience arising out of late payment by PE Member, and shall not be deemed to be a penalty. In addition, if PE Member fails to pay any Draw Request by the applicable due date therefor, then any actual delay caused by such late payment shall be a PE Delay.

(k) Concurrent with the payment by PE Member of the first PE Member Remaining Equity Payment following Severance, PE Member shall also pay to Developer the PE Member Additional Payment.

#### Section 4.03 Audit of Construction Costs.

(e) PE Member and its representatives (but excluding any consultant that is paid in whole or in part on a contingency fee basis) shall have the right, on an annual basis to inspect, make copies of and, where applicable to the extent relating to PE Member Additional Development Costs, audit, all books and records of the LLC and its subsidiaries or Developer, and all materials in Developer's possession or in the possession of the LLC, the Executive Construction Manager, the Construction Manager (but, in such case, only to the extent relating to the Project or Project Costs), the Project Architect (but in such case, only to the extent relating to the Project or Project Costs), any of the Members and their Affiliates (including, without limitation, R/O Member and its Affiliates) that are not otherwise provided by Developer or the LLC and its subsidiaries, which may be posted on the Project Data Site (it being acknowledged and agreed that PE Member shall only have the right to audit such materials to the extent the same relate to expenses that are included in PE Member Additional Development Costs). Any such inspection, copying or, to the extent relating to expenses that are included in PE Member Additional Development Costs, audit shall be conducted during business hours, on reasonable notice, and at PE Member's cost and expense; provided, that if such audit reveals any over-charging or over-allocation to PE Member of Project Costs constituting PE Member Additional Development Costs in excess of three percent (3%) of the aggregate amounts charged or allocated to PE Member which are the subject of such audit, then Developer shall reimburse PE Member for all reasonable out-of-pocket costs and expenses actually incurred by PE Member in conducting such audit. Any overcharge shall be paid with interest at the Interest Rate from the date of such overcharge to the date such excess is reimbursed ( provided, that in the event an audit reflects an overcharge in excess of three percent (3%), then interest shall be at the Default Rate in lieu of the Interest Rate). Any such audit may cover all prior monthly Draw Requests that have not been the subject of a prior audit (unless it shall be necessary, in the reasonable judgment of the auditor, in order to understand and evaluate the particular transactions or payments that are the subject of the audit in question, to review transactions or payments which were the subject of any prior audit); provided, that no such audit may be commenced after the outside date for audits set forth in Section 13.03. PE Member shall deliver (which may be by Email Notice) a report of its findings (in each audit) to Developer not later than ten (10) Business Days after it concludes each such audit and such findings are finalized.

(f) Developer and PE Member shall consult in good faith to resolve any matter in dispute raised in any audit conducted by PE Member as provided in paragraph (a) above within ten (10) Business Days after delivery to Developer of such audit report. If Developer and PE Member cannot resolve a particular dispute (with respect to any matter raised in such audit report) within such ten (10) Business Day period, the dispute shall be submitted to Arbitration pursuant to the provisions of Article 14. In no event shall a dispute prevent or delay Draw Requests from being processed and paid, subject in all events to the satisfaction of all conditions applicable thereto.

(g) If any amounts paid are ultimately determined to have been improperly charged to PE Member as PE Member Additional Development Costs, then PE Member Additional Development Costs will be appropriately reduced and credited with interest at the Interest Rate from the date payment on account of such Project Costs was made through the date such credit is applied

to the next Draw Request or such amount is repaid ( provided, that in the event an audit reflects an overcharge in excess of three percent (3%), as described in Section 4.03(a), then interest on the portion of the overcharge that exceeds three percent (3%) shall be at the Default Rate in lieu of the Interest Rate).

(h) Nothing herein shall prevent PE Member from conducting an inspection of all books and records of the LLC, Developer, its subsidiaries, the Executive Construction Manager or the Construction Manager to the extent relating to PE Member Additional Development Costs for purposes of the final accounting pursuant to Section 13.03.

Section 4.04 Books and Records. Developer shall maintain electronic copies of all Draw Requests, invoices and other documentation (electronic or otherwise) as shall be necessary to establish and verify the Project Costs for a period of seven (7) years following the date on which Final Completion occurs (or, if later, such date on which the Subway Entrance is completed in accordance with this Agreement); provided, that such maintenance shall give PE Member no additional rights or time periods for audit and provided further that, if PE Member requests (at any time prior to the expiration of such seven (7) year period) that Developer deliver to PE Member (at PE Member's sole cost and expense) copies of all such Draw Requests, invoices and other documentation, then Developer shall deliver all such materials to PE Member.

Section 4.05 Environmental Reports.

(e) Developer has provided to PE Member, or made available on the Project Data Site, copies of all environmental assessments commissioned by Developer or its Affiliates pertaining to the Land in connection with entering into the initial ground lease of the ERY from the MTA. Developer shall provide PE Member with, or make available on the Project Data Site (and promptly deliver Email Notice to PE Member thereof), a copy of all reports, inspections, or analyses concerning the presence (or possible presence) of Hazardous Materials in or on the Land or the Building, including, without limitation, drafts thereof, which Developer commissions or receives from and after the date hereof, in each case promptly after receipt thereof.

(f) In connection with all aspects of the Project, Developer shall comply, and shall use Best Efforts to cause the Project Architect and any Developer's Consultants (and any architects, engineers, consultants or advisors engaged by or on behalf of Destination Retail Tenant) to comply, with all Environmental Laws, and shall take all such actions with respect to the Project which may be required by any Government Entity to comply with any such Environmental Laws.

(g) Developer shall indemnify, defend, reimburse, and hold harmless PE Member, and each of the PE Indemnitees, from and against any and all costs and claims (i) relating to any alleged violation or contravention of any Environmental Laws by Developer or any of its Affiliates or any of Developer's Consultants with respect to the Land, the ERY, the Developer Work or any Finish Work performed by or on behalf of Developer or any of its Affiliates, and (ii) in connection with any remediation or cleanup of the Land or the ERY required by Environmental Laws resulting from the acts or omissions of any Person; except, in each case, to the extent such losses, claims or costs result from PE Member's, PE's Consultants' or any of the PE Indemnitees' carrying out of any PE Finish Work. The provisions of this Section 4.05(c) and the obligations of Developer hereunder shall survive the PE Unit Closing and the termination of this Agreement; provided, that Developer shall have no further obligations or liabilities under this Section 4.05(c) (other than for then existing claims hereunder) from and after both of the following occur: (x) the third (3rd) anniversary of the date on which Final Completion is achieved (or, if later, such date on which the Subway Entrance is completed in accordance with this Agreement), as agreed to by Developer and PE Member or, in the absence of such agreement, as determined by Arbitration as provided in this Agreement, and (y) the delivery by Developer to PE Member of a current Phase I environmental site assessment (and, if applicable, a current Phase II environmental assessment) for the Property, dated on or about the date referred to in clause (x) above, prepared consistent with ASTM Practice E 1527 that does not identify any recognized environmental conditions that require further investigation or remediation. Nothing contained in this Section 4.05(c) is intended to limit PE Member's rights against any other Person.

(h) PE Member shall indemnify, defend, reimburse, and hold harmless Developer, and each of the Developer Indemnitees, from and against any and all costs and claims relating to any alleged violation or contravention of any Environmental Laws by PE Member or any of PE's Consultants with respect to their performance of the PE Finish Work; except, in each case, to the extent such losses, claims or costs (i) are caused by Developer or any of the Developer Indemnitees, (ii) result from Developer or Developer's Consultants carrying out of any Developer Work or any work performed in the Destination Retail Building (other than by PE Member or its Affiliates) or (iii) result from the Finish Work of any Other Member. The provisions of this Section 4.05(d) and the obligations of PE Member hereunder shall survive the PE Unit Closing; provided, that PE Member shall have no further obligations or liabilities under this Section 4.05(d) (other than for then existing claims hereunder) from and after the third (3<sup>rd</sup>) anniversary of the date on which both Delivery Blocks have been delivered to PE Member in Delivery Condition.

(e) Developer represents and warrants to PE Member that, to its knowledge, Developer is in compliance with its obligations pursuant to Article 9 of the Construction Agreement.

(f) ERY Tenant represents and warrants to PE Member that, to its knowledge, ERY Tenant is in compliance with its obligations pursuant to Section 20.3 of the A/B Balance Lease and Section 6.4 of the Declaration of Easements.

Section 4.06 Survival. Except as otherwise expressly provided in Section 4.05, the provisions of this Article 4 shall survive the PE Unit Closing and the termination of this Agreement.

## ARTICLE 5

### LABOR MATTERS

Section 5.01 Project Labor Agreement. Developer has provided a copy of the Project Labor Agreement to PE Member. Developer hereby represents and warrants to PE Member that the Project Labor Agreement by its terms will no longer apply to the PE Unit or any owner or occupant thereof from and after the substantial completion of the PE Finish Work (including any PE Finish Work punch list items). Developer shall, and shall cause the Executive Construction Manager to, deliver to PE Member prior to execution thereof any amendment or supplement to the Project Labor Agreement, or any separate or additional letter or agreement sent to or entered into with the Building & Construction Trade Council of Greater New York or with any individual union or other trade group in connection with the Project. Developer shall consult with PE Member with respect to any amendment to the Project Labor Agreement, or any new agreement with any trade group or union affecting the construction of the Project or the PE Finish Work, in each case that affects the PE Unit, the PE Areas, the PE Member Total Development Cost, PE Member Additional Development Costs or PE Finish Work, and shall not, and shall not cause or permit the LLC, Tower A Tenant, Destination Retail Tenant, the Construction Manager or the DRB CM, and the LLC, Tower A Tenant, and Destination Retail Tenant shall not, enter into any of the foregoing without PE Member's prior written consent if the same materially adversely affects the PE Finish Work (or the cost thereof), the PE Unit, the PE Areas, or the PE Member Additional Development Costs. PE Member acknowledges that the Building will be subject to collective bargaining agreements with Local 32BJ and Local 94.

Section 5.02 MWBE. If Developer implements, or causes the Executive Construction Manager to implement, any program with respect to Minority and/or Women-owned Business Enterprise or maintains any statistics with respect thereto, Developer shall upon request deliver to PE Member, or make available on the Project Data Site (and simultaneously deliver an Email Notice to PE Member notifying PE Member thereof), to the extent available, a copy of any such program, statistics of participation, information with respect to participation levels achieved and such other materials and information with respect thereto as PE Member may reasonably request.

## ARTICLE 6

### SCHEDULE AND UPDATES; PE DELAY; HOLDOVER COSTS; AUTOMATIC TERMINATION OF AGREEMENT

Section 6.01 Project Schedule; Updates.

(i) PE Member hereby approves the Schedule, in the form agreed by the Parties and dated as of the date hereof.

(j) Developer shall provide monthly updates of the Schedule in connection with the monthly meetings described in Section 3.03.

(k) Developer shall use Best Efforts to adhere to, and shall instruct and use Best Efforts to cause the Executive Construction Manager, the Project Architect, the DRB ECM and other Consultants and all contractors to adhere to, the dates and time periods set forth in the Schedule (subject to Force Majeure events and PE Delays).

(l) Developer shall give PE Member (for PE Member's review) monthly updates of the Schedule and monthly "look-aheads" with respect to the Schedule (or on such other more frequent basis as any such updates are prepared and issued by the Executive Construction Manager or Developer).

(m) Notwithstanding anything to the contrary contained herein, no progress update or amendment to the Schedule shall be deemed to extend, modify or amend the Outside Delivery Date or the Outside Substantial Completion Date or affect PE Member's rights under Section 6.03 or Section 11.04 (except to the extent by reason of PE Delay as provided in the definitions thereof).

Section 6.02 PE Delay.

(d) With respect to any claim of PE Work Delay pursuant to this Agreement, if Developer fails to notify PE

Member in writing (which may be by Email Notice) of any delay that could become a PE Work Delay within five (5) Business Days after Developer becomes aware of such delay, then such delay shall not be deemed to be a PE Delay unless and until such notice is delivered, and if such notice is delivered after such five (5) Business Day period has expired, only the delay (if any) occurring from and after delivery of such notice shall constitute PE Delay.

(e) If Developer or PE Member believes that any PE Delay (or any delay which may result in a PE Delay) might be mitigated by the expenditure of additional funds, including for additional labor or performance of overtime work, Developer or PE Member, as applicable, may give notice thereof to the other party setting forth in reasonable detail Developer's or PE Member's, as applicable, proposed plan of mitigation (any such proposed plan, a "Proposed PE Delay Mitigation Plan"). In addition, if requested by PE Member, Developer shall endeavor to propose a Proposed PE Delay Mitigation Plan that, in Developer's reasonable judgment, might mitigate the PE Delay in question. With respect to any Proposed PE Delay Mitigation Plan proposed by Developer and approved by PE Member, or proposed by PE Member and approved by Developer (which approval in each case shall not be unreasonably withheld), Developer shall promptly notify PE Member of Developer's estimate of the cost, including the amount of additional labor or overtime work required to implement any such mitigation plan (such notice, a "Proposed PE Delay Mitigation Estimate"). If, within ten (10) days after delivery to PE Member of such Proposed PE Delay Mitigation Estimate, PE Member delivers notice that PE Member elects to proceed with such Proposed PE Delay Mitigation Plan, then Developer shall proceed to implement such Proposed PE Delay Mitigation Plan (to the extent such labor is available and to the extent overtime work is permitted by applicable Laws). Any actual costs arising from implementation of such Proposed PE Delay Mitigation Plan that PE Member elects to pursue (including costs that exceed Developer's estimate) shall be PE Member Additional Development Costs, and PE Member may not require Developer to apply funds from any contingency reserve for the Project to pay such costs. The implementation of such Proposed PE Delay Mitigation Plan shall not affect the existence of such PE Delay to the extent such delay is not mitigated, reduced or eliminated. Any calculation of PE Delay shall be made on a net basis taking into account actual time savings, if any, resulting from any acts of PE Member, PE's Architect, PE's Consultants or any of such parties' agents, employees or contractors, or resulting from any mitigation efforts taken by Developer or Developer's Consultants.

(f) For all purposes of this Agreement, concurrent PE Delays shall be counted only once, as a single period of delay.

#### Section 6.03 Delivery Blocks, Holdover Costs, Etc.

(i) Developer shall use Best Efforts to deliver to PE Member each Delivery Block in Delivery Condition on or prior to the Estimated Delivery Date for such Delivery Block in accordance with the provisions of Section 9.02; provided, however, Developer shall have no liability to PE Member for failure to timely delivery any Delivery Block other than (i) the liability (if any) under Section 6.03(b) below for failure to deliver both Delivery Blocks on or prior to the Outside Delivery Date, (ii) any Developer liability for Specified Finish Work Costs under Section 6.03(h), and (iii) the obligations of Developer under Section 11.04 (if any). Without limiting the foregoing provisions of this Section 6.03 and Section 9.02 with respect to Delivery Condition, the parties agree that the delivery to, and acceptance by, PE Member of any Delivery Block shall constitute an acknowledgement that such Delivery Block, or such floor or floors, as applicable, was or were in Delivery Condition (subject to any DC Punch List Work) at the date of such acceptance.

(j) If (1) Developer fails to (x) cause the Delivery Date for both Delivery Blocks to occur on or prior to the Outside Delivery Date or (y) cause Substantial Completion to occur on or prior to the Outside Substantial Completion Date (the occurrence of either (x) or (y), a "Holdover Cost Trigger Event" and the applicable deadline for each such Holdover Cost Trigger Event as set forth in the foregoing clauses (x) or (y), a "Holdover Cost Trigger Date"), and (2) PE Member and/or its Affiliates are actually delayed in completing the PE Finish Work and moving into the PE Unit for the normal conduct of their business in the ordinary course on or prior to the Occupancy Date (assuming PE Member complies with its obligations under Section 6.03(c)), Developer shall pay to, or as directed by, PE Member, from time to time, Holdover Costs in accordance with this Section 6.03(b). The express liability of Developer for Holdover Costs under this Section 6.03(b) shall be PE Member's sole remedy against Developer with respect to Developer's failure to cause the Holdover Cost Trigger Events to occur on or prior to the applicable Holdover Cost Trigger Date; provided, that the foregoing shall not reduce Developer's obligation to pay costs payable by Developer pursuant to Section 6.03(c) or Section 6.03(h), and shall not reduce PE Member's rights pursuant to Section 10.02(d) or affect PE Member's rights under Section 11.04. If a PE Delay occurs after Holdover Costs have commenced to accrue, to the extent such PE Delay actually delays achievement of a Holdover Cost Trigger Event giving rise to such Holdover Costs, then such Holdover Costs shall be suspended during the period of any such actual delay caused by PE Delay. All such payments shall be made by Developer within ten (10) days after demand therefor, accompanied by reasonably satisfactory evidence of the amount so due and the due date thereof (which shall be no earlier than five (5) days prior to the date when such funds are due to the applicable landlord under the applicable Existing Lease or any Additional Lease or Temporary Space Agreement) (and any such payments not timely made by Developer shall incur interest at the Default Rate from the date due until the date such payment is made). Notwithstanding anything to the contrary herein (but subject to the provisions of Section 6.03(b)(i) below), it is expressly understood and agreed that if any Holdover Cost Trigger Event does not occur on or prior to the applicable Holdover Cost Trigger Date, then Developer's aggregate liability for

Holdover Costs shall not exceed the amount of Holdover Costs attributable to the period (“Holdover Delay Period”) commencing on the Occupancy Date and continuing for the number of days between the applicable Holdover Cost Trigger Date and the applicable Holdover Cost Satisfaction Date (provided that, if under the applicable Existing Lease, Additional Lease or Temporary Space Agreement holdover rent may not be determined on a *per diem* basis, such period shall extend to the end of the month in which the Holdover Satisfaction Date occurs); provided, further, that if more than one Holdover Cost Trigger Event does not occur by the applicable Holdover Cost Trigger Date, then Developer shall be solely liable for Holdover Costs for the longest Holdover Delay Period applicable to any such Holdover Cost Trigger Events. For example, if there is a 30 day Holdover Delay Period with respect to the first Holdover Cost Trigger Date (i.e., the Holdover Cost Satisfaction Date for the first Holdover Cost Trigger Event is 30 days after the Holdover Cost Trigger Date applicable to such Holdover Cost Trigger Event) and a 15 day Holdover Delay Period with respect to the second Holdover Cost Trigger Date, then Developer’s liability for Holdover Costs on account of failing to cause both the first and second Holdover Cost Trigger Events to occur on or prior to their respective Holdover Cost Trigger Dates shall be 30 days in the aggregate. For purposes of the foregoing, the “Holdover Cost Satisfaction Date” means (1) in the case of a Holdover Cost Trigger Date resulting from the failure to cause delivery of both Delivery Blocks on or prior to the Outside Delivery Date, the date on which both Delivery Blocks have been delivered in Delivery Condition (or, if a PE Delay occurs after the Outside Delivery Date, the date that such Delivery Block would have been delivered in Delivery Condition if such PE Delay had not occurred) and (2) in the case of a Holdover Cost Trigger Date resulting from the failure to cause Substantial Completion to occur on or prior to the Outside Substantial Completion Date, the date on which Substantial Completion occurs (or, if a PE Delay occurs after the Outside Substantial Completion Date, the date that Substantial Completion would have occurred if such PE Delay had not occurred).

(i) Notwithstanding the foregoing, if a Holdover Delay Period has commenced and the applicable Holdover Cost Satisfaction Date has not occurred prior to the Rescission Open Date, the Holdover Delay Period shall also include (in addition to the period from the Occupancy Date through the Rescission Open Date) the period from and after the Rescission Open Date and continuing until the earlier to occur of (i) the date on which the applicable Holdover Cost Satisfaction Date occurs (or, if a PE Delay occurs after the Rescission Open Date, the date that the Holdover Cost Satisfaction Date would have occurred if such PE Delay had not occurred) and (ii) the Rescission Effective Date (if any); provided, however, if (x) the Holdover Cost Satisfaction Date has not occurred as of the one (1) year anniversary of the Rescission Open Date and (y) the failure of the Holdover Cost Satisfaction Date to occur is not the result of (I) a material breach by Developer (which, if PE Member has knowledge of the same, continues beyond a reasonable cure period) or (II) a breach by Developer of this Agreement for the purposes of selling or leasing the PE Unit to another purchaser or tenant, then, at any time from and after the one (1) year anniversary of the Rescission Open Date, Developer may elect to terminate its obligation to pay Holdover Costs by giving Notice of such election to PE Member (such Notice, a “Holdover Termination Notice”), in which case the Holdover Delay Period shall be deemed to have concluded on the date that is the earlier to occur of (1) the date that is twelve (12) months following the delivery the Holdover Termination Notice to PE Member (such date, the “Holdover Termination Date”) or (2) the Holdover Cost Satisfaction Date.

(ii) Notwithstanding the provisions of this Section 6.03(b), if Developer fails to cause a Holdover Cost Trigger Event to occur on or prior to the applicable Holdover Cost Trigger Date and PE Member and/or its Affiliates are actually delayed in completing the PE Finish Work and moving into the PE Unit for the normal conduct of their business in the ordinary course on or prior to the Occupancy Date, then Developer shall not be liable for Holdover Costs under this Section 6.03(b) in respect of such failure to cause such Holdover Cost Trigger Event to occur on or prior to the applicable Holdover Cost Trigger Date to the extent that (A) Developer is able to prove that the failure of PE Member and/or its Affiliates to complete the PE Finish Work or move into the PE Unit was caused by the failure of PE Member to prosecute the PE Finish Work and move into the PE Unit with reasonable diligence and otherwise in accordance with the provisions of Section 6.03(c) following the relevant Delivery Date (taking into account any applicable constraints imposed by the Site Logistics Procedures and applicable Law), including, without limitation, as a result of any Force Majeure event affecting such prosecution by PE Member of the PE Finish Work or such moving into the PE Unit following the Delivery Date and (B) Developer notifies PE Member that it intends to assert the foregoing defense prior to the date on which PE Member commences payment of holdover rent under the applicable Existing Lease, Additional Lease or Temporary Space Agreement.

(iii) Notwithstanding anything to the contrary herein, in the event that Developer is obligated to pay Holdover Costs to PE Member during a Holdover Delay Period, then PE Member shall be responsible for, and Developer shall receive a credit against such Holdover Costs for, the amount of Construction Loan interest allocable to the PE Unit during the Holdover Delay Period. Any amounts payable by PE Member on account of Construction Loan interest pursuant to this Section 6.03(b)(iii) shall constitute PE Member Additional Development Costs.

(k) PE Member shall (and shall cause each Existing Lease Tenant, Additional Lease Tenant and Affiliates of PE Member to) promptly commence the PE Finish Work with respect to any Delivery Block upon delivery to PE Member of such Delivery Block in Delivery Condition and use commercially reasonable efforts to diligently prosecute completion of the PE Finish Work and to move all personnel and property out of the applicable Existing Space and into the portion of the PE Unit to which such

personnel and property are intended to be relocated as soon as commercially practicable after completion of the PE Finish Work in such space. The parties acknowledge and agree that PE Member shall have no obligation to move personnel, or commence any move, into such space until Substantial Completion has been achieved and PE Finish Work has been substantially completed. If Developer believes in good faith that any delay in completion of the PE Finish Work or delay in the occupancy of the PE Unit by PE Member and its Affiliates for the normal conduct of their business in the ordinary course resulting from (x) the failure of the Delivery Date for both Delivery Blocks to occur on or prior to the Outside Delivery Date, or (y) the failure to achieve Substantial Completion on or prior to the Outside Substantial Completion Date, in either case might be mitigated, or that any Holdover Costs may otherwise be minimized, in either case by the expenditure of additional money, by the performance of overtime work, or by other reasonable means, then Developer may give notice thereof to PE Member setting forth in reasonable detail Developer's proposed plan of mitigation. If any such plan of mitigation is approved by PE Member (which approval shall not be unreasonably withheld), PE Member shall cause its Affiliates and PE's Consultants and contractors to implement the plan and Developer shall pay all reasonable costs and expenses of implementing such plan of mitigation (other than costs attributable to PE Delay). All such payments shall be made by Developer within ten (10) days after demand therefor, accompanied by reasonably satisfactory evidence of the amount so due and any such costs incurred by PE Member and not timely paid by Developer to PE Member shall incur interest at the Default Rate from the date paid by PE Member until the date reimbursed by Developer. The performance of any such mitigation work (including, without limitation, the payment of additional money by Developer or the performance of overtime work at Developer's sole cost and expense) shall not affect any of Developer's obligations to PE Member with respect to such delay (except to the extent any such delay is actually mitigated or eliminated).

(l) PE Member shall deliver to Developer a certificate (the "Existing Lease Disclosure Certificate"), dated as of the date hereof and duly executed by an officer of PE Member, certifying that PE Member has delivered to Developer true, correct and complete copies of the Existing Leases, that except as set forth in such certificate the Existing Leases have not been amended, modified or supplemented, and that the facts set forth with respect to each Existing Lease in such certificate are true, correct and complete in all material respects as of the date hereof. To the extent PE Member delivers to Developer estoppel certificates from the landlords under one or more Existing Leases certifying with respect to the facts represented by PE Member in the Existing Lease Disclosure Certificate, which estoppel certificates state that they may be relied upon by Developer and its Affiliates and otherwise be in form and substance reasonably acceptable to Developer (each, an "Existing Lease Estoppel"), then PE Member shall have no further liability under this Section 6.03(d) or the Existing Lease Disclosure Certificate with respect to each Existing Lease as to which an Existing Lease Estoppel is delivered, but only to the extent the applicable Existing Lease Estoppel confirms the applicable representations made by PE Member in the Existing Lease Disclosure Certificate. To the extent the same is then available to PE Member, PE Member shall provide to Developer, for Developer's information only, simultaneously with delivery of PE Member's schedule for the PE Finish Work, a schedule of PE Member's move-in plans or PE Member's reasonable estimate thereof, including anticipated move-in dates and indication of the Existing Space from which Existing Lease Tenants or PE Member Affiliates are moving and their intended location within the PE Unit; it being understood that provision of such schedule of PE Member's move-in plans or PE Member's reasonable estimate thereof does not constitute a representation by PE Member and shall be subject to modification by PE Member, in its sole discretion, from time to time.

(m) (i) PE Member shall consult with Developer concerning potential Existing Lease Extensions and Additional Lease Extensions, the term of such extension and strategies for managing potential disputes with landlords pertaining to a Holdover and/or the amount of Holdover Costs (but shall not be required to accept any recommendations made by Developer).

(ii) PE Member shall keep Developer apprised of any negotiations PE Member or its Affiliates may have with respect to any Existing Lease or Additional Lease, and PE Member shall not permit any Existing Lease Extension or Additional Lease Extension to be effectuated after the date hereof in a manner that (x) accelerates the expiration date under such Existing Lease or Additional Lease, (y) increases the Total Rent payable under such Existing Lease or Additional Lease from and after the Existing Lease Expiration Date, or in any way establishes the amount of holdover rent that may be applicable in the event of a Holdover (including by acknowledging the fair market rental value or "use and occupancy" charges of any Existing Space or Additional Space), or (z) otherwise results in an increase in the Holdover Costs that might arise as a result of a Holdover, in each case, without Developer's prior written consent, which shall not be unreasonably withheld, and Developer shall not be liable pursuant to this Section 6.03 for any increase in Holdover Costs resulting from any such amendment entered into without Developer's consent. PE Member shall deliver any proposed Existing Lease Extension or Additional Lease Extension which requires Developer's consent under clauses (x), (y) or (z) above to Developer (which may be in the form of an Email Notice) and Developer shall have five (5) Business Days to respond. If Developer fails to respond within such five (5) Business Day period(s), PE Member may send a Notice to Developer (which may be in the form of an Email Notice), which notice shall conspicuously indicate "REQUEST FOR APPROVAL OF [EXISTING LEASE EXTENSION/ADDITIONAL LEASE EXTENSION]; FAILURE TO RESPOND WITHIN THREE (3) BUSINESS DAYS MAY RESULT IN DEEMED APPROVAL PURSUANT TO SECTION 6.03(e) OF THE DEVELOPMENT AGREEMENT," and if Developer does not respond or object to such Notice within such three (3) Business Day period, then such Existing



Lease Extension or Additional Lease Extension shall be deemed approved by Developer.

(n) PE Member shall deliver to Developer, promptly following execution thereof, true and correct copies of any Additional Lease it enters and any amendment it enters into with respect to any Existing Lease or Additional Lease.

(o) PE Member shall deliver to Developer, promptly following receipt thereof, copies of any written notices received from any landlord (or from its counsel, property manager or agent) under any of the Existing Leases with respect to the impending expiration of an Existing Lease, under any of the Additional Leases with respect to the impending expiration of an Additional Lease or with respect to any actual or threatened claim that is reasonably likely to give rise to Holdover Costs (“Landlord Claim”). If the entire amount of any costs, penalties or damages under an Existing Lease will constitute Holdover Costs to be paid by Developer pursuant to this Section 6.03, then Developer shall have the sole right to defend or settle any such Landlord Claim, provided, that Developer bears all legal fees and expenses incurred by Developer or its Affiliates (and the legal fees and expenses incurred by PE Member and its Affiliates to the extent expressly set forth in this clause (j) below) in connection with such settlement, such settlement does not result in PE Member (or its Affiliates) incurring any liability with respect to holdover costs, penalties, damages and the landlord under such Existing Lease or Additional Lease executes and delivers a release to PE Member and/or the applicable Affiliates solely with respect to such holdover costs, penalties or damages, which release shall be in form and substance reasonably acceptable to PE Member. PE Member shall have the right to participate in the defense of any Landlord Claim with counsel selected by it (subject to Developer’s right to control the defense thereof). The fees and disbursements of such counsel shall be at the expense of PE Member, provided, that if Developer fails to undertake the defense of any Landlord Claim, or if in the reasonable opinion of counsel to PE Member, there exists a conflict of interest between Developer and PE Member that cannot be waived, Developer shall be liable for the reasonable fees and expenses of counsel to PE Member in defending the Landlord Claim. PE Member shall cooperate in all commercially reasonable respects in connection with such defense and PE Member shall have no right to settle such claim without Developer’s prior written approval, which shall not be unreasonably withheld. If only a portion of such holdover costs, penalties or damages under an Existing Lease will constitute Holdover Costs to be paid by Developer pursuant to this Section 6.03, then the parties shall cooperate in the defense of the claim, and neither party will have the right to settle the claim without the prior written approval of the other, which approval shall not be unreasonably withheld.

(p) Without limiting the foregoing provisions of this Section 6.03, if Developer fails to obtain a Core & Shell TCO on or prior to date on which the Delivery Blocks have been delivered to PE Member in Delivery Condition, then Developer shall be responsible for (and shall pay to PE Member) any actual increase in the Specified Finish Work Costs actually caused by the failure to have a Core & Shell TCO and actually incurred by PE Member during the period from and after delivery of the Delivery Blocks to PE Member until a Core & Shell TCO is obtained. As used herein, “Specified Finish Work Costs” means any (i) “standby labor” costs, (ii) costs to provide temporary HVAC or electricity, (iii) costs of vertical transportation, (iv) costs to open the job site beyond normal business for purposes of construction and (v) the costs of maintaining any temporary restrooms that would not have been required to be maintained had a Core & Shell TCO been obtained. For the avoidance of doubt, nothing herein shall obligate Developer to deliver the Delivery Blocks to PE Member prior to the Outside Delivery Date if a Core & Shell TCO has not been obtained, notwithstanding that the Delivery Blocks may then be in Delivery Condition; provided, at the request of PE Member, Developer shall deliver the Delivery Blocks (to the extent then in Delivery Condition) prior to the Outside Delivery Date even though a Core & Shell TCO has not been obtained, in which case Developer shall not be liable for any increased Specified Finish Work Costs incurred by PE Member in performing its Finish Work during the period from and after such delivery of the Delivery Blocks until the Outside Delivery Date.

(q) Time is of the essence with respect to Developer’s obligation to cause the Holdover Cost Trigger Events to occur on or prior to the applicable Holdover Cost Trigger Date.

#### Section 6.04 Automatic Termination.

(e) Notwithstanding anything to the contrary contained herein, if, in connection with the exercise of remedies by Construction Lender under the Construction Loan Documents, the Construction Lender or its designee takes title to the Property prior to the PE Unit Closing (by foreclosure, or deed-in-lieu, appointment or receiver or otherwise) or takes control of the Tower A Tenant prior to the PE Unit Closing (the date on which Construction Lender, its designee or any third party takes title to the Property or control of Tower A Tenant, a “Lender Transfer Date”), then Construction Lender or such designee shall have the right to cause an Qualified Developer to assume the obligations of Developer under this Agreement by delivering to PE Member, within 120 days following the Lender Transfer Date (the date that is 120 days following the Lender Transfer Date, the “Lender Election Date”), written notice of Construction Lender’s election to cause an Qualified Developer to assume the obligations of Developer hereunder (an “Assumption Notice”) accompanied by a written agreement and undertaking by such Qualified Developer to assume such obligations of Developer in accordance with the terms of this Section 6.04 (an “Assumption Agreement”); provided, however, that such Qualified Developer shall not be required to assume (i) the obligations of Developer under Sections 3.10(a), 3.10(b), 6.03(b), and 12.03(c) hereof, (ii) the obligation of Developer to pay the Rescission Payment under Section 11.04 hereof ( provided, that, PE Member shall continue to have the right to exercise the Rescission Election in accordance with the terms thereof), or (iii) any liability

of Developer under Section 10.02 with respect to Developer Defaults occurring prior to the Lender Transfer Date. If Construction Lender delivers such Assumption Notice and such Assumption Agreement (duly executed by an Qualified Developer) to PE Member on or prior to the Lender Election Date, then this Agreement shall continue in full force and effect and PE Member shall recognize the performance by such Qualified Developer of the obligations of Developer under this Agreement and shall continue to be obligated to perform its obligations hereunder subject to the terms and provisions of this Agreement. Notwithstanding anything to the contrary herein, no such assumption by an Qualified Developer shall affect or limit (A) the rights of PE Member against Developer under Section 6.03(b), (B) the right of PE Member to exercise the Rescission Election under Section 11.04 or the obligation of Developer to pay the Rescission Payment in accordance with Section 11.04, (C) the rights and remedies of PE Member against Developer under Section 10.02 with respect to any Developer Default occurring prior to the Lender Transfer Date or (D) the rights of PE Member against Related/Oxford Guarantor under the Building Completion Guaranty. Subject to the terms of the PE Unit Lender Agreement (and the rights of PE Member thereunder), if Construction Lender does not deliver such Assumption Notice and such Assumption Agreement (duly executed by an Qualified Developer) on or prior to the Lender Election Date, then this Agreement shall automatically terminate and be of no further force or effect on the Lender Election Date (except for those provisions which, pursuant to the provisions of Section 19.19 or otherwise expressly survive such termination); provided, that any such termination shall not affect the rights of PE Member against Related/Oxford Guarantor under the Building Completion Guaranty or any obligations of Related/Oxford Guarantor under the Building Completion Guaranty

(f) Notwithstanding any provision of this Agreement to the contrary, if (a) the MTA terminates the A/B Balance Lease or, if then executed, the Tower A Lease, then this Agreement shall automatically terminate and be of no further force or effect on such date (except for those provisions which, pursuant to the provisions of Section 19.19 or otherwise expressly survive such termination); provided, that any such termination shall not affect the rights of PE Member against Related/Oxford Guarantor under the Building Completion Guaranty or any obligations of Related/Oxford Guarantor under the Building Completion Guaranty; provided, further, if, upon the termination of the A/B Balance Lease or, if then executed, the Tower A Lease, Construction Lender or its designee obtains a new lease with the MTA with respect to the premises demised thereunder pursuant to the mortgagee protection provisions in such lease, then the date on which Lender or its designees enters into any such new lease with the MTA shall be treated as a Lender Transfer Date for purposes of Section 6.04(a) above, and Construction Lender or such designee shall have the right to cause an Qualified Developer to assume the obligations of Developer under this Agreement in accordance with the provisions of Section 6.04(a) above.

Section 6.05 Survival. The provisions of this Article 6 shall survive the PE Unit Closing and any termination of this Agreement.

## ARTICLE 7

### SUBGUARD; DEVELOPER'S INSURANCE

Section 7.01 Subguard.

(g) Developer shall obtain and maintain "subguard insurance" (or an equivalent policy) (the "Subguard Policy") in a form and issued by a company (the "Subguard Insurer") selected by Developer for the benefit of the LLC, Tower A Tenant and Destination Retail Tenant with respect to the Project.

(h) Notwithstanding the foregoing provisions of Section 7.01(a), Developer may, in lieu of obtaining and maintaining a Subguard Policy, obtain or cause to be obtained (i) dual obligee payment and performance bonds for all trade contracts relating to the Developer Work with a contract amount in excess of Two Million Dollars (\$2,000,000.00), which dual obligee payment and performance bonds shall be substantially in the form of Exhibit F attached hereto with a surety company selected by Developer and licensed to do business in the State of New York, as surety, and with, *inter alia*, the Executive Construction Manager, Developer, the LLC, Tower A Tenant, PE Member and the Construction Lender as dual obligees (or the Destination Retail Tenant, the DRB ECM and DRB Construction Lenders, in the case of the Destination Retail Building), and (ii) a guaranty in favor of, *inter alia*, the Executive Construction Manager, Developer, the LLC, Tower A Tenant, and PE Member (or Destination Retail Tenant, in the case of the Destination Retail Building), from the creditworthy parent entity of Construction Manager (or DRB CM, as applicable) with respect to any work that is "self-performed" by Construction Manager (or DRB CM, as applicable) or any Affiliate thereof.

Section 7.02 Insurance Coverages.

(r) Developer and/or the Executive Construction Manager shall cause to be maintained (from Commencement of Construction through Substantial Completion and completion of all Punch List Work or such later date on which the Condominium is required to obtain property and liability insurance pursuant to the Condominium Documents) the insurance coverages listed and described in the Insurance Coverage Specifications, naming the parties described in the Insurance Coverage Specifications as named

or additional insureds, as applicable.

(s) Developer shall maintain in full force and effect the OCIP "Wrap-Up" liability insurance policy which is currently in effect until Substantial Completion and completion of Punch List Work (or such later date on which the Condominium is required to obtain property and liability insurance pursuant to the Condominium Documents). The OCIP Wrap-Up policy shall be limited to the activities that are performed on the ERY site and shall be implemented on or prior to the Commencement of Construction. PE Member and each PE Guarantor shall be named insured for any policies issued under the OCIP "Wrap-Up." Developer shall use Best Efforts to cause the Project Architect to maintain in full force and effect the errors and omissions policies which are currently in effect until the work described in clause (a) of the definition of Developer Work is completed.

(t) With respect to all insurance policies maintained by Developer as required hereunder, Developer shall (i) provide PE Member with a copy of the lead policy form that all underwriters have agreed to and (ii) provide PE Member with insurance certificates evidencing such insurance policies.

(u) Each insurance policy provided under Sections 7.02(a), (b) or (c) above shall provide that it will not expire or terminate or be cancelled without, in each case, the insurer's providing to PE Member at least thirty (30) days' prior written notice of such expiration, termination or cancellation.

(v) During the performance of any PE Finish Work or other work within the PE Unit by PE Member, PE Member shall comply with the insurance requirements set forth in the Operating Agreement.

(w) The costs of the insurance described in Section 7.01 and 7.02 shall be included in Project Costs.

## ARTICLE 8

### PE FINISH WORK; SITE LOGISTICS

#### Section 8.01 Design of PE Finish Work.

(x) PE Member shall design the PE Finish Work, at PE Member's expense, and shall consult with Developer on an on-going basis in order to facilitate proper coordination of the design of the PE Finish Work with the design and construction of the PE Unit and the rest of the Building. PE Member has delivered (or will deliver) to Developer for information purposes only a preliminary schedule for design and construction of the PE Finish Work and shall periodically update such schedule. PE Member shall deliver design development documents and final construction documents showing the PE Finish Work when available. To the extent any PE Finish Work requires the prior consent of the Construction Lender pursuant to the terms of the Construction Loan Documents, the performance of such work shall be subject to Construction Lender's consent and Developer shall promptly seek, or shall cause Tower A Tenant to promptly seek, Construction Lender's consent and shall reasonably cooperate with PE Member and use Best Efforts to obtain such consents.

(y) Developer will have the right to review plans for the PE Finish Work and may submit comments to PE Member with respect to PE Finish Work plans (it being understood and agreed by Developer and PE Member that, except as set forth in the immediately following sentence, Developer's review of such plans is for informational purposes only and PE Member may disregard any such comments). Developer may disapprove (provided, that Developer shall not unreasonably disapprove same) any design feature in a plan or design relating to the PE Finish Work only if the design feature or element (i) violates the MTA Project Documents or applicable Laws, (ii) is structurally or mechanically incompatible with any aspect of the Building as shown on the Plans or as built, or the Platform, (iii) would require changes in the Building as shown on the Plans or as built, or in the Platform design, to accommodate such design feature (it being understood that Developer's right to disapprove any such change and the design for the PE Finish Work shall, in such instance, be governed by the provisions of Section 3.06, which provisions are incorporated herein by this reference), (iv) would increase the costs of construction of any portion of the Building including the PE Unit (unless, in the case of any such increased construction costs, PE Member funds such costs at such time through payments under (and subject to the provisions of) Section 4.03 of the Operating Agreement or otherwise) or would increase the costs of operation of any portion of the Building other than the PE Unit, (v) would delay completion of the Building or the Platform in accordance with the then current Schedule or delay completion of the Finish Work being performed by (or on behalf of) TW Member to the TW Unit, (vi) would cause the Floor Area of the PE Unit to exceed the PE Floor Area, (vii) relates to PE Dedicated First Floor Lobby or (viii) relates to the interior design of the PE Sky Lobby or the corridor within the PE Sky Lobby that is shared by PE Member with Other Members. In addition, Developer shall have the right to approve the water proofing details or acoustical systems, as applicable, for any floor of the PE Unit (or the Limited Common Elements or exclusive easement areas) that is immediately above or below a floor of any Other Unit, if the floor in the PE Unit is intended to be occupied for a use that will create an unreasonable risk of water leaks or unreasonable disturbance from noise or vibrations, as to which Developer's approval shall not be unreasonably withheld. PE Member shall give advance Notice to Developer of any elements of PE Finish Work proposed to be installed on any floors of the PE Unit that

create any unreasonable risk of water leaks, transmission of sound or vibrations or fire to floors below the PE Unit, and will incorporate reasonable protections with respect to such risks, consistent with the practices of Class A buildings in New York City.

(z) Developer shall approve or object to any plans for the PE Finish Work (to the extent Developer has the right to do so pursuant to Section 8.01(b)) within ten (10) Business Days after delivery to Developer of such plans and all additional information reasonably requested by Developer. If Developer gives comments or objections within such ten (10) Business Day period, Developer and PE Member shall consult in an effort to resolve any issues. PE Member shall furnish interpretations, explanations, and additional information if and as requested by Developer within the ten (10) Business Day period under this Section 8.01(c). Any consent granted by Developer to any plan submitted by PE Member which impacts the design or construction of the Base Building shall be deemed a representation by Developer that it has obtained (or has determined that it was not required to obtain) the prior consent of the Construction Lender to such plan, unless, together with the giving of its consent, Developer notifies PE Member that the consent of the Construction Lender to such plan is required and has not yet been obtained, in which case Developer shall promptly seek, and use Best Efforts to obtain, the consent of the Construction Lender and shall notify PE Member promptly if and when such consent is obtained or denied, and if denied, the reasons therefor.

(aa) If Developer does not respond or object to any plans for the PE Finish Work within ten (10) Business Days after delivery to Developer of such plan and all additional information reasonably requested by Developer, then Developer will be deemed to have approved such proposed change and the implementation thereof, provided, that with respect to any proposed change that would cause the Floor Area of the PE Unit to exceed the PE Floor Area, if Developer fails to respond within such ten (10) Business Day period, PE Member may send a second notice to Developer of such failure to respond and if Developer does not respond or object, in reasonable detail, to such second notice within five (5) days after PE Member has delivered same to Developer, then Developer will be deemed to have approved such proposed change. PE Member understands that any deemed consent by Developer as provided in this Section 8.01(d) shall not bind the Construction Lender (if its consent is required under the Construction Loan Documents). Developer agrees, however, that it shall seek and use Best Efforts to obtain the consent of the Construction Lender (to the extent such consent is required).

(bb) PE Member may not proceed to construct any aspect of the PE Finish Work which has been disapproved by Developer until the issue is resolved. Any dispute as to whether any matter is subject (or not) to the approval of Developer as set forth in Section 8.01(b) shall be submitted to Arbitration to be resolved in accordance with the provisions of Article 14.

(cc) Without limiting the provisions of Section 3.03, Section 9.01 or Section 9.02, PE Member, PE's Architect and PE's Consultants (and any agent, representative or designee of the foregoing) shall have the right, but not the obligation, prior to satisfaction of the Delivery Condition, to enter any portion of the PE Unit between the hours of 8:00 a.m. and 3:00 p.m. and at all other times during which a hoist or any other vertical transportation is in operation at the Tower Building or Destination Retail Building, as applicable, for the purposes of inspecting, measuring and designing the same, subject to reasonable notice to Developer. Developer shall have the right to have its representatives present during such access.

(dd) PE Member may not proceed to construct any aspect of the PE Finish Work unless PE Member first obtains all applicable DOB or other permits required by applicable Law, and shall perform all PE Finish Work in accordance with applicable Law and the applicable terms of the Condominium Documents, the Co-Construction Agreement and the Operating Agreement (to the extent the Operating Agreement is consistent with this Agreement). PE Member shall coordinate with Developer's in-house code consultant (and Developer and Developer's in-house code consultant will coordinate with PE Member) with respect to building permits and other similar filings to be made with DOB or other Government Entity in connection with the PE Finish Work. Developer shall, promptly upon request, provide to PE Member and PE's Consultants all information and materials necessary (and execute the same if required) for PE Member to obtain all applicable DOB or other approvals and permits required by applicable Law with respect to the PE Finish Work. Developer's execution of any applications or other materials with respect to permits for PE Finish Work shall not be deemed an approval by Developer of any such PE Finish Work or a confirmation that such PE Finish Work complies with applicable Law.

(ee) PE Member shall perform the PE Finish Work in accordance with LEED Gold certification requirements. The Developer will develop certain Unit Owner and/or tenant fit out specifications to protect building attributes necessary for LEED Gold certification and will inform Unit Owners and tenants of high performance tenant fit out features that will reduce Unit Owner and/or tenant energy costs, raise the building's energy performance for LEED and improve the building's Energy Star and Energy Use Intensity scores, which will be publicly reported in accordance with Local Law 84. All PE Finish Work shall be designed to preserve and promote the LEED Gold certification requirement.

(ff) PE Member covenants and agrees that the design of the PE Dedicated First Floor Lobby will be consistent with the overall design of the lobbies on the first floor of the Tower Building and the "shared highrise elevator corridor" (as defined in the Plans) in the PE Sky Lobby will be consistent with the overall design of the sky lobby in the Tower Building. Developer covenants and agrees to use Best Efforts to assist PE Member with the design of the portion of the terrace on the 80<sup>th</sup> floor of the Tower

Building to be occupied by PE Member, as shown on the Plans (which is referred to in the Condominium Documents as the “Office Terrace”) in a manner such that the space therein is permitted to be used as a terrace and will not constitute Floor Area and to assist PE Member in communicating with the applicable governmental authorities with respect thereto.

Section 8.02 Intentionally Omitted.

Section 8.03 Site Logistics Procedures. Developer has prepared the plan and written procedures for provision of certain services, logistics, hoisting and access for the Tower Building, as set forth in the document titled Site Logistics Procedures, in the form agreed by the Parties and dated as of the date hereof (as may be amended from time to time, the “Site Logistics Procedures”). Developer shall have the right to amend and expand upon the Site Logistics Procedures from time to time; provided, however, Developer and PE Member agree that any revisions or additions to the Site Logistics Procedures (or any new like plan or procedure) shall, and that Developer and the Executive Construction Manager in implementing same, shall: (i) not discriminate against PE Member (e.g., favor Other Members or their occupants), it being understood, however, that (x) the Developer Work shall have priority over Finish Work performed by the Members and (y) with respect to the Site Logistics Procedures for the Tower Building, the Finish Work being performed by (or on behalf of) TW Member in respect of its Unit shall have priority in advanced scheduling over all Finish Work performed by any Members; (ii) not cause or permit any shut-downs of the Building or of any temporary or permanent services (including, without limitation, electrical, mechanical and plumbing services), including, without limitation, shut-downs necessary to accommodate the switch-over to permanent building services, without (x) advance coordination with the PE Finish Work and (y) five (5) Business Days advance notice to PE Member (except that no such advance coordination or notice shall be required in an emergency); (iii) following the delivery of any Delivery Block to PE Member in Delivery Condition, provide PE Member non-exclusive access to, and use of areas, services and facilities (each if and to the extent operational) for use by PE Member, PE’s Consultants and their respective workers and vendors (as more fully described in the Site Logistics Procedures, including, without limitation, construction hoists, cranes, freight elevator, loading docks and staging areas (outdoor or indoor as appropriate) in accordance with the Site Logistics Procedures; in all cases, PE Member and Developer hereby agreeing to coordinate the performance of the Project and the PE Finish Work in accordance with the Site Logistics Procedures and (iv) shall provide that PE Finish Work and the Finish Work of any Other Member other than PE Member or TW Member shall be coordinated in a manner so as not to delay the Finish Work being performed by TW Member. PE Member, PE’s Consultants and their respective workers and vendors use of freight elevators and construction hoists in accordance with the Site Logistics Procedures during normal business hours shall be charged to PE Member at the direct cost thereof to Developer with no additional markup to PE Member; provided, the charges for the use thereof during overtime hours shall include the incremental cost to Developer of running the freight elevators and construction hoists during such overtime hours (equitably allocated between PE Member and any other user of the freight elevators and construction hoists during such overtime hours). Charges to PE Member for use of freight elevators and construction hoists as provided in this Section 8.03 shall constitute PE Member Additional Development Costs.

Section 8.04 Performance of PE Finish Work.

(a) Developer understands that PE Member may perform PE Finish Work both prior to and after the occurrence of Substantial Completion and the PE Unit Closing Date. PE Member understands that its contractors and subcontractors performing any PE Finish Work, whether prior to or after Substantial Completion or the PE Unit Closing Date and until Developer completes all of its work in the Building, will be subject to the direction and coordination of Developer and the Executive Construction Manager in accordance with the Site Logistics Procedures. PE Member shall comply with the Site Logistics Procedures, and shall repair any damage to the Building caused by PE Member or its contractors and subcontractors in the performance of any PE Finish Work. Developer shall comply with the Site Logistics Procedures, and shall repair any damage to the PE Finish Work, the PE Unit or any PE Areas caused by Developer or its contractors and subcontractors in the performance of any Developer Work.

(b) If (i) prior to the Substantial Completion Date, PE Member performs PE Finish Work with respect to any Delivery Block delivered in a manner that is not consistent with the Site Logistics Procedures, and such performance of PE Finish Work results in an actual delay in the occurrence of the Delivery Date for any Delivery Block on or prior to the Outside Delivery Date or the occurrence of Substantial Completion on or prior to the Outside Substantial Completion Date, (ii) PE Member fails to comply with its obligations under this Agreement or the Operating Agreement in connection with the performance of PE Finish Work and such failure results in an actual delay in the occurrence of the Delivery Date for any Delivery Block on or prior to the Outside Delivery Date or the occurrence of Substantial Completion on or prior to the Outside Substantial Completion Date, or (iii) PE’s Architect or PE’s Consultants act in a manner that is outside the scope of their engagement in connection with the Project and inconsistent with the provisions of this Agreement and such actions result in an actual delay in the occurrence of the Delivery Date for any Delivery Block on or prior to the Outside Delivery Date or the occurrence of Substantial Completion on or prior to the Outside Substantial Completion Date, then, in each case, such delay shall constitute “PE Work Delay”.

(c) Any Developer Work, Finish Work (including, without limitation, PE Finish Work), and other work on the Project shall be performed in a manner that does not (i) violate the Project Labor Agreement or any other union contracts affecting the Project, or (ii) create any work stoppage, picketing, labor disruption or labor disharmony at the Project. Notwithstanding the

foregoing, the parties shall cooperate to implement procedures whereby PE Member may install certain PE Member-supplied equipment using labor forces that may not be members of a union that is party to the Project Labor Agreement, provided, the same do not create a work stoppage, picketing, labor disruption or labor disharmony, and at no additional cost to Developer or Other Members and provided further that the indemnification provisions of the Operating Agreement with respect to Finish Work shall apply with respect to the foregoing.

(d) Developer and PE Member shall coordinate, consult, assist and cooperate with each other in connection with obtaining DOB filings necessary in connection with the Project and the PE Unit. Developer will execute all required DOB forms in advance of reviewing and (if applicable) approving plans for PE Finish Work pursuant to Section 8.01(b).

Section 8.05 Cost of Performing PE Finish Work. Notwithstanding anything to the contrary in this Agreement, the cost of design and construction of the PE Finish Work shall not be the responsibility of Developer, the LLC or the Other Members of the LLC, but shall be paid for solely by PE Member.

Section 8.06 PE Member Violations. PE Member shall promptly cure and discharge all Violations arising from PE Finish Work and obtain all Sign Offs required in connection with PE Finish Work, in each case to the extent such Violations or the absence of such Sign Offs prevent or delay the issuance of a certificate of occupancy for the Building or any Other Units. If Developer notifies PE Member that PE Member is not timely removing Violations arising from PE Finish Work or has not obtained all such Sign Offs, and that such failure is preventing or delaying the issuance of a certificate of occupancy for the Building or any Other Units, and if PE Member fails within thirty (30) days following delivery of any such notice to commence to remove or cure such Violations and to prosecute such removal or cure with diligence, or to commence to obtain such Sign Offs and prosecute obtaining same with diligence, then Developer shall have the right (but not the obligation) to remove such Violations and/or pay the fine imposed in connection therewith, or to seek to obtain such Sign Offs. In such event, PE Member shall reimburse Developer for actual out-of-pocket costs of removing such Violation within fifteen (15) days of receiving an invoice therefor from Developer, together with reasonably satisfactory evidence of the amount of the expenditure. Any such costs incurred by Developer not timely paid by PE Member to Developer shall incur interest at the Default Rate from the date paid by Developer until the date reimbursed by PE Member. Amounts payable by PE Member to Developer pursuant to this Section 8.06 in respect of Violations arising from PE Finish Work shall constitute PE Member Additional Development Costs.

Section 8.07 Survival. The provisions of this Article 8 shall survive the PE Unit Closing and termination of this Agreement.

## ARTICLE 9

### **INSPECTION RIGHTS DURING CONSTRUCTION; DELIVERY DATE, DELIVERY BLOCKS, DC PUNCH LIST; WARRANTIES; DEFECTIVE WORK**

Section 9.01 Inspection by PE Member During Construction; On-Going Consultation. From and after the Severance Date, PE Member and its representatives and designees (including PE's Consultants) will have the right, at PE Member's expense, and on reasonable notice, between the hours of 8:00 a.m. and 3:00 p.m. and at all other times during which a hoist or any other vertical transportation is in operation at the Building, to inspect from time to time any construction work with respect to the Building being performed by (or on behalf of) the LLC, Tower A Tenant, Destination Retail Tenant or Developer if such work comprises or relates to the Developer Work (provided, that access to such areas may be subject to restrictions imposed by the MTA Parties). Inspection by PE Member pursuant to the provisions of this Section 9.01 will not, however, be construed as acceptance, by PE Member, or PE Member's representatives, of work which is defective, incomplete, or otherwise not in compliance with the Plans, or as a waiver by PE Member of any rights under this Agreement, or as a release by PE Member of Developer or any of Developer's contractors or any surety from any warranty, guarantee, or obligation provided under this Agreement or the Plans or the applicable construction contract(s). Any inspection performed by PE Member or its representatives shall be performed in compliance with the site safety plan for the Building, and any inspection of below-platform mechanical areas shall be subject to the provisions of the MTA Project Documents and the MTA Severance Agreement. PE Member acknowledges that its rights of inspection hereunder shall give it no right to direct any portion of the work.

Section 9.02 Delivery Date; DC Punch List; Acceptance Procedure. Developer and PE Member agree that the following procedures shall apply to determine when the Delivery Date for each Delivery Block has been achieved:

(a) Developer shall give PE Member at least one hundred eighty (180) and then ninety (90) days' prior notice of Developer's good faith estimate of the Delivery Date for each Delivery Block (it being understood that such dates shall constitute estimates only and shall in no way affect the actual occurrence of the Delivery Date for such Delivery Block).

(b) With respect to each Delivery Block, Developer shall give PE Member a notice stating that Developer believes

that the Delivery Date is, or is about to be, achieved, and setting forth a date, not less than ten (10) Business Days after the giving of such notice (such date, a “Walk-Through Date”), for the parties to conduct a joint walk through of such Delivery Block. On or prior to the Walk-Through Date, Developer shall deliver to PE Member (i) a proposed list of DC Punch List Work for the applicable Delivery Block (the “Proposed DC Punch List”), and (ii) the outside date(s) by which Developer expects each item or group of items listed on the Proposed DC Punch List to be completed (such dates being hereinafter referred to as the “DC Punch List Work Completion Dates”). On the Walk-Through Date, PE Member, PE’s Consultants, Developer and the Project Architect (and/or any agent, representative or other designee of the foregoing) shall conduct one or more inspection(s) of the applicable Delivery Block to confirm whether the Delivery Date has occurred with respect to such Delivery Block and, further (subject to Section 9.02(c)), to confirm the DC Punch List Work to be performed and the DC Punch List Work Completion Dates for the applicable DC Punch List Work. If PE Member concurs that the applicable Delivery Block (or full floors thereof) is in Delivery Condition, PE Member shall thereupon be deemed to have accepted delivery of such Delivery Block (or full floors thereof), subject to completion of any DC Punch List Work, any latent defects and any other defects, omissions, or failures in Delivery Condition not readily ascertainable by a visual inspection. Notwithstanding the foregoing, if one or more whole (but not partial) floors within a Delivery Block are in Delivery Condition (but not the balance of such Delivery Block), PE Member shall accept delivery of such floor or floors (but not of the balance of such Delivery Block), provided that any such whole floors so delivered are the lowest floor or floors in the Delivery Block in question; provided, however, PE Member’s acceptance of delivery of any floor or floors constituting a portion of any Delivery Block shall not reduce or offset Developer’s obligation to deliver an entire Delivery Block in Delivery Condition nor in any way affect, reduce or limit any rights or remedies of PE Member set forth in this Agreement or otherwise with respect to any failure to deliver to PE Member the balance of such Delivery Block to PE Member on or prior to the Outside Delivery Date.

(c) If PE Member believes that the Delivery Date for the applicable Delivery Block has not yet occurred, or if PE Member objects to (or believes corrections or additions are required to be made to) the Proposed DC Punch List or the applicable DC Punch List Work Completion Date, PE Member shall give Developer notice (such notice, and each subsequent objection notice as contemplated in the further provisions of this Section 9.02(c), an “Exceptions Notice”), within ten (10) Business Days following PE Member’s inspection in accordance with Section 9.02(b), detailing (i) any conditions to delivery of such Delivery Block in Delivery Condition which PE Member asserts have yet to be satisfied, and/or (ii) any other revisions to the Proposed DC Punch List, and/or to the DC Punch List Work Completion Dates. Developer and PE Member shall cooperate and proceed expeditiously to confirm the Delivery Date, the list of DC Punch List Work and the DC Punch List Work Completion Dates, and shall perform such additional inspections of the Building as shall be required to confirm such date and lists.

(d) If Developer and PE Member are unable to agree on whether the applicable Delivery Block has been delivered to PE Member in Delivery Condition, the date on which such Delivery Block has been delivered to PE Member in Delivery Condition or on the DC Punch List for such Delivery Block (including the DC Punch List Work Completion Dates) within fifteen (15) Business Days after delivery to Developer an Exceptions Notice, then either PE Member or Developer may submit the matters still in dispute to Arbitration, to be resolved in accordance with the provisions of Article 14.

(e) If the parties agree (or it is determined pursuant to Arbitration) that additional work is required in order to achieve the Delivery Date for such Delivery Block, Developer shall cause such work to be performed with due diligence, and the same procedure (including, without limitation, as to inspections and delivery of Exceptions Notices, and timing for delivery of Exceptions Notices) shall be repeated to the extent necessary until the parties agree upon, or an Arbiter has determined, (i) whether such Delivery Block has been delivered to PE Member in Delivery Condition, (ii) the Delivery Date for such Delivery Block, and (iii) the DC Punch List for such Delivery Block, provided, that subsequent inspections shall be performed at a mutually satisfactory time within five (5) Business Days following notice from Developer and any revised Exceptions Notice shall be delivered within five (5) Business Days after re-inspection.

(f) If PE Member fails to deliver an Exceptions Notice to Developer within the applicable period(s) referred to in Section 9.02(c), Developer may send notice to PE Member of such failure, which notice shall conspicuously indicate on the first page thereof in bold face print “**REQUEST FOR EXCEPTIONS NOTICE: FAILURE TO RESPOND WITHIN FIVE (5) BUSINESS DAYS MAY RESULT IN DEEMED APPROVAL PURSUANT TO SECTION 9.02(f) OF THE DEVELOPMENT AGREEMENT**”, then if PE Member does not respond or object, in reasonable detail, to such notice within five (5) Business Days after delivery of the same, then PE Member shall have waived its right to deliver an Exceptions Notice for such Delivery Block, the Delivery Date for such Delivery Block shall be deemed to have occurred and the Proposed DC Punch List (or the revised Proposed DC Punch List or revised DC Punch List Work Completion Dates, as the case may be) for such Delivery Block shall be deemed approved by PE Member and shall constitute the DC Punch List for such Delivery Block.

(g) Notwithstanding any provision of this Agreement to the contrary, any agreement regarding Delivery Condition, and any resolution by Arbitration of any dispute regarding Delivery Condition or the Delivery Date, shall not preclude PE Member from asserting any claims for latent defects as and to the extent provided in Section 9.03(b).

(h) If the only matters in dispute regarding the occurrence of the Delivery Date for any Delivery Block are the DC

Punch List Work Completion Dates, then, notwithstanding any provision of this Agreement to the contrary, the Delivery Date for such Delivery Block will be deemed to have occurred, and in such event Developer shall complete the DC Punch List Work in accordance with the schedule determined by the parties or by Arbitration.

- (i) The provisions of this Section 9.02 shall survive the PE Unit Closing and the termination of this Agreement.

**Section 9.03 Contractor Warranties; Defective Work; Latent Defects.**

(a) Developer agrees that it has or shall include, or cause to be included, in each hard cost contract which governs (in whole or in part) the performance of the Developer Work, warranty/guaranty provisions customary for the type or category of work involved for projects of similar scope and character as the Project that are assignable as contemplated herein (any such warranty/guaranty, a “Contractor Warranty”), under which the respective contractor will be required, at its (or their) expense, to repair, replace, and/or correct work which is incorrect, inadequate, defective, incomplete, omitted, or otherwise not in compliance with the applicable Plans and this Agreement (any such work, “Defective Work”) for such period as is customary for such type or category of work. Developer shall obtain the written agreement of each contractor that the Condominium shall be a third-party beneficiary of (and, in any event, a permitted assignee of), and may enforce directly, each Contractor Warranty as to any work performed in respect of the PE Areas or the Common Elements (Developer hereby agrees to ensure, or cause the Executive Construction Manager and the DRB ECM to ensure, that each such Condominium Warranty is severable and assignable (in whole or in part) and to assign, or cause the Executive Construction Manager or each contractor to assign, such warranties to the Condominium when the contractor completes its work in the Project, if later (any such assigned warranties, a “Condominium Warranty”). Each Contractor Warranty that is not a Condominium Warranty shall be assigned to Tower A Tenant or the applicable Other Member (or Tower A Tenant or such Other Member shall be a third-party beneficiary thereunder and may enforce such Contractor Warranty with respect to work performed in respect of the Other Units). If a contractor raises ongoing claims with Developer, the LLC, Tower A Tenant, Destination Retail Tenant, any Member (other than PE Member), the owner of any Other Unit or any Destination Retail JV Member as a defense in any claim by PE Member for Defective Work against such contractor, then Developer will remain responsible to use Best Efforts to enforce the applicable Contractor Warranty in accordance with its terms and conditions so as to cause such contractor, at the contractor’s expense, to repair, replace, and/or correct such Defective Work, but Developer shall have no liability, except as otherwise expressly provided in this Agreement, for any failure of any contractor to repair, replace, or correct such Defective Work. Upon request by PE Member, Developer shall provide PE Member with copies of all Contractor Warranties relating to the PE Areas. Developer shall not waive any Contractor Warranty.

(b) Notwithstanding any provision of this Agreement to the contrary, if, in the course of performing PE Finish Work or at any other time, whether before or following the PE Unit Closing, PE Member discovers Defective Work in any Developer Work, the PE Areas or the Common Elements performed on behalf of Developer, Tower A Tenant, Destination Retail Tenant or the LLC, and if the Defective Work is covered by a Condominium Warranty, then, until such time as Developer both closes out the applicable contract and assigns the applicable Contractor Warranty to the Condominium Board, Developer shall use Best Efforts to enforce any applicable Condominium Warranty so as to cause the contractor to correct or replace the Defective Work. Any reasonable third party costs incurred in connection with enforcing warranties, as aforesaid shall constitute a Project Cost.

- (c) The provisions of this Section 9.03 shall survive the PE Unit Closing and the termination of this Agreement.

**Section 9.04 PE Member’s Right to Remove Developer Violations.** Developer shall promptly cure and discharge all Developer Violations, in each case to the extent such Violations prevent or delay PE Member from obtaining the approvals required under applicable Laws, including, without limitation, any approvals required under applicable Laws for PE Member to lawfully use and occupy the PE Areas for the normal conduct of PE Member’s (and its Affiliates’) business in the ordinary course. Without limiting the provisions of Section 9.02, if PE Member notifies Developer that Developer is not timely removing Developer Violation(s) and that such failure is preventing or delaying PE Member from obtaining the approvals required under applicable Laws, including any approvals required under applicable Laws for PE Member to lawfully use and occupy the PE Areas for the normal conduct of PE Member’s (and its Affiliates’) business in the ordinary course, and if Developer fails within thirty (30) days following delivery of any such notice to commence to remove or cure the Developer Violation and to prosecute such removal or cure with diligence, then PE Member shall have the right (but not the obligation) to remove such Developer Violation or pay the fine imposed in connection therewith, but only to the extent such work can be performed exclusively within the PE Unit or within PE Member’s exclusive Common Elements or exclusive easement areas. In such event, Developer shall reimburse PE Member for the costs of removing such Violation (including payment of any fines) within fifteen (15) days of receiving an invoice therefor from PE Member. Any such costs incurred by PE Member not timely paid by Developer to PE Member shall incur interest at the Default Rate from the date paid by PE Member until the date reimbursed by Developer.

**ARTICLE 10**

**PE MEMBER TOTAL DEVELOPMENT COST; PE MEMBER ADDITIONAL DEVELOPMENT COSTS; DEVELOPER**



## DEFAULT

### Section 10.01 PE Member Total Development Cost; PE Member Additional Development Costs.

(j) PE Member shall be responsible for paying, as and when provided in and subject to the provisions of this Agreement and the Operating Agreement, the PE Member Total Development Cost. The parties agree that the PE Member is paying for the cost of the PE Unit through payment of the PE Member Total Development Cost, and the PE Member Total Development Cost represents the best estimate of the parties of the actual cost to perform the Developer Work, provided, if the actual cost thereof is less than the PE Member Total Development Cost, then as additional compensation to Developer for the performance of its obligations hereunder the PE Member shall pay to Developer the remainder of the PE Member Total Development Cost to Developer in accordance with the terms hereof, and if the actual cost thereof exceeds the PE Member Total Development Cost, then in consideration of PE Member's agreement to include a portion of the DMA Development Fee as part of the PE Member Total Development Cost, Developer shall pay such excess. The foregoing sentence shall not in any way limit the obligations of the parties to make the payments specified in this Agreement or otherwise modify, increase, limit or affect the rights or obligations of the parties set forth elsewhere in this Agreement. Notwithstanding anything to the contrary set forth herein, all Project Costs consisting of PE Member Additional Development Costs shall be the sole responsibility of PE Member and PE Member shall pay all such PE Member Additional Development Costs as such costs become due and payable pursuant to the provisions of this Agreement; provided, however, for the avoidance of doubt, all costs and expenses of PE's Architect, PE's Consultants and any other consultants, engineers or advisors engaged by PE Member in connection with the Project, and all other costs incurred by PE Member in connection with its due diligence review of the Project, the negotiation and execution of this Agreement and the other documents executed in connection herewith or pursuant to the terms hereof, PE Member's review of the 30 HY Project Documents and any other documentation or agreements relating to the Project or the ERY, and the performance by PE Member of PE Member's obligations (and exercise by PE Member of PE Member's rights) hereunder and under the Operating Agreement and any other agreements entered into in connection herewith or pursuant to the terms hereof, and any other costs expressly identified as PE Member Additional Development Costs, shall in each case be paid solely by PE Member and shall not constitute part of the PE Member Total Development Cost. The parties hereby acknowledge and agree that (except for PE Member Additional Development Costs, the PE Member Additional Payment and the costs and expenses incurred by PE Member and referenced in the proviso to the immediately preceding sentence) the PE Member Total Development Cost represents the "all-in," full and fixed consideration payable by PE Member for (i) the development, construction, financing and delivery of the PE Unit, (ii) Final Completion (and all components thereof), (iii) the operation and administration of the LLC (including all legal, accounting, auditing, reporting and compliance costs) to the extent relating to the construction of the Building and the performance by the Managing Member, R/O Member and the LLC of their obligations under the Operating Agreement (but excluding any costs of complying with any specific requests by PE Member pursuant to the LLC Agreement or any costs arising out of any breach or default by PE Member under the LLC Agreement or any indemnification obligations of PE Member under the LLC Agreement), (iv) the PE Member Fixed Land Cost, (v) any amounts due to the Brokers and (vi) the performance and completion by Developer (and, as applicable, Developer's Affiliates and/or third-parties) of the Developer Work and Developer's obligations under this Agreement and the 30 HY Project Documents (in each case whether pursuant to this Agreement or the Operating Agreement, and whether performed prior to or following the PE Unit Closing). Without limiting the foregoing, the PE Member Total Development Cost shall cover and include (without limitation) the Project Costs (or other costs and expenses) to be borne by (or allocated to) PE Member that are referenced in the following sections of the Operating Agreement (except to the extent any such cost is expressly specified to be a PE Member Additional Development Cost under this Agreement): Section 1.01(d), Section 1.10(i), Section 3.04(a) (other than Unit Carry Costs that are the responsibility of PE Member hereunder), Section 3.04(b) (other than Unit Carry Costs that are the responsibility of PE Member hereunder), Section 3.05(b), Section 4.01(a), Section 5.05(b), Section 6.02(a), Section 6.02(c), Section 6.03(a)-(g), Section 6.03(i), Section 6.04, Section 7.08, Section 11.01 and Section 11.03 (except to the extent PE Member would have liability with respect thereto pursuant to Section 17.02 hereof), and/or Section 11.05.

(k) The following costs shall constitute "PE Member Additional Development Costs" (which shall not be included in the PE Member Total Development Cost), and, in addition to paying the PE Member Total Development Cost as provided in this Agreement, PE Member shall be solely responsible for paying all such PE Member Additional Development Costs as the same becomes due and payable pursuant to the provisions of this Agreement:

(i) all Transfer Taxes payable in connection with (x) the transactions contemplated under the Assignment Agreement (including the assignment to PE Member of an interest in the LLC and admission of PE Member as a member of the LLC) and (y) the PE Unit Closing (if any);

(ii) all Total PE Change Costs with respect to all PE Change Orders, provided, that in no event shall the Total PE Change Cost for any PE Change Order included in this calculation exceed the Maximum PE Change Cost for such PE Change Order;

(iii) any actual increase in Project Costs caused by any PE Work Delay;

- (iv) any actual costs arising from implementation of a Proposed PE Delay Mitigation Plan that PE Member elects to pursue in accordance with the provisions of Section 6.02(b);
- (v) any amounts payable by PE Member in respect of the Construction Loan interest pursuant to Section 6.03(b)(iii) above;
- (vi) any amounts payable by PE Member for use of freight elevators and construction hoists pursuant to Section 8.03;
- (vii) all costs of design and construction of, and other costs relating to, the PE Finish Work, and all payments to be made by PE Member pursuant to the Developer Finish Work Agreement;
- (viii) any amounts payable by PE Member to Developer pursuant to Section 8.06 in respect of Violations arising from PE Finish Work;
- (ix) any Unit Carry Costs payable by PE Member pursuant to Section 12.02 below;
- (x) the PE Member Fixed MTA Deed Payment;
- (xi) any costs that are the responsibility of PE Member pursuant to Section 12.01(b)(iv);
- (xii) any costs of bringing or resolving a Dispute allocated to PE Member by the Arbiter or Work Dispute Arbiter pursuant to Section 14.01;
- (xiii) any amounts payable by PE Member in respect of its indemnification obligations under Sections 17.02 and 19.16;
- (xiv) any amounts payable by PE Member pursuant to Section 19.18; and
- (xv) any other costs expressly provided in this Agreement as being PE Member Additional Development Costs or being the responsibility of PE Member.

(l) Developer may include any PE Member Additional Development Costs in a Draw Request delivered to PE Member in accordance with Section 4.02 and PE Member shall pay such PE Member Additional Development Costs as and when provided under Section 4.02.

(m) Any disputes between Developer and PE Member as to whether any costs constitute PE Member Additional Development Costs shall be resolved by Arbitration as provided in Article 14.

#### Section 10.02 Developer Default.

(d) Subject to Section 10.02(b), Developer shall be liable for all Professional Standard Default Liabilities, but only to the extent that such Professional Standard Default Liabilities exceed \$250,000 in the aggregate (the “Floor”), and provided that Developer shall not be liable for any such Professional Standard Default Liabilities in excess of \$1,500,000 in the aggregate (for all Professional Standard Default Liabilities) (the “Cap”). For all purposes under this Agreement and the Operating Agreement, if Developer, R/O Member, Destination Retail JV, Destination Retail Tenant, or the LLC receives any recoveries from insurance, consultants, contractors or other third parties with respect to any Professional Standard Default Claim, then any Professional Standard Default Liabilities that would otherwise have arisen from any such Professional Standard Default Claim shall be excluded to the extent of such recoveries in determining whether the Professional Standard Default Liabilities caused the Floor to be exceeded or the Cap to be reached. Except as expressly provided in this Section 10.02(a) (and subject in all cases to Section 10.02(b)), PE Member’s sole remedy with respect to any Developer Default (other than a Developer Misconduct Default) shall be to seek specific performance of the obligations of Developer under this Agreement and PE Member shall not be entitled to pursue or recover monetary damages from Developer on account of any Developer Default (other than a Developer Misconduct Default).

(e) Notwithstanding the foregoing provisions of Section 10.02(a) or anything contained in this Agreement to the contrary:

(i) Upon the occurrence of any breach or default by Developer of its obligations under this Agreement (including, without limitation, any Developer Default), PE Member shall have the right, without prejudice to any other rights and remedies otherwise available to PE Member under this Agreement, (x) to obtain equitable relief by way of injunction or (y) to compel specific performance by Developer of its obligations hereunder (without the need to prove or demonstrate

damages).

(ii) Without limiting (and in addition to) the available remedies in Section 10.02(b)(i), in the case of any Developer Misconduct Default PE Member shall be entitled to pursue and recover Losses from Developer (for the avoidance of doubt, without regard to the provisions of Section 10.02(a)).

(iii) If Developer challenges or contests the availability or appropriateness of equitable relief or specific performance as the remedy for any Developer Default hereunder (whether such Developer Default constitutes a Professional Standard Default, Developer Misconduct Default or otherwise), then PE Member shall be entitled to pursue and recover all Losses arising from such Developer Default without regard to the provisions of Section 10.02(a).

(iv) PE Member's sole remedy with respect to any delay in the performance of Developer's obligations under this Agreement relating to the design, construction, development, or completion of the Tower Building or the Developer Work shall be limited to (A) the right to require Developer to pay Holdover Costs and other amounts payable to PE Member by Developer as expressly set forth in Section 6.03 and (B) PE Member's rights under Section 11.04 (and nothing contained in Section 10.02(a) shall limit Developer's obligation to reimburse or pay any amount set forth in Section 6.03 or Section 11.04 or the right of PE Member to pursue a monetary claim in connection therewith).

(v) Nothing contained in Section 10.02(a) shall limit Developer's obligation to reimburse or pay any amounts otherwise specifically required to be paid or reimbursed by Developer under this Agreement (or the right of PE Member to pursue a monetary claim in connection therewith), including obligations to refund any overpayments by PE Member hereunder or obligations to reimburse PE Member with respect to the exercise of any self-help rights contained herein, Developer's liability for Claims under Section 17.02(b) or Developer's indemnification obligations under Section 4.05.

(vi) Nothing contained in Section 10.02(a) shall be deemed to modify the conditions to the Severance Date Transactions, Substantial Completion, Final Completion or the PE Unit Closing.

(vii) Nothing contained in Section 10.02(a) shall limit PE Member's rights against trade contractors (including Affiliates of Developer) under any Contractor Warranty, rights of recovery under any applicable insurance policies, or any other rights of recovery against any other indemnitors.

(viii) Except as expressly set forth in Section 6.03(b), no party shall be entitled to recover special, punitive or consequential damages, including loss of profits or business opportunity, arising under or in connection with this Agreement or any default by any other party hereunder.

(ix) For the avoidance of doubt, nothing contained in Section 10.02(a) shall limit PE Member's rights against any Unit Owner for indemnification in connection with such Unit Owner's Finish Work, as set forth in the Operating Agreement or the Co-Construction Agreement.

(f) PE Member shall use Best Efforts to notify Developer of any Developer Default within no more than thirty (30) days following the date on which PE Member has knowledge of such Developer Default. In addition, at the PE Unit Closing, PE Member shall notify Developer whether it has actual knowledge of any Developer Default(s) as of such date. PE Member shall recognize any cure of a Developer Default(s), whether performed by Developer, the LLC, Destination Retail Tenant, R/O Member, the Related/Oxford Guarantor or the Construction Lender; provided, that such recognition shall not entitle Developer, the LLC, Destination Retail Tenant, R/O Member, the Related/Oxford Guarantor or Construction Lender to any notice or additional cure period with respect to any Developer Default. As used in this Agreement, the term "PE Member knows of" or "PE Member has knowledge of" any Developer Default shall mean solely the actual knowledge of Ralph Rosenberg or Peggy Shaughnessy, and any senior level project manager(s) responsible for the Project as shall be designated in writing (for the specific purpose of having "actual knowledge", as provided in this Section 10.02(c)) by PE Member from time to time.

(g) Without limiting the foregoing, upon the removal of R/O Member as the managing member of the LLC as a result of any Management Change Event (as defined in the Operating Agreement), PE Member shall have the right, without prejudice to any other rights and remedies otherwise available to PE Member, to terminate this Agreement and Developer's rights under this Agreement upon delivery of a termination notice to Developer and, in its capacity as a Non-Affiliated Member (as defined in the Operating Agreement) and subject to the provisions of the Operating Agreement (including, without limitation, Section 5.04 thereof) to appoint or engage, or cause the LLC or Tower A Tenant to appoint or engage, an Approved Replacement Developer for the Project in accordance with the terms of the Operating Agreement and the Co-Construction Agreement; provided, that PE Member obtains all required consents required under, and otherwise subject to compliance with the applicable terms of, the Operating Agreement, Construction Loan Documents (or waiver thereof by the Construction Lender), Co-Construction Agreement and the MTA Project

Documents (or the waiver thereof by the applicable counterparties) with respect to such termination and/or appointment of an Approved Replacement Developer. For the avoidance of doubt, PE Member shall not have the right to remove Developer as the developer for the Project or remove R/O Member as the managing member of the LLC or otherwise prevent Developer or R/O Member, as the case may be, from exercising their rights as developer of the Project or as managing member of the LLC, or terminate this Agreement, except for (a) in PE Member's capacity as a Non-Affiliated Member (as defined in the Operating Agreement), the right to remove R/O Member as the managing member of the LLC, remove Developer as the developer for the Project and/or appoint an Approved Replacement Developer upon the occurrence of a Management Change Event (as defined in the Operating Agreement) and otherwise pursuant to and accordance with the provisions of the Operating Agreement (including, without limitation, Section 5.04 thereof) and (b) the right to terminate this Agreement pursuant to this Section 10.02(d). For purposes of this Agreement and as contemplated by Section 5.04(a)(ii) of the Operating Agreement, "Management Change Event" means a Developer Misconduct Default provided that, in the event of any dispute with respect thereto, it shall have been determined by (I) Arbitration whenever required or permitted hereunder that a Developer Misconduct Default occurred (or, in the event such Arbitration is challenged in court, determined by a court in accordance with clause (II) below), or (II) a court of competent jurisdiction (which determination has become final and non-appealable) that a Developer Misconduct Default occurred.

(h) The failure or delay by PE Member in exercising any right, power or privilege shall not operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise.

(i) The provisions of this Section 10.02 shall survive the PE Unit Closing and the termination of this Agreement.

## ARTICLE 11

### SEVERANCE DATE CLOSING; PE DEPOSIT; RESCISSION

#### Section 11.01 Severance Date Transactions.

(j) Each of the following shall be conditions precedent to the effectuation of Severance and the obligations of PE Member to enter into the Severance Date Transactions, in addition to the conditions set forth in Sections 1.10 and 1.11 of the Operating Agreement:

(xvi) the MTA and Destination Retail Tenant shall have entered into and delivered the Destination Retail Lease and a memorandum of the Destination Retail Lease shall have been submitted for recording and all conditions precedent to the commencement of the Developer Work and Required Destination Retail Building Work set forth in the Tower A Lease and/or the Destination Retail Lease shall have been satisfied or waived by the MTA in writing;

(xvii) PE Member shall have been provided with evidence reasonably acceptable to PE Member that there are sufficient funds available from the construction financing and/or creditworthy direct and indirect owners of one or more of the Other Members in order to pay for all Project Costs necessary to substantially complete the Building in accordance with this Agreement, the MTA Project Documents, and the Operating Agreement and to cause the MTA to convey fee title to the PE Unit to PE Member;

(xviii) the Construction Loan with respect to the Tower Building shall have closed and PE Member shall have approved the Construction Loan Documents in writing;

(xix) the DRB Construction Loan shall have closed;

(xx) (A) if the Initial Condominium Documents reflect any modification or change from the Preliminary Submitted Condominium Documents which modification or change would, pursuant to the terms of the Preliminary Submitted Condominium Documents, have required the approval of PE Member, TW Member and/or any Other Member if such party were a Unit Owner thereunder as of the date of such modification or change and the Unit owned by such party constituted a Unit thereunder as of the date of such modification or change, then PE Member, TW Member and/or any such Other Member, as applicable, shall have approved in writing (not to be unreasonably withheld) such modification or change to the Preliminary Submitted Condominium Documents; (B) if the Initial Condominium Documents include any schedules and/or exhibits that were not included in the Preliminary Submitted Condominium Documents, PE Member shall have approved in writing (not to be unreasonably withheld) such schedules and/or exhibits (and any provisions of the declaration and/or by-laws reasonably related to such schedules and/or exhibits); and (C) the Initial Condominium Documents shall have been executed and recorded in accordance with the provisions of the Operating Agreement and this Agreement, which Initial Condominium Documents shall expressly acknowledge the obligations of the parties under the Co-Construction Agreement;

(xxi) PE Member shall have approved in writing (not to be unreasonably withheld), (x) the form and

substance of the Co-Construction Agreement and (y) the form and substance of any other document requiring the approval of (or that must be “reasonably satisfactory” to) the Members pursuant to Section 1.10 of the Operating Agreement, and Tower A Tenant and Destination Retail Tenant shall have executed and delivered the Co-Construction Agreement;

(xxii) Related/Oxford Guarantor shall have executed the Building Completion Guaranty and delivered the same to PE Member;

(xxiii) Developer shall have obtained all building permits and other municipal permits, authorizations, consents, approvals and licenses necessary to commence the Developer Work;

(xxiv) Developer shall have executed all construction agreements necessary to commence vertical construction of the Developer Work;

(xxv) PE Member and Developer shall have agreed on a schedule for payment of the PE Member Remaining Equity Payments following the Severance Date which sets forth the amount of each such payment (which shall equal in the aggregate the PE Member Equity Remaining Equity Amount) and time at which PE Member shall fund such payment to the LLC (such schedule, the “PE Member Remaining Equity Payments Schedule”), which PE Member Remaining Equity Payments Schedule shall be based on the PE Member Preliminary Equity Payments Schedule as updated in order to account for the Actual PE Unit SF and the actual amount of the PE Member Severance Date Payment;

(xxvi) Office Member and PE Member have executed and delivered the Assignment Agreement;

(xxvii) PE Member, R/O Member, the Office Member, TW Member and Observation Deck Member have executed and delivered the LLC Amendment, and PE Member shall have approved any other changes to the Operating Agreement effectuated following the date of this Agreement;

(xxviii) Gen-Par and PE Member have executed and delivered the Ancillary Rights Agreement;

(xxix) Destination Retail Tenant and PE Member have executed and delivered the Retail Services Agreement;

(xxx) Developer shall, or shall cause its Affiliate that is the owner of the applicable parcels to, (a) execute and deliver to PE Member a 50 HY Restrictive Covenant with respect to the parcels designated as Block 705, Lots 29, 32, 39 and 50, along with any other parcel of real property within the 50 HY Block over which Developer or its Affiliate acquires ownership after the date hereof but prior to the Severance Date, and shall cause the same to be recorded against such parcels in the appropriate local land records and (b) cause any third party who may become the owner of any such parcel pursuant to a recorded instrument (including, without limitation, any mortgage or lease with an option to purchase) (any such instrument, a “50 HY Mortgage”) in effect as of the Severance Date to execute and record an instrument in the form of Exhibit J attached hereto (the “50 HY Mortgage Subordination”) subordinating its rights under such 50 HY Mortgage to the applicable 50 HY Restrictive Covenant;

(xxxii) Related Guarantor and PE Guarantors have executed and delivered the Non-Compete Agreement;

(xxxiii) the certificate of formation of the LLC has been amended (in a manner reasonably satisfactory to PE Member) to include the notice of limitation on liabilities of a series in accordance with DLLCA § 18-215(b);

(xxxiv) Developer has confirmed that the “put right” of TW Member under the Platform Funding Agreement has lapsed and is no longer exercisable by TW Member;

(xxxv) the Condominium Board has entered into the Standby Power Agreement;

(xxxvi) Gen-Par shall (or shall cause its applicable Affiliate(s) to) execute and deliver in favor of PE Member the Ob Deck Pref Pledge, and shall provide to PE Member a fully executed copy of the Ob Deck Member LLC Agreement; and

(xxxvii) Construction Lender and PE Member have executed and delivered the PE Unit Lender Agreement.

(k) Provided that the conditions to Severance set forth in Section 11.01(a) above and in Sections 1.10 and 1.11 of the Operating Agreement have been satisfied (or waived by PE Member), Developer and the LLC shall be permitted to effectuate the Severance Date Transactions on the Severance Date and PE Member shall be obligated to perform the obligations of PE Member set forth below in this Section 11.01(b) concurrent with the consummation of the Severance Date Transactions. The following provisions

shall apply to PE Member with respect to the Severance Date Transactions, in addition to the terms and conditions set forth in Section 1.10 and Section 1.11 of the Operating Agreement, and any actions or documents described below shall be taken or delivered, as the case may be, on the date that Severance occurs:

(i) PE Member shall execute and deliver (a) the Assignment Agreement, (b) the LLC Amendment and (c) the PE Unit Lender Agreement.

(ii) PE Member shall contribute the PE Member Severance Date Payment to the LLC;

(iii) PE Member shall pay any Transfer Taxes payable in connection with the transactions effectuated under the Assignment Agreement and shall file any returns required in connection therewith; and

(iv) PE Member shall execute and deliver an instrument confirming its approval in writing of any documents, other than those described above, as to which its written approval is required hereunder or under the Operating Agreement as of the occurrence of Severance and consummation of the Severance Date Transactions.

(l) Notwithstanding anything to the contrary herein, PE Member's sole remedy in respect of any breach of this Agreement by Developer prior to Severance or any failure of the conditions precedent to PE Member's obligation to enter into the Severance Date Transactions to be satisfied by the Outside Severance Date shall be to receive the return of the PE Deposit LOC in accordance with the provisions of Section 11.03. Notwithstanding anything to the contrary herein, except as set forth in Section 6.03(b), no party shall be entitled to recover special, punitive or consequential damages, including loss of profits or business opportunity, arising under or in connection with this Agreement or any default by any other party hereunder.

(m) PE Member acknowledges and agrees that the Condominium Board will be entering into the Standby Power Agreement providing for the purchase of backup power (and payment for reservation therefore) by each of the Tower Units, including the PE Unit.

(n) PE Member acknowledges and agrees that Developer's rights under this Agreement and the PE Developer Guaranty shall be collaterally assigned to Construction Lender as additional security for the obligations of Tower A Tenant under the Construction Loan Documents.

Section 11.02 Disclosures. Developer shall advise all Other Members on or before the Severance Date of the conditions to the Severance Date Transactions set forth in Section 11.01(a), and Developer shall disclose to PE Member the conditions to the Severance Date Transactions set forth in all Other Members' development agreements (other than provisions relating to economic obligations of such Other Members) promptly after the execution of such development agreement or any amendment thereof.

Section 11.03 PE Deposit.

(a) Simultaneously with (or within seventy-two (72) hours following) the execution and delivery of this Agreement, PE Member has delivered (or will deliver) to Developer a Letter of Credit in the amount of Twenty Five Million Dollars (\$25,000,000) (the "PE Deposit LOC"). In the event that Severance has not occurred by June 30, 2016 (the "Outside Severance Date"), for any reason (other than a breach by PE Member of its obligation to close the Severance Date Transactions despite satisfaction of the conditions to Severance set forth in Section 11.01(a) and in Sections 1.10 and 1.11 of the Operating Agreement), then PE Member shall have the right, by delivering written notice to Developer within thirty (30) days of the Outside Severance Date (time of the essence), to receive the return of the PE Deposit LOC, in which event this Agreement shall automatically terminate and be of no further force or effect except for those provisions of this Agreement which expressly survive such termination. Notwithstanding anything to the contrary in this Agreement, PE Member's sole remedy in respect of any breach of this Agreement by Developer prior to Severance or any failure of Severance to occur on or prior to the Outside Severance Date shall be to receive the return of the PE Deposit LOC in accordance with the provisions of this Section 11.03(a).

(b) PE Member shall cause the PE Deposit LOC to be extended from time to time such that at least forty-five (45) days remain until its expiry date. If at any time less than forty-five (45) days remain until the expiration of the PE Deposit LOC, then Developer may draw upon the PE Deposit LOC and hold such amounts as an advance on PE Member's obligations under this Agreement.

(c) Upon the consummation of the Severance Date Transactions on the Severance Date, Developer shall return the PE Deposit LOC to the PE Member for cancellation.

(d) If PE Member fails to close the Severance Date Transactions and perform its obligations at Severance as and when required pursuant to the provisions hereof and the Operating Agreement, despite the satisfaction of all conditions precedent to

its obligation to do so as set forth herein and in the Operating Agreement, then PE Member shall be in default under this Agreement and Developer shall have the right to draw the full amount of the PE Deposit LOC and retain such amounts (including any amounts previously drawn by Developer on the PE Deposit LOC and being held by Developer in accordance with Section 11.03(b) above) as liquidated damages, in which event this Agreement shall terminate and the parties shall have no further obligations hereunder except those which by the express terms of this Agreement survive termination.

(e) Related/Oxford Guarantor has executed the Joinder to this Agreement for the purposes of guaranteeing Developer's obligation to return the PE Deposit LOC to PE Member as and when required pursuant to this Section 11.03.

#### Section 11.04 Rescission Right.

(a) If (x) Developer fails to deliver both Delivery Blocks to PE Member in Delivery Condition on or prior to the Rescission Open Date and (y) Substantial Completion has not occurred on or prior to the Rescission Open Date, then at any time following the Rescission Open Date and prior to the date on which both Delivery Blocks are delivered to PE Member in Delivery Condition and Substantial Completion has occurred, PE Member may elect (such election, the "Rescission Election") not to consummate the acquisition of the PE Unit and to receive a refund of all amounts paid by it in respect of the PE Member Total Development Cost and the PE Member Additional Payment by delivering Notice to Developer of its intent to exercise the Rescission Election (such written notice, a "Rescission Election Notice"). If PE Member timely delivers a Rescission Election Notice exercising the Rescission Election, then on the date (the "Rescission Effective Date") that is thirty (30) days following the delivery of such Rescission Election Notice, Developer shall pay to PE Member an amount (the "Rescission Payment") equal to the total amount actually previously paid by PE Member or PE Guarantors hereunder or under the Operating Agreement in respect of the PE Member Total Development Cost and the PE Member Additional Payment whereupon this Agreement (and any guarantees delivered by PE Guarantors) shall automatically terminate and be of no further force or effect except for those provisions of this Agreement and any such documents which expressly survive such termination, and PE Member shall withdraw as an Economic Member of the LLC; provided, however, if, following the delivery of a Rescission Election Notice but prior to the Rescission Effective Date, Developer delivers both Delivery Blocks to PE Member in Delivery Condition and Substantial Completion occurs (or would have delivered both Delivery Blocks in Delivery Condition and/or caused Substantial Completion to occur but for PE Delay), then (i) the Rescission Election shall be null and void and this Agreement shall continue in full force and effect, (ii) PE Member shall continue to be obligated to perform its obligations under this Agreement (including, without limitation, payment of the PE Unit Allocated Construction Loan Amount, the PE Member Fixed MTA Deed Payment and, if applicable, the PE Member True-Up Payment, and consummation of the PE Unit Closing in accordance with the terms of this Agreement), (iii) Developer shall not be obligated to pay the Rescission Payment to PE Member and (iv) this Section 11.04 shall be null and void and PE Member shall have no further rights hereunder, and provided, further, as a condition to Developer's obligation to pay the Rescission Payment to PE Member, PE Member shall execute such documentation evidencing its withdrawal as an Economic Member of the LLC as shall be reasonably required by Developer.

(b) Related/Oxford Guarantor has executed the Joinder to this Agreement for the purposes of guaranteeing Developer's obligation to pay the Rescission Payment to PE Member as and when required pursuant to Section 11.04(a).

## ARTICLE 12

### UNIT CLOSING; PAYMENT OF PE UNIT ALLOCATED CONSTRUCTION LOAN AMOUNT AND PE MEMBER TRUE-UP PAYMENT

#### Section 12.01 PE Unit Closing.

(a) Notwithstanding anything herein or in the Operating Agreement to the contrary (but subject to the provisions of Section 11.04), PE Member shall be obligated to consummate the Closing with respect to the PE Unit (the "PE Unit Closing") upon the satisfaction of the following conditions (the "Unit Closing Conditions"):

(i) Both Delivery Blocks have been delivered to PE Member in Delivery Condition;

(ii) Provided that PE Member has paid (or by means of a customary escrow or similar arrangement at the PE Unit Closing will pay) (a) the PE Unit Allocated Construction Loan Amount to Construction Lender, (b) the PE Member True-Up Payment (if any) to the LLC and (c) the PE Member Fixed MTA Deed Payment to (or at the direction of) Developer, Developer has caused the MTA to (x) deliver the Deed (as defined in the Operating Agreement) to the PE Unit to PE Member or, subject to Section 12.01(f), an Affiliate thereof or other designee as designated by the PE Member to acquire fee title to the PE Unit at the PE Unit Closing (any such Affiliate or designee, a "Member Designee"), subject to the Multiple Unit Election (as defined in the Operating Agreement) if exercised by the PE Member in accordance with the provisions of the Operating Agreement, in which event multiple Deeds shall be so delivered to PE Member and/or any such Member Designee,

or (y) if PE Member has elected in accordance with Section 12.04 to acquire the leasehold interest in the PE Unit in lieu of a fee interest therein, enter into a Severed Parcel Lease (as defined in the Tower A Lease) with respect to the PE Unit and has caused Tower A Tenant to assign such Severed Parcel Lease to PE Member or a Member Designee;

(iii) The Condominium Documents shall have been amended to (i) subdivide the PE Unit as a separate unit in the Condominium, and (ii) incorporate the matters set forth in the PE Member Condominium Term Sheet;

(iv) Substantial Completion has been achieved;

(v) The conditions to release of the PE Unit under the Construction Loan Documents shall be satisfied or waived by the Construction Lender (it being understood that, except for PE Member's express obligations under this Agreement, R/O Member shall have the obligation to satisfy such conditions);

(vi) Provided that, PE Member has paid (or by means of a customary escrow or similar arrangement at the PE Unit Closing will pay) (a) the PE Unit Allocated Construction Loan Amount to Construction Lender, (b) the PE Member True-Up Payment (if any) to the LLC and (c) the PE Member Fixed MTA Deed Payment to (or at the direction of) Developer, Developer shall have caused Construction Lender to execute and deliver to PE Member and/or its Member Designee (and/or any lender for the foregoing) such documents as are necessary or appropriate in order to release the PE Unit from the lien of any mortgages on the PE Unit securing the Construction Loan as of the PE Unit Closing Date;

(vii) The IDA shall have executed and delivered such documents as it is obligated to execute and deliver pursuant to the IDA Documents in order to sever the IDA Documents from the PE Unit in accordance with the terms and conditions of the IDA Documents such that the PE Unit maintains the existing tax benefits applicable to the PE Unit;

(viii) On the PE Unit Closing Date, title to the PE Unit is free of Encumbrances other than the Permitted Encumbrances, and, at PE Member's election and its sole cost and expense, a market standard pro forma ALTA form of title policy (showing no Encumbrances other than the Permitted Encumbrances) to be issued upon payment, naming the PE Member or the Member Designee as the insured thereunder, shall be provided to PE Member by the Title Insurer (the "Title Policy");

(ix) Subject to the payment by the PE Member at the PE Unit Closing of all amounts then due and payable by the PE Member as provided in Section 12.01(b) below, the LLC shall have caused Tower A Tenant to subsever the Tower A Lease with respect to the PE Unit in accordance with the terms thereof to exclude the PE Unit as of the PE Closing Date;

(x) There has occurred no Major Event (as defined in the Operating Agreement);

(xi) A No Action Letter (as defined in the Operating Agreement) shall have been issued by the NYS Department of Law or any required offering plan shall have been filed and accepted by the NYS Department of Law on or prior to the first Closing with respect to a Unit;

(xii) The New York City Department of Finance shall have issued a separate tax lot(s) for the distributed Unit;

(xiii) Either (a) an all-risk casualty insurance policy with standard coverages and endorsements (as specified in the Condominium Documents) covering the Common Elements (to the extent constructed and in existence as of such date) to the extent of the full replacement value (and all other insurance coverage required to be maintained by the Condominium pursuant to the Condominium Documents in effect on the PE Unit Closing Date) thereof shall be obtained and maintained by the Condominium Board and shall be in force, valid and enforceable on the PE Unit Closing Date, or (b) the builders risk policy maintained by the LLC during construction of the Developer Work remains in full force and effect; and

(xiv) Without limiting the foregoing provisions of this Section 12.01(a), at the PE Unit Closing, the Managing Member shall have caused the LLC to execute and deliver, or as appropriate, caused Developer, Tower A Tenant, ERY Tenant, the LLC and the MTA (as applicable) to execute and deliver, the following:

a the Transfer Tax Forms (as defined in the Operating Agreement);

b such title affidavits or indemnities (if any) as the Title Insurer shall reasonably require to cause the Title Policy to be issued;

c a certificate of non-foreign status pursuant to Section 1445 of the Internal Revenue Code, duly executed and acknowledged by the MTA, in the form attached to the Operating Agreement as Exhibit X;



d a certificate of good standing of the LLC and all approvals, authorizations, consents or other actions by or filings with any Person (if any) which are required to be obtained or completed by the LLC, Tower A Tenant or ERY Tenant in connection with the execution and delivery of any of the Closing documents; and

e the Redemption Agreement.

(b) Subject to PE Member's rights under Section 11.04 and provided that the Unit Closing Conditions have been satisfied (or waived in writing by PE Member), PE Member shall, upon ten (10) Business Days' notice from Developer specifying the Closing Date for the PE Unit (the "PE Unit Closing Date"), pay the following amounts and consummate the PE Unit Closing:

(v) PE Member shall pay to (or at the direction of) Developer the PE Member Fixed MTA Deed Payment.

(vi) PE Member shall pay the PE Unit Allocated Construction Loan Amount to Construction Lender (to the extent not previously paid).

(vii) PE Member shall pay the PE Member True-Up Payment (if any) to the LLC (to the extent not previously paid).

(viii) PE Member shall pay (w) the costs of any Title Policy, (x) all costs and expenses incurred by PE Member or any Member Designee in connection with any financing of the PE Unit obtained by PE Member or any Member Designee, (y) any Transfer Taxes payable in connection with the PE Unit Closing and (z) all legal expenses or other expense incurred by the PE Member in connection with the PE Unit Closing that are not the responsibility of Developer pursuant to an express provision of this Agreement or the Operating Agreement.

(ix) PE Member shall pay all PE Member Additional Development Costs and any other sums due and payable by PE Member under this Agreement or the Operating Agreement to the extent not paid prior to the PE Unit Closing Date.

For the avoidance of doubt, the amounts required to be paid by PE Member pursuant to this Section 12.01(b) shall constitute the amounts required to be paid by PE Member for purposes of Section 6.03(h)(1) of the Operating Agreement at the PE Unit Closing.

(c) At the PE Unit Closing, PE Member shall execute and deliver, or cause to be executed and delivered, all such documents and instruments as required of the Withdrawing Member (as defined in the Operating Agreement) pursuant to Section 6.03(h)(ii) of the Operating Agreement.

(d) On the PE Unit Closing Date, PE Member shall be paid, by wire transfer of immediately available federal funds to such account(s) as PE Member shall designate, to the extent not previously paid, any Holdover Costs or any other sums that are due and payable by the LLC, Developer, R/O Member or their Affiliates to PE Member under this Agreement or the Operating Agreement, together with any interest accrued and unpaid thereon in accordance with the terms of this Agreement or the Operating Agreement.

(e) Developer shall use (and Developer shall cause the LLC and its Affiliates to use) commercially reasonable efforts to obtain (at PE Member's cost) such other documents, closing deliveries and/or information (in addition to the documents, closing deliveries and/or information specified in Section 12.01) as PE Member (or a Member Designee) may reasonably request in order to effect the PE Unit Closing (or any financing transaction(s) executed in connection with the PE Unit Closing), provided that PE Member shall not be obligated to pay for the cost of Developer obtaining or delivering any documents, closing deliveries and/or information that Developer or its Affiliate is otherwise obligated to provide (at Developer's cost) under this Agreement or the Operating Agreement.

(f) As a condition precedent to PE Member's ability to designate a Member Designee to take title to the PE Unit at the PE Unit Closing, PE Member shall cause such Member Designee to assume in all of the remaining obligations and liabilities of PE Member under this Agreement as of the PE Unit Closing pursuant to a written instrument reasonably acceptable to Developer.

Section 12.02 Unit Carry Costs. Notwithstanding anything to the contrary set forth herein and without limiting the provisions of Section 12.02 (but subject to PE Member's rights under Section 11.04), if PE Member fails to consummate the PE Unit Closing despite satisfaction (or waiver in writing by PE Member) of all Unit Closing Conditions, then PE Member shall be deemed to be in default under this Agreement and, in addition to any other remedies available to the LLC, the Members or Developer by reason of such failure, PE Member shall be liable for, and shall pay from time to time upon written demand from Developer, all carry costs attributable to the PE Unit, including, without limitation, all rent and additional rent under the Tower A Lease (including PILOT and

real estate taxes), all interest and other costs under the Construction Loan allocable to the PE Unit, and all common charges applicable to the PE Unit under the Condominium Documents (collectively, “Unit Carry Costs”) from the date of such default until the PE Unit Closing occurs, with interest thereon at the Default Rate from the date of such default. For the avoidance of doubt, PE Member shall be obligated to pay Unit Carry Costs pursuant to the preceding sentence regardless of whether Developer is paying Holdover Costs pursuant to Section 6.03 above, and the obligation of PE Member to pay Unit Carry Costs pursuant to the preceding sentence shall be exclusive of PE Member’s obligation, if any, to pay Construction Loan interest allocable to the PE Unit for any Holdover Delay Period in accordance with Section 6.03(b)(ii) above ( provided that PE Member shall not be obligated to pay such amount twice). All Unit Carry Costs payable by PE Member pursuant to this Section 12.02 shall constitute PE Member Additional Development Costs.

Section 12.03 Repayment of PE Unit Allocated Construction Loan Amount; Release of PE Unit.

(c) Upon payment by PE Member of (i) the PE Unit Allocated Construction Loan Amount to Construction Lender, (ii) the PE Member Fixed MTA Deed Payment to (or at the direction of) Developer, and (iii) the PE Member True-Up Payment (if any) to the LLC, Developer shall cause Construction Lender to execute and deliver to PE Member and/or its Member Designee (and/or any lender for the foregoing) such documents as are necessary or appropriate in order to release the PE Unit from the lien of any mortgages on the PE Unit securing the Construction Loan (or, at PE Member’s request, to sever the allocable portion of the mortgage and assign such severed portion to PE Member’s (or its Member Designee’s) lender).

(d) Developer and PE Member shall cause the PE Unit Closing (or issuance of a severed leasehold interest, if PE Member so elects in accordance with Section 12.04 below) pursuant to Section 6.03 of the Operating Agreement to be consummated simultaneously with the payment by PE Member or its Member Designee, in accordance with the provisions of Section 12.01(b), of (i) the PE Unit Allocated Construction Loan Amount to Construction Lender, (ii) the PE Member Fixed MTA Deed Payment to (or at the direction of) Developer, and (iii) the PE Member True-Up Payment to the LLC.

(e) If any ERY Completion Condition (as hereinafter defined) has not been satisfied as of the PE Unit Closing Date (any ERY Completion Condition that is not satisfied as of the PE Unit Closing Date, a “Deferred ERY Completion Condition”), then (1) at the PE Unit Closing, Developer shall pay to PE Member an amount equal to Seven Million Five Hundred Thousand and 00/100 Dollars (\$7,500,000.00) for each such Deferred ERY Completion Condition (the aggregate amount (up to Forty Five Million and 00/100 Dollars (\$45,000,000)) so required to be paid by Developer to PE Member, the “ERY Holdback Amount”), and (2) upon satisfaction of each Deferred ERY Completion Condition, PE Member shall repay to Developer (to the extent previously paid by Developer to PE Member pursuant to Section 12.03(c)(1)) a portion of the ERY Holdback Amount equal to Seven Million Five Hundred Thousand and 00/100 Dollars (\$7,500,000.00). The parties agree, for all U.S. federal, state, local and foreign tax purposes, (i) to treat any payment by Developer to PE Member of the ERY Holdback Amount pursuant to clause (1) of the immediately preceding sentence as a rebate of the purchase price of the PE Unit and (ii) to treat any payment by PE Member to Developer of the ERY Holdback Amount pursuant to clause (2) of the immediately preceding sentence as a deferred payment of the purchase price of the PE Unit (except for amounts properly characterized as payments of interest under U.S. federal income tax principles). As used herein, each of the following items (i) through (vi) is individually referred to herein as an “ERY Completion Condition”:

(i) a Core & Shell TCO (or temporary certificate of occupancy for first tenant occupancy) has been obtained for the building in the ERY commonly known as 10 Hudson Yards;

(ii) a Core & Shell TCO (or temporary certificate of occupancy for first tenant occupancy) has been obtained for the building in the ERY commonly known as 15 Hudson Yards (excluding the “Culture Shed”);

(iii) construction has commenced on the building in the ERY commonly known as 35 Hudson Yards and the structure thereon is at least 20 construction floors high;

(iv) a Core & Shell TCO (or temporary certificate of occupancy for first tenant occupancy) has been obtained for the building in the ERY commonly known as 55 Hudson Yards;

(v) the core and shell of the Destination Retail Building has been completed, a Core & Shell TCO (or temporary certificate of occupancy for first tenant occupancy) has been obtained for the Destination Retail Building, and the Destination Retail Building is open to the public; and

(vi) the open space in the ERY between 30<sup>th</sup> street and 33<sup>rd</sup> street (including plaza, roads and landscaping) has been completed and is open to the public.

Developer’s obligation (if any) to pay the ERY Holdback Amount to PE Member at the PE Unit Closing shall be guaranteed by Related/Oxford Guarantor at Severance pursuant to the Building Completion Guaranty. In addition, at Severance, Gen-Par shall (or

shall cause its applicable Affiliates holding such interest to) execute and deliver a pledge agreement to PE Member, in form and substance reasonably acceptable to PE Member (which senior preferred equity interest shall be subordinate to any bona fide third party debt financing and, for the avoidance of doubt, shall rank senior in priority to any equity interests or any obligations or liabilities due or payable to Gen-Par or its Affiliates) (the “Ob Deck Pref Pledge”), pledging in favor of PE Member, as additional security for Developer’s obligation to pay the ERY Holdback Amount in accordance with the provisions of this Section 12.03(c), a senior preferred equity interest in Observation Deck Member (the “Ob Deck Pref Interest”). The Ob Deck Pref Interest shall be evidenced by an amended and restated limited liability company agreement for Observation Deck Member entered into as of Severance in form and substance reasonably acceptable to PE Member (the “Ob Deck Member LLC Agreement”).

(f) At Severance, PE Guarantors shall guaranty, pursuant to the PE Guaranty, (A) PE Member’s obligation to pay the PE Unit Allocated Construction Loan Amount as and when required in accordance with the provisions of Section 12.01(b), (B) PE Member’s obligation to pay the PE Member True-Up Payment to the LLC if, as and when required in accordance with the provisions of Section 12.01(b) and (C) PE Member’s obligation to pay the PE Member Fixed MTA Deed Payment as and when required in accordance with the provisions of Section 12.01(b).

Section 12.04 Issuance of Severed Leasehold Interest for PE Unit. Notwithstanding anything to the contrary set forth herein or in the Operating Agreement, but subject to the ability of Developer to obtain the agreement of the MTA to effectuate the same, PE Member shall have the right, by delivering Notice to Developer no less than six (6) months prior to the date set forth in Section 6.03(d) of the Operating Agreement for the PE Unit Closing, to elect to acquire a leasehold interest to the PE Unit (and not the fee interest to the PE Unit) at the PE Unit Closing. If PE Member makes such election, then Developer and R/O Member shall cause the MTA to enter into a Severed Parcel Lease (as defined in the Tower A Lease) with respect to the PE Unit and shall cause Tower A Tenant to assign such Severed Parcel Lease to PE Member at the PE Unit Closing in lieu of the delivery by the MTA of the Deed to the PE Unit.

## ARTICLE 13

### DC PUNCH LIST WORK; DELIVERIES AND PAYMENTS TO BE MADE FOLLOWING THE CLOSING; FINAL ACCOUNTING

#### Section 13.01 Completion of DC Punch List Work.

(f) Developer shall cause to be completed the DC Punch List Work in accordance with the Plans and all applicable Laws, and with due diligence and, in any event, by the DC Punch List Work Completion Date, subject to Force Majeure, PE Delay and PE Punch List Delay. If PE Member fails to comply with its obligations under this Agreement or the Operating Agreement in connection with the performance of PE Finish Work and such failure results in an actual delay in the completion of DC Punch List Work by the applicable DC Punch List Work Completion Date, then such failure shall constitute a “PE Punch List Delay.”

(g) If Developer fails to commence (or cause to be commenced) the DC Punch List Work promptly following agreement on the DC Punch List or if Developer does not thereafter diligently progress and complete (or cause the progression and completion of) such DC Punch List Work by the applicable DC Punch List Work Completion Date (subject to extension for Force Majeure, PE Delay and PE Punch List Delay), and if PE Member notifies Developer that the applicable contractors have not commenced and/or are not proceeding with due diligence and within the agreed-upon time periods to complete such DC Punch List Work (subject to extension for Force Majeure, PE Delay and PE Punch List Delay) and of PE Member’s intention to perform the DC Punch List Work, then within fifteen (15) Business Days thereafter, if the DC Punch List Work is not completed or being diligently prosecuted to completion by Developer (subject to extension for Force Majeure, PE Delay and PE Punch List Delay) (and provided, such Punch List Work is in the PE Areas), PE Member shall have the right (but not the obligation) to undertake the DC Punch List Work; provided that Developer shall reimburse, or cause R/O Member to reimburse, within ten (10) days after PE Member’s demand therefor, PE Member for any actual, out-of-pocket costs incurred by PE Member in connection with PE Member’s performance (as opposed to Developer’s performance) of such DC Punch List Work. Any such costs incurred by PE Member and not timely paid by Developer to PE Member shall incur interest at the Default Rate from the date paid by PE Member until the date PE Member is reimbursed therefor by Developer or R/O Member.

#### Section 13.02 Payment of the Cost of Post-Distribution Work Properly Allocable to the PE Unit.

(g) Following the PE Unit Closing, (x) PE Member shall continue to make payments for any PE Member Additional Development Costs payable thereafter, and (y) Developer will continue to make payments for all amounts for which Developer is responsible pursuant to Section 10.01(a).

(h) As more fully provided elsewhere in this Agreement, Developer shall simultaneously copy (or shall cause the

Executive Construction Manager to simultaneously copy) PE Member on all Draw Requests (including all back-up documentation) and submissions made to the Construction Lender, including for work performed following the PE Unit Closing. Following the PE Unit Closing, each such copy to PE Member shall be accompanied by a title continuation search with respect to the PE Unit.

Section 13.03 Final Accounting at Final Completion; Final Payments. Promptly following Final Completion, Developer shall prepare and deliver to PE Member a final statement of all the PE Member Additional Development Costs, including a detailed statement of any costs incurred since the last Draw Request through the date of Final Completion. PE Member shall have the right within two (2) years following delivery of such final statement, to audit such final statement and all the books and records of the Project for the purposes of (i) verifying or confirming any matters set forth in such final statement which relate to any PE Member Additional Development Costs, (ii) reconciling PE Member Additional Development Costs and/or (iii) determining whether any costs were mistakenly or improperly allocated to PE Member as PE Member Additional Development Costs during the course of the Project. PE Member and Developer shall endeavor to resolve promptly any issues arising out of such examination. If the parties are unable to resolve such matters promptly, either PE Member or Developer may submit any dispute for resolution to Arbitration under the provisions of Article 14. If this final accounting shall establish that the amounts paid by or on behalf of PE Member exceed the final PE Member Additional Development Costs determined as provided in this Agreement, then, within thirty (30) days after the completion of said final accounting, Developer shall cause R/O Member or the applicable Other Member to pay (through the LLC) to PE Member the amount of such excess together with interest thereon at the Interest Rate, from the date paid by PE Member until reimbursed by R/O Member or such applicable Other Member. If the final accounting shall establish that the final PE Member Additional Development Costs exceed amounts paid by PE Member to date, then, within thirty (30) days after the completion of said final accounting, PE Member shall pay to the LLC (for distribution to the applicable Other Members) the amount of such deficiency together with interest thereon at the Interest Rate, from the date paid by such applicable Other Members until reimbursed by PE Member.

Section 13.04 Developer's Obligation to Discharge Liens and Remove Violations After the Closing. Developer shall cause to be bonded or removed any liens or other Encumbrances (other than Permitted Encumbrances) filed or recorded against the PE Unit after the PE Unit Closing by any Person performing Developer Work or by any Person asserting a claim against Developer, Tower A Tenant, Destination Retail Tenant, Destination Retail JV or the LLC with respect thereto, in each case within thirty (30) days after the filing thereof, provided, that if Developer fails to cause to be bonded or removed any such liens or other Encumbrances within such thirty (30) day period, PE Member shall have the right (but not the obligation) to remove any such lien or Encumbrance, in which event Developer shall reimburse PE Member for the costs thereof within ten (10) days of receiving an invoice therefor from PE Member. Any such costs incurred by PE Member and not timely paid by Developer to PE Member shall incur interest at the Default Rate from the date paid by PE Member until the date PE Member is reimbursed therefor by Developer. In addition, Developer shall proceed with due diligence to cause to be removed all Developer Violations which are noticed or filed against the Building after the PE Unit Closing.

Section 13.05 Survival. The provisions of this Article 13 shall survive the PE Unit Closing and the termination of this Agreement.

## ARTICLE 14

### DISPUTE RESOLUTION

Section 14.01 Dispute Resolution.

(i) If a dispute arises that the parties are unable to resolve and for which this Agreement provides resolution by Arbitration or pursuant to the provisions of this Article 14, then, in any such case, PE Member or Developer shall present the dispute to a single arbiter from among the arbiters identified in Exhibit G attached hereto (each, an "Arbiter"), who are listed in the order of priority (i.e., the second individual serves only if the first is not available and the third individual serves only if the first and second are not available) and who will resolve the dispute as provided in this Article 14; provided, that if this Agreement provides that a dispute is to be resolved by a Work Dispute Arbiter, then PE Member or Developer shall present the dispute to the arbiters identified in Exhibit H attached hereto (each, a "Work Dispute Arbiter"), who are listed in the order of priority (i.e., the second individual serves only if the first is not available and the third individual serves only if the first and second are not available) and who will resolve the dispute as provided in this Article 14. If one from among the panel of Arbiters (or Work Dispute Arbiters) resigns or becomes unable to serve hereunder, a successor individual shall be selected by the parties hereto. Except during the pendency of an arbitration proceeding pursuant to the procedures contained herein, either party may, by written notice to the other, disqualify any of the Arbiters or Work Dispute Arbiters for reasonable cause and propose additional arbitrators to be Arbiters or Work Dispute Arbiters to be agreed upon by the parties hereto.

(j) A party ("Disputing Party") may submit a request for resolution of a dispute (a "Dispute") pursuant to the provisions of this Agreement by giving notice (a "Dispute Notice") of the Dispute to the other party to the Dispute (the "Other

Disputing Party”) and to the Arbiter (or Work Dispute Arbiter), which Dispute Notice shall identify the provision of the Agreement at issue and shall specify in reasonable detail: (i) the nature of the dispute and the interpretation or decision requested; (ii) the party’s proposal to resolve the dispute; and (iii) a written explanation of its position, together with any materials that it deems relevant for such purpose.

(k) Within five (5) Business Days after receiving the Dispute Notice, the Other Disputing Party to the Dispute shall have the right to deliver to the Arbiter (or Work Dispute Arbiter), with a copy to the Disputing Party, its written statement setting forth (i) its position in reasonable detail with respect to the matters in Dispute, (ii) its proposal to resolve the dispute, and (iii) a written explanation of its position, together with any materials that it deems relevant for such purpose. The Arbiter (or Work Dispute Arbiter) shall coordinate among the Disputing Party and the Other Disputing Party in order to arrange for a time or time(s) to meet and present positions within the time deadlines as provided below. The Disputing Party and the Other Disputing Party shall each make themselves available during such time deadlines and if no mutually convenient time is agreed upon, each party shall be available during business hours on the last Business Day of such time deadline.

(l) The Disputing Party and Other Disputing Party shall each be entitled to present additional evidence and arguments to the Arbiter (or Work Dispute Arbiter) (in addition to the initial written statements described above) in accordance with procedures, if any, determined by the Arbiter (or Work Dispute Arbiter), which procedures shall be implemented by the Arbiter (or Work Dispute Arbiter) so as to cause the time deadlines set forth below to be met. All evidence and arguments must be presented to the Arbiter (or Work Dispute Arbiter) within five (5) Business Days after the expiration of the five (5) Business Day period described in Section 14.01(c). The Arbiter (or Work Dispute Arbiter) shall in all events render its decision by the later of (i) ten (10) Business Days after delivery of the second initial statements of the Other Disputing Party pursuant to Section 14.01(c) or (y) seven (7) Business Days after all evidence and arguments have been presented under this Section 14.01(d). The Arbiter (or Work Dispute Arbiter) shall issue a single written decision stating, in reasonable detail, the basis for its decision. The Arbiter (or Work Dispute Arbiter) shall allocate the costs of the Dispute (including, without limitation, the costs of the Arbitration, any expert witnesses and reasonable attorney’s fees) between the Disputing Parties as it deems appropriate and shall set forth such cost allocation in its decision. The Arbiter (and Work Dispute Arbiter) shall not vary the terms of this Agreement, and any decision shall be subject to the limitations on liability and remedies set forth in this Agreement, including Section 10.02, and the Operating Agreement. The decision of the Arbiter (or Work Dispute Arbiter) need not accept, in its entirety, the position(s), or the specific cost allocations, advanced by either Disputing Party. The Arbiter’s (or Work Dispute Arbiter’s) decision shall be conclusive and binding on all Parties to the Dispute and shall be confirmable in a court of competent jurisdiction.

(m) Developer shall not stop the design or construction of the Building during the pendency of any dispute, but shall not proceed with any aspects of the work at issue in the dispute if any work performed might have to be changed depending on the resolution of the Arbitration. The initiation or pendency of any Arbitration shall not give any Member the right to withhold or delay payment of any Draw Request or other sum due hereunder, provided that the making of such payment shall not prejudice PE Member’s right to pursue the dispute in question.

(n) Proceedings before or involving dispute resolution under this Article in and of themselves shall not constitute events of Force Majeure or PE Delay. Notwithstanding the foregoing, if the Arbiter in any Arbitration determines that PE Member acted unreasonably (where PE Member is obligated to be reasonable) in withholding its approval or consent, and that the dispute and Arbitration resulted in actual delay, then such delay shall be PE Delay.

(o) No dispute or matter arising under this Agreement shall be subject to resolution under this Article 14 unless this Agreement specifically provides for such dispute or matter to be resolved by Arbitration under this Article 14.

(p) To the extent provided in the Co-Construction Agreement and/or the Co-Construction Agreement Term Sheet, Destination Retail Tenant shall join in and be bound by any arbitration conducted pursuant to this Article 14.

(q) The provisions of this Article 14 shall survive the PE Unit Closing and the termination of this Agreement.

## ARTICLE 15

### REPRESENTATIONS AND WARRANTIES OF DEVELOPER AND PE MEMBER

Section 15.01 Developer’s Representations. Developer represents and warrants to PE Member, as of the date hereof, as follows:

(a) Developer is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware and has all requisite power and authority to carry on its business as now being conducted. Developer has the requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery

and performance by Developer of this Agreement and the transactions contemplated hereby have been duly and validly authorized by all requisite organizational action (including such requisite action by the direct and indirect members of Developer). This Agreement has been duly executed and delivered by Developer. This Agreement constitutes a legal, valid and binding obligation of Developer enforceable against Developer in accordance with its terms.

(b) The execution and delivery of this Agreement by Developer and the consummation of the transactions contemplated hereby by Developer do not and will not (i) violate or conflict with the limited liability company agreement of Developer (or the organizational documents of any R/O Party), (ii) violate or conflict with any judgment, decree or order of any court applicable to or affecting Developer or any R/O Party, (iii) breach any provisions of, or constitute a default under, any contract, agreement, instrument or obligation to which Developer or any R/O Party is a party or by which Developer or any R/O Party is bound (including, without limitation, the DRB Development Agreement, the Construction Management Agreement and the DRB ECM Agreement), or (iv) violate or conflict with any Laws applicable to Developer or any R/O Party.

(c) No approval, authorization, consent or other actions by or filing with any third party or governmental agency or authority is required for the execution of this Agreement by Developer and the performance of Developer's obligation hereunder, other than (i) any such approval, authorization, consent or other action or filing which has been obtained, taken or made, and (ii) building and other similar governmental permits or approvals which, in accordance with best construction practices in New York City for similar first class projects, will be obtained in the regular course of construction of the Project and which are not otherwise required under the Construction Loan Documents as a condition precedent to the initial advance of the Construction Loan.

(d) Neither Developer nor any of its constituent owners have engaged in any dealings or transactions, directly or indirectly, (i) in contravention of any U.S., international or other money laundering regulations or conventions, including, without limitation, the United States Bank Secrecy Act, the United States Money Laundering Control Act of 1986, the United States International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, Trading with the Enemy Act (50 U.S.C. § 1 *et seq.*, as amended), or any foreign asset control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto, or (ii) in contravention of the Anti-Terrorism Order or on behalf of terrorists or terrorist organizations, including those persons or entities that are included on any relevant lists maintained by the United Nations, North Atlantic Treaty Organization, Organization of Economic Cooperation and Development, Financial Action Task Force, U.S. Office of Foreign Assets Control, U.S. Securities & Exchange Commission, U.S. Federal Bureau of Investigation, U.S. Central Intelligence Agency, U.S. Internal Revenue Service, or any country or organization, all as may be amended from time to time. Neither Developer nor any of its constituent owners (A) are or will be conducting any business or engaging in any transaction with any person appearing on the U.S. Treasury Department's Office of Foreign Assets Control list of restrictions and prohibited persons, or (B) are a person described in Section 1 of the Anti-Terrorism Order, and to the best of Developer's knowledge, respectively neither Developer nor any of its Affiliates have engaged in any dealings or transactions, or otherwise been associated with any such person. Developer and its constituent owners have in place written policies and procedures, internal controls and systems that are reasonably designed to ensure compliance by Developer and its constituent owners with the anti-corruption, anti-terrorism and other laws and regulations referenced in this Section 15.01(d).

(e) There are no actions, suits or proceedings at law or in equity by or before any Government Entity now pending or threatened against or affecting Developer, Related Parent, the Oxford Guarantor, any Affiliates of Developer or any of their respective assets, which actions, suits or proceedings, if determined against Developer, Related Parent, the Oxford Guarantor any such Affiliate of Developer or Related Parent or the Oxford Guarantor or any of such assets, might reasonably be expected to materially adversely affect the condition (financial or otherwise) or business of Developer or Related Parent or the Oxford Guarantor or the condition or ownership of any of their respective assets or their ability to perform their respective obligations under this Agreement, the Co-Construction Agreement (or the Co-Construction Agreement Term Sheet) or the Building Completion Guaranty.

(f) Developer, as developer, has entered into the Executive Construction Management Agreement, and such agreement is in full force and effect and has not been amended, modified or supplemented. To Developer's knowledge, no party is in breach of the Executive Construction Management Agreement.

(g) Developer has delivered to PE Member or made available on the Project Data Site prior to the date of this Agreement, true, correct and complete copies of (1) the Operating Agreement (including all exhibits and schedules), (2) the Project Documents, (3) the TW Development Agreement (redacted, where applicable), including all exhibits and schedules, (4) the Project Labor Agreement, (5) the ZLDA, and (6) any other agreement (redacted where necessary) entered into by the Tower A Tenant or any R/O Party or binding upon the Tower A Tenant, the Tower Building or the Land that, in Developer's reasonable opinion, is material to the design, construction, development, ownership, use or occupancy of the Tower Building other than (x) design and construction contracts (but excluding the Construction Management Agreement, the Executive Construction Management Agreement, the Architect's Agreement, the DRB Executive Construction Management Agreement and the DRB Development Agreement) and (y) any agreement that solely affects one or more Other Units and does not impact the PE Unit (the agreements and documents referenced in this Section 15.01(g) (including for the avoidance of doubt any agreements or documents attached as exhibits, annexes

or schedules to the foregoing), collectively, the “ 30 HY Project Documents ”).

(h) To Developer’s actual knowledge, no material default, or event which with the giving of notice or lapse of time or both would be a material default, exists under any 30 HY Project Document. Developer has not received any written notice of material default under any 30 HY Project Document which remains uncured.

(i) Prior to the date hereof, Developer has commenced erection of building steel above the Platform.

(j) Developer represents and warrants that the parcels referred to in the 50 HY Deed Restriction are the only parcels of real property currently owned or controlled by Developer or its Affiliate within the block bounded by 10<sup>th</sup> Avenue in the east, Hudson Boulevard in the west, 33<sup>rd</sup> Street in the south and 34<sup>th</sup> Street in the north, in the City, County and State of New York (the “ 50 HY Block ”).

Section 15.02 PE Member’s Representations. PE Member represents and warrants to Developer, as of the date hereof, as follows:

(a) PE Member is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware. PE Member has all requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance by PE Member of this Agreement and the transactions contemplated hereby have been duly and validly authorized by all requisite organizational action. This Agreement has been duly executed and delivered by PE Member. This Agreement constitutes a legal, valid and binding obligation of PE Member enforceable against PE Member in accordance with its terms.

(b) The execution and delivery of this Agreement by PE Member and the consummation of the transactions contemplated hereby by PE Member do not and will not (i) violate or conflict with the limited liability company agreement of PE Member, (ii) violate or conflict with any judgment, decree or order of any court applicable to or affecting PE Member, (iii) breach any provisions of, or constitute a default under, any contract, agreement, instrument or obligation to which PE Member is a party or by which PE Member is bound, or (iv) violate or conflict with any Laws applicable to PE Member.

(c) No approval, authorization, consent or other actions by or filing with any third party or governmental agency or authority is required for the execution of this Agreement by PE Member and the performance of PE Member’s obligation hereunder, other than any such approval, authorization, consent or other action or filing which has been obtained, taken or made.

(d) Neither PE Member nor any of its constituent owners have engaged in any dealings or transactions, directly or indirectly, (i) in contravention of any U.S., international or other money laundering regulations or conventions, including, without limitation, the United States Bank Secrecy Act, the United States Money Laundering Control Act of 1986, the United States International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, Trading with the Enemy Act (50 U.S.C. § 1 *et seq.* , as amended), or any foreign asset control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto, or (ii) in contravention of the Anti-Terrorism Order or on behalf of terrorists or terrorist organizations, including those persons or entities that are included on any relevant lists maintained by the United Nations, North Atlantic Treaty Organization, Organization of Economic Cooperation and Development, Financial Action Task Force, U.S. Office of Foreign Assets Control, U.S. Securities & Exchange Commission, U.S. Federal Bureau of Investigation, U.S. Central Intelligence Agency, U.S. Internal Revenue Service, or any country or organization, all as may be amended from time to time. Neither PE Member nor any of its constituent owners (A) are or will be conducting any business or engaging in any transaction with any person appearing on the U.S. Treasury Department’s Office of Foreign Assets Control list of restrictions and prohibited persons, or (B) are a person described in Section 1 of the Anti-Terrorism Order, and to the best of PE Member’s knowledge, respectively neither PE Member nor any of its Affiliates have engaged in any dealings or transactions, or otherwise been associated with any such person.

(e) There are no actions, suits or proceedings at law or in equity by or before any Government Entity now pending or threatened against or affecting PE Member, the PE Guarantors, any Affiliates of PE Member or the PE Guarantors or any of their respective assets, which actions, suits or proceedings, if determined against PE Member, the PE Guarantors, any Affiliates of PE Member or the PE Guarantors or any of such assets, might reasonably be expected to materially adversely affect the condition (financial or otherwise) of PE Member or the PE Guarantors or the condition or ownership of any of their respective assets or their ability to perform their obligations under this Agreement or the PE Developer Guaranty.

## ARTICLE 16

### FLOOR AREA

Section 16.01 Floor Area. PE Member and Developer agree that the Floor Area of the PE Unit (the “PE Floor Area”) and the other Units shall be set forth in the Condominium Documents. Subject to compliance with the provisions of this Agreement as to changes in the Plans, PE Member may alter the PE Areas (or elements within the PE Areas) so as to re-allocate RSF (or the Floor Area in the PE Unit) in the PE Areas, provided, that the PE Areas shall not exceed the Actual PE Unit SF (or, after the PE Floor Area has been determined, the PE Floor Area) in the aggregate.

## ARTICLE 17

### EXCULPATION; INDEMNIFICATION

#### Section 17.01 Exculpation.

(a) Except for obligations and liabilities of the PE Guarantors under the PE Developer Guaranty, no Affiliate of PE Member and no direct or indirect partner, member or shareholder in or of PE Member or any Affiliate of PE Member (and no officer, director, manager, employee or agent of PE Member or such Affiliate or any such partner, member or shareholder) will be liable for the performance of PE Member’s obligations under this Agreement.

(b) Except for obligations and liabilities of (x) the Related/Oxford Guarantor under the Building Completion Guaranty or (y) the Joinder Parties under the Joinder to this Agreement, no Affiliate of Developer and no direct or indirect partner, member or shareholder in or of Developer or any Affiliate of Developer (and no officer, director, manager, employee or agent of any such partner, member or shareholder), will be liable for the performance of Developer’s obligations under this Agreement. The foregoing shall not be deemed to alter or vitiate the obligations and liabilities of R/O Member under the Operating Agreement.

#### Section 17.02 Indemnification.

(a) Subject to the provisions of Section 17.02(c), PE Member shall defend, indemnify and hold harmless the Developer Indemnitees from and against all actual losses, damages, charges, liabilities and expenses (including, without limitation, reasonable attorneys’ fees and expenses) arising from any third-party claims of any nature (hereinafter, collectively, “Claims”) relating to or arising from (i) PE Member’s breach or default in the performance of any of PE Member’s obligations under and in accordance with the terms of this Agreement or (ii) PE Member’s failure (other than by reason of Developer’s default under this Agreement) or refusal to comply with or abide by any applicable Laws, provided, that the foregoing indemnity shall not apply to the extent such claim results from the negligence or willful misconduct of the Developer Indemnitees or breach of this Agreement by the Developer Indemnitees.

(b) Subject to the provisions of Section 17.02(c), Developer shall defend, indemnify and hold harmless the PE Indemnitees from and against all actual losses, damages, charges, liabilities and expenses (including, without limitation, reasonable attorneys’ fees and expenses) arising from any Claims relating to or arising in connection with the Developer Work (including, without limitation, any Claims relating to or arising in connection with (i) Developer’s breach or default in the performance of any of Developer’s obligations under and in accordance with the terms of this Agreement or (ii) Developer’s failure (other than by reason of PE Member’s default under this Agreement) or refusal to comply with or abide by any applicable Laws); provided that the foregoing indemnity shall not apply to the extent any such Claim or Legal Proceeding results from (1) the negligence or willful misconduct of the PE Indemnitees or breach of this Agreement by the PE Indemnitees or (2) any matter for which PE Member is responsible to indemnify the Developer Indemnitees under clause (a) above. Developer’s liability under this Section 17.02 shall not be subject to the Floor or the Cap.

(c) In no event shall PE Member or Developer be liable for, and each party, on behalf of itself and its respective PE Indemnitees or Developer Indemnitees (as applicable), hereby waives any claim for, any special, punitive or consequential damages (except, with respect to Developer, as expressly set forth herein with respect to Holdover Costs), including loss of profits or business opportunity, arising under or in connection with this Agreement or any default by the other party hereunder.

(d) If any action shall be brought against any PE Indemnitee or Developer Indemnitee (each, for purposes of this Section 17.02(d), an “Indemnitee”) based upon any Claim for which such Indemnitee is indemnified hereunder, the Indemnitee shall promptly notify the indemnitor in writing thereof and the indemnitor shall promptly assume the defense thereof. The Indemnitees shall have the right to employ separate counsel in any such action and to participate in the defense thereof (subject to indemnitors’ right to control the defense thereof). The fees and disbursements of such counsel shall be at the expense of the Indemnitees; provided that if the indemnitor fails to undertake the defense of any Claim for which the Indemnitees are indemnified hereunder, or if in the reasonable opinion of counsel to the Indemnitees, there exists a conflict of interest between the indemnitor and the Indemnitees that cannot be waived, then the indemnitor shall be liable for the reasonable fees and expenses of one counsel representing the Indemnitees collectively in defending the Claim. The indemnitor and Indemnitees shall cooperate in all commercially reasonable respects in connection with the defense of any Claim. The indemnitors shall not have the right to settle any



Claim without the prior written approval of Indemnitees, and the Indemnitees shall not have the right to settle any Claim without the prior written approval of the indemnitors, which approval in each case shall not be unreasonably withheld; provided, however, the indemnitors shall have the right to settle any Claim without the approval of the Indemnitees if such settlement shall release the applicable Indemnitees against whom liability has been asserted from all liability with respect to such Claim without contribution or admission of wrongdoing from such Indemnitees.

Section 17.03 Survival. The provisions of this Article 17 shall survive the PE Unit Closing and the termination of this Agreement.

## ARTICLE 18

### NOTICES

Section 18.01 Notices. Except as otherwise provided in Section 18.02, any and all notices, demands, requests, consents, approvals, objections, comments, responses or other communications (each, a “Notice”) permitted or required to be made under this Agreement shall be in writing, signed by the party giving such Notice and shall be delivered (a) by hand (with signed confirmation of receipt), or (b) by nationally or internationally recognized overnight mail or courier service (with signed confirmation of receipt). All such Notices shall be deemed delivered, as applicable: (i) on the date of the personal delivery if delivered by 5:00 p.m., and if delivered after 5:00 p.m. then on the next business day; or (ii) on the next business day if delivered by overnight mail. Notices directed to a party shall be delivered to the parties at the addresses set forth in the List of Authorized Representatives and Notice Addresses or at such other address or addresses as may be supplied by written Notice given in conformity with the terms of this Section 18.01.

Section 18.02 Email Notices.

(a) Subject to the provisions of Section 18.02(b), except as otherwise expressly provided in this Agreement, any Notice permitted or required to be made pursuant to Article 3, Article 5, Article 6 or Article 8 may be given in the form of an Email Notice; provided, that if any materials, documents or other information are intended, or required, to be given with such Notice or otherwise made available to PE Member or Developer, as applicable, such materials or other information shall be attached to such Email Notice or posted on the Project Data Site (in which event PE Member shall be notified of the availability of such materials documents or other information by Email Notice).

(b) With respect to any Notices that are expressly permitted or required in this Agreement to be given in the form of an Email Notice, such Notices shall be delivered by email addressed to the parties at the email addresses set forth in the List of Authorized Representatives and Notice Addresses, or such other email address or addresses as may be supplied by written Notice given in conformity with the terms of Section 18.01. All such notices shall, in the subject line, include the following language: “Notice pursuant to the PE Tower A Development Agreement.” All such Notices shall be deemed delivered upon sending to the individuals for PE Member or Developer, as applicable, listed on the List of Authorized Representatives and Notice Addresses on the date such email is delivered if delivered by 5:00 pm New York time and, if delivered after 5:00 pm New York time, on the next Business Day, provided, that (x) the Notice is not returned to the sender as undeliverable (in which event the returned message shall not count toward the required individuals), and (y) to the extent the Email Notice requires, or is intended to advise of, the posting of certain information, documents or other materials to the Project Data Site, such notice shall not be deemed delivered until the Project Data Site is accessible by PE Member and its designees and the required materials are posted thereon and available to PE Member and its designees and from and after the giving of Email Notice. Any Email Notice that advises of the posting of information on the Project Data Site shall include a link to such information, or shall otherwise indicate that such information will be so posted. Notwithstanding anything contained herein, if this Agreement sets forth a time period for PE Member to respond to any Notice given by Email Notice and such Notice and/or information, documents or other materials relating to such Notice are required to be provided (or are reasonably requested by PE Member) and are posted on the Project Data Site, such time period shall be extended by one (1) day for each day (if the Response Period is measured in days) or Business Day (if the response period is measured in Business Days) during such period when the Project Data Site is not available for viewing by PE Member’s designees for substantially all hours during such day or Business Day, as applicable. Any Notice given in accordance with this Section 18.02 shall be referred to as an “Email Notice.”

Section 18.03 Approvals.

(a) Notwithstanding anything to the contrary contained herein, if either party receives a request from the other party for consent to or approval of a matter as to which consent or approval is required herein within a specified period of time (such period, a “Response Period”), and if the receiving party reasonably determines that (i) additional information is required that is in the possession or control of the requesting party and (ii) a decision cannot reasonably be made within the Response Period without such additional information, then if the receiving party gives Notice (which may be an Email Notice) thereof within a reasonable

period of time after receipt of the request for approval, the Response Period shall not begin until the Business Day on which such additional information is received. For purposes of the foregoing sentence, the words “a reasonable period of time” means (x) five (5) Business Days if the Response Period is fifteen (15) Business Days or more, (y) three (3) Business Days if the Response Period is more than five (5) but fewer than fifteen (15) Business Days, and (z) two (2) Business Days if the Response Period is five (5) Business Days or fewer.

(b) Whenever Article 3 or Article 5 provides PE Member with a specified time period within which to comment on or approve any request from Developer, and PE Member fails to comment on or approve such request within such time period (subject to Section 18.03(a)), PE Member shall be deemed to have approved such request. If any item is deemed approved in accordance with the foregoing or otherwise in accordance with this Agreement, then any such specified time periods required for such deemed approval to have occurred shall not constitute PE Delay.

## ARTICLE 19

### MISCELLANEOUS

Section 19.01 Further Assurances. Each of the parties shall take such actions and execute and deliver such other instruments and documents as may be reasonable, necessary or appropriate to effectuate the transactions contemplated under this Agreement; provided, however, that the taking of such acts or the execution of such documents will not result in any cost or liability (other than a *de minimis* cost or expense) to the respective party which is not otherwise required under this Agreement.

Section 19.02 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State, without regard to principles of conflicts of law that would apply the laws of another jurisdiction.

Section 19.03 Submission to Jurisdiction; Waiver of Jury Trial.

(a) Developer, PE Member and each of the other signatories and acknowledgement parties hereto (such other signatories and acknowledgement parties, collectively, the “Additional Parties”) hereby irrevocably and unconditionally (i) agree that the exclusive forum for any suit, action or other legal proceeding arising out of or relating to this Agreement shall be the Supreme Court of the State of New York in New York County or the United States, Southern District of New York; (ii) consent to, and waive any and all personal rights under the laws of any state to object to the jurisdiction of each such court in any such suit, action or proceeding; and (iii) waive any objection which it may have to the laying of venue of any such suit, action or proceeding in any of such courts. In furtherance of such agreement, Developer, PE Member and each of the Additional Parties agree, upon request of any other party, to discontinue (or cause to be discontinued) any such suit, action or proceeding pending in any other jurisdiction or court and Developer, PE Member and each Additional Party irrevocably consent to the service of any and all process in any such suit, action or proceeding by service of copies of such process to Developer, PE Member and/or each Additional Party, as the case may be, at its address provided herein. Nothing contained in this Section 19.03, however, shall affect the right of Developer, PE Member or any Additional Parties to serve legal process in any other manner permitted by applicable Law.

(b) TO THE FULL EXTENT PERMITTED BY LAW, DEVELOPER, PE MEMBER AND EACH ADDITIONAL PARTY HEREBY KNOWINGLY, INTENTIONALLY AND VOLUNTARILY, WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, WAIVE, RELINQUISH AND FOREVER FORGO THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO THIS AGREEMENT OR ANY CONDUCT, ACT OR OMISSION OF DEVELOPER OR PE MEMBER, OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, SHAREHOLDERS, PARTNERS, MEMBERS, MANAGERS, EMPLOYEES, AGENTS OR ATTORNEYS, OR ANY AFFILIATES, IN EACH OF THE FOREGOING CASES, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE.

(c) The waivers contained in this Section 19.03 are given knowingly and voluntarily by Developer, PE Member and each Additional Party and, with respect to the waiver of jury trial, is intended to encompass individually each instance and each issue as to which the right to a trial by jury would otherwise accrue. Developer, PE Member each Additional Party are hereby authorized to file a copy of this Section 19.03 in any proceeding as conclusive evidence of these waivers by the other parties.

Section 19.04 Amendments and Waivers in Writing. This Agreement may not be amended, supplemented or otherwise modified, except by a written instrument executed by PE Member and Developer. No provision of this Agreement may be waived except by a written instrument executed by the party against whom the enforcement of such waiver is sought and then only to the extent set forth in such instrument.

Section 19.05 Confidentiality; Publicity.

(a) PE Member, Developer and their respective partners, principals, members, owners, shareholders, partners,

attorneys, agents, employees and consultants (and their respective successors and assigns) shall treat the terms of this Agreement and all information disclosed to it by the other party, or otherwise gained through the Project, as confidential, giving it the same care as its own confidential information, and make no use of any such disclosed information not independently known to it, except (A) in connection with the transactions contemplated hereby, (B) to the extent legally compelled or requested by a regulatory or other governmental authority (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose the same, (C) to the extent required by any federal, state, local or foreign laws, or by any rules or regulations of the United States Securities and Exchange Commission (or its equivalent in any foreign country) or any domestic or foreign public stock exchange or stock quotation system, that may be applicable to Developer or PE Member or any of their direct or indirect constituent owners or Affiliates (including that require this Agreement to be publicly filed) or (D) to the extent required by the MTA Project Documents or the Construction Loan Documents, but in such case disclosure may only be made to the MTA or the Construction Lender. Notwithstanding the foregoing, the terms of this Agreement (and/or any other information subject to the confidentiality and non-disclosure restrictions set forth in the preceding sentence) may be disclosed to (i) a party's accountants, attorneys, employees, agents, actual or potential direct or indirect transferees, sublessees, direct or indirect investors and direct or indirect lenders, and others in privity with such party or its Affiliates or actual or potential transferees or lenders, purchasers, lessors, tenants and/or financial counterparties, in each case to the extent reasonably necessary for such party's business purposes or in connection with a dispute hereunder, (ii) the LLC, Tower A Tenant, the Other Members and any Construction Lender or other lender providing financing to PE Member or its Affiliates or to the Other Members or their respective Affiliates, which financing shall be secured by the PE Unit or the Other Units or any direct or indirect interests therein, and (iii) any equity investor in PE Member or its Affiliates or the Other Members or their respective Affiliates providing equity capital for the Project. In the event of a termination of this Agreement, each party shall promptly return or destroy all confidential information it has received (except for such information that is required to be retained pursuant to applicable law or regulation or internal compliance procedures, for as long as the same is so required to be retained).

(b) All publicity or signs located at or about the Tower Building that identify the PE Member or its Affiliates shall first be approved by PE Member. Neither party may, without the other party's prior consent, permit the public dissemination of any public relations releases, advertisements or similar communications or materials with respect to the Project that includes or describes the identity of the other party or its constituents or affiliates.

(c) Notwithstanding anything to the contrary herein, Developer shall have the right to disclose the Plans, Schedule, trade contracts, any budgets, and other similar information for the Project to Destination Retail Tenant and its direct and indirect owners, lenders, and tenants, including, without limitation, those portions of such information that may affect areas located within the Tower Building that are part of the Destination Retail Unit, the Limited Common Elements appurtenant to the Destination Retail Unit and/or any portion of the Project Costs for which Destination Retail Tenant or the owner of any Unit in the Destination Retail Building may be liable.

Section 19.06 Non-Waiver of Rights. Except as expressly provided in this Agreement, no delay on the part of any party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof or as a waiver of any other right, power or privilege hereunder, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise hereunder. The waiver of any breach hereunder shall not be deemed to be a waiver of any other or any subsequent breach of this Agreement.

Section 19.07 Execution in Counterparts. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, but all of which together shall constitute one and the same instrument.

Section 19.08 Exhibits and Schedules. All Exhibits and Schedules attached to this Agreement are hereby made (and shall be deemed to be) incorporated herein as a part of this Agreement with the same effect as if set forth in the body of this Agreement.

Section 19.09 Headings. The Article and Section headings in this Agreement are inserted only as a matter of convenience and are not to be given any effect (whether limiting or otherwise) in construing any provision of this Agreement.

Section 19.10 Assignments of this Agreement.

(a) Developer shall not assign this Agreement, or any of its rights or obligations herein or hereunder, except with the prior written consent of PE Member (and only if such assignee assumes Developer's obligations hereunder from and after the date of such assignment, it being understood that no such assumption shall be required in the event of a change in control that is deemed to be an assignment hereunder). Notwithstanding the foregoing (but subject to the applicable provisions of the Co-Construction Agreement (and the Co-Construction Term Sheet), Construction Loan Documents and the MTA Project Documents), Developer may, without the consent of PE Member, (i) assign its interest under this Agreement and its rights and obligations herein or hereunder to (w) Related Parent, (x) Oxford Parent, (y) a Related Affiliate or (z) an Affiliate of Related Parent and/or Oxford Parent (collectively, the "R/O Parties"); provided, that in each case (A) such assignee assumes in writing reasonably satisfactory to PE Member, all the

obligations of Developer hereunder, (B) no such assignment shall impair, vitiate or otherwise affect the obligations of Developer hereunder or the Related/Oxford Guarantor under the Building Completion Guaranty, (C) such assignment is made in connection with an assignment of all of Developer's other rights and interests in and to the Project to such assignee, (D) such assignment is made at the sole expense of Developer, (E) Related/Oxford Guarantor executes and delivers to PE Member a written ratification, in form and substance reasonably satisfactory to PE Member, confirming that the Building Completion Guaranty remains in full force and effect and (F) such assignee (if not controlled by Related or a Related Affiliate or Oxford Properties Group) shall retain a qualified developer reasonably acceptable to PE Member with experience in the New York, New York market comparable to that of Related to complete the Project, and (ii) collaterally assign this Agreement to the Construction Lender (subject to any applicable terms and conditions as may be set forth in the Construction Loan Documents). Any transfer of a direct or indirect interest in Developer shall constitute an assignment of this Agreement for purposes hereof if, as a result of such transfer, Developer is no longer controlled by (x) Related Parent, (y) a Related Affiliate or (z) Related Parent and/or Oxford Parent. Any attempted assignment in violation of this Section 19.10(a) shall be null and void. Without limiting the foregoing, PE Member acknowledges and agrees that Oxford Properties Group is a qualified developer satisfactory to PE Member so long as Oxford Properties Group or any wholly-owned subsidiary thereof is a "Qualified Replacement Developer" under and as defined in the MTA Project Documents.

(b) PE Member shall not assign this Agreement, or any of its rights or obligations herein or hereunder, except with the prior consent of Developer (and only if such assignee assumes PE Member's obligations hereunder from and after the date of such assignment). Notwithstanding the foregoing (but subject to the applicable provisions of the Construction Loan Documents), PE Member may, without the consent of Developer, assign this Agreement and its rights and obligations herein or hereunder to (i) the PE Guarantors or one or more Affiliates of the PE Guarantors, (ii) an entity created by merger, reorganization or recapitalization of or with the PE Guarantors or any Affiliate thereof, (iii) a purchaser of all or substantially all of PE Member's, a PE Guarantor's, or their respective Affiliate's assets or a purchaser of a controlling share of PE Member's, a PE Guarantor's, or their respective Affiliate's stock or other ownership interest, or (iv) to any person or entity to whom or to which a Transfer (as defined in the LLC Agreement) is permitted to be made by PE Member pursuant to the LLC Agreement; provided, that in each case (A) no such assignment shall impair, vitiate or otherwise affect the obligations of PE Member hereunder or the PE Guarantors under the PE Developer Guaranty and (B) such assignment is made at the sole expense of PE Member. Any transfer of a direct or indirect interest in PE Member shall constitute an assignment of this Agreement for purposes hereof if, as a result of such transfer, PE Member is no longer an Affiliate of the PE Guarantors. Any attempted assignment in violation of this Section 19.10(b) shall be null and void. Nothing contained in this Section 19.10 is intended to vitiate PE Member's right to exercise the Multiple Unit Election.

Section 19.11 Successors and Assigns. This Agreement (and all terms thereof, whether so expressed or not), shall be binding upon the respective successors, permitted assigns and legal representatives of the parties and shall inure to the benefit of and be enforceable by the parties and their respective successors, permitted assigns and legal representatives.

Section 19.12 Severability. If any term, covenant, condition or provision of this Agreement is determined by a final judgment to be invalid or unenforceable, the remaining terms, covenants, conditions and provisions of this Agreement shall not be affected thereby; and each other term, covenant, condition and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by Law.

Section 19.13 No Third Party Beneficiaries. The representations, warranties, covenants and agreements of the parties contained herein are intended solely for the benefit of the parties (and their successors and permitted assigns) to whom such representations, warranties, covenants or agreements are made and shall confer no rights hereunder, whether legal or equitable, upon any other party, and no other party shall be entitled to rely thereon, except that (a) the PE Indemnitees and the Developer Indemnitees may rely on and shall have the right to enforce any indemnification of such Person under and in accordance with the terms of this Agreement and (b) notwithstanding the foregoing, Tower A Tenant and Construction Lender shall be a direct third-party beneficiary of (and shall be entitled to directly enforce) the representations, warranties, covenants and agreements of PE Member under this Agreement and PE Member shall accept the performance by Tower A Tenant and/or Construction Lender of the obligations of Developer under this Agreement.

Section 19.14 No Joint Venture or Partnership. PE Member and Developer intend that the relationships created hereunder and under the other transaction documents be solely that of owner and developer. Nothing herein or therein is intended to create a joint venture or partnership relationship between PE Member and Developer.

Section 19.15 No Construction Against Draftsperson. This Agreement shall be construed without regard to any presumption requiring construction against the party drafting this Agreement.

Section 19.16 Brokerage. Each party hereby represents and warrants to the other that it has had no communication with any broker, consultant, finder or similar person in connection with the transactions contemplated hereby, other than CBRE, Inc. and ERY Manager LLC (collectively, "Broker"). Each party shall indemnify and hold the other harmless against and from all costs, expenses, damages and liabilities, including reasonable attorneys' fees and disbursements, arising from any claims for brokerage

commissions, finders' fees or other compensation resulting from or arising out of any conversations, negotiations or actions (or claims of the same) that the indemnifying party had by itself or anyone acting on behalf of itself, with any broker, consultant, finder or similar person, other than Broker. R/O Member shall be solely responsible to compensate each Broker pursuant to the terms of separate agreements with such brokers and shall indemnify and hold PE Member harmless against and from all costs, expenses, damages and liabilities, including reasonable attorneys' fees and disbursements, arising from any claims for brokerage commissions, finders' fees or other compensation resulting from or arising out of Developer's failure to pay any commission due and owing to Broker.

Section 19.17 Authorized Representatives. The signature of any one of a party's Authorized Representatives, acting alone, shall constitute the duly authorized, valid and binding act of the party for whom the respective person is the Authorized Representative. A party may change (or add) Authorized Representative(s) at any time by notice to the other party; and each party shall be entitled to rely upon the written certificate or consent of any person designated by the other party as an Authorized Representative.

Section 19.18 Prevailing Party Entitled to Fees and Costs. In the event of any Legal Proceeding between or among PE Member and Developer concerning this Agreement, the prevailing party shall be entitled to reimbursement from the losing party for the reasonable fees and costs of such proceeding incurred by the prevailing party. For this purpose, "prevailing party" means the party who obtains a judgment or order, final beyond appeal, adverse to the other party. The foregoing provisions shall not apply to the fees and costs of any dispute that is resolved by Arbitration in accordance with Article 14.

Section 19.19 Survival. The provisions of this Article 19 shall survive the PE Unit Closing and the termination of this Agreement.

Section 19.20 Remedies. Except as specifically provided herein (including, without limitation, Section 10.02), each party has and may pursue all rights available at law or in equity by reason of the failure, by any other party hereto, to keep or perform such other party's agreements or obligations under this Agreement.

*[remainder of page intentionally left blank]*

IN WITNESS WHEREOF, DEVELOPER AND PE MEMBER HAVE EXECUTED THIS AGREEMENT AS OF THE DATE FIRST ABOVE WRITTEN:

ERY DEVELOPER LLC,  
a Delaware limited liability company

By: /s/ L. Jay Cross  
Name: L. Jay Cross  
Title: President

KKR HY LLC,  
a Delaware limited liability company

By: /s/ Ralph Rosenberg  
Name: Ralph Rosenberg  
Title: Vice President

JOINDER

By executing this Agreement, each of the undersigned (each, a "Joinder Party") hereby acknowledges and agrees to be bound solely by the sections of this Agreement set forth next to the applicable Joinder Party's name below (the "Applicable Sections"). PE Member and each Joinder Party hereby expressly acknowledges and agrees that the obligations and liabilities of each Joinder Party pursuant to the Applicable Sections are limited by Section 10.02 of this Agreement, as if each Joinder Party were Developer hereunder. Solely for purposes of the obligations covered by this Joinder, (a) "Developer Misconduct Default" means a failure by the applicable Joinder Party in fulfilling its obligations under the Applicable Sections arising from such Joinder Party's gross negligence,

willful misconduct, intentional breach of the Applicable Sections for which such Joinder Party is liable pursuant to this Joinder, or fraud, and (b) “Professional Standard Default” means a failure by the applicable Joinder Party, beyond any applicable notice and cure periods (if any), in fulfilling, achieving or complying with its obligations under the Applicable Sections for which such Joinder Party is liable pursuant to this Joinder, arising from such Joinder Party’s negligence.

<u>Joinder Party</u>	<u>Applicable Sections</u>
LLC	§§ 2.01, 2.02, 2.04, 2.05, 3.01(a) and (b), 3.02(a), 4.03, 4.06, 5.01, 9.01, 10.01(a), 11.04(a), 13.03 and 13.05
Tower A Tenant	§§ 2.02(a)-(d), 2.05, 3.01(a) and (b), 3.02(a), 3.10(a) and (e), 5.01, 9.01, 19.13 and 19.19
Destination Retail Tenant	§§ 3.02(a), 3.10(a) and (e), 5.01, 9.01, 13.03, 13.05 and 14.01(h) and (i)
ERY Tenant	§§ 3.10(a), (b) and (e), 4.05(f) and 4.06
R/O Member	§§ 4.03, 4.06, 12.01(v), 12.04, 17.01(b), 17.03, 19.16, 19.19
Related/Oxford Guarantor	§§11.03, 11.04

**TOWER A TENANT:**

**HUDSON YARDS NORTH TOWER TENANT LLC** , a Delaware limited liability company

By: /s/ L. Jay Cross  
 Name: L. Jay Cross  
 Title: President

**DESTINATION RETAIL TENANT:**

**ERY RETAIL PODIUM LLC** , a Delaware limited liability company

By: /s/ L. Jay Cross  
 Name: L. Jay Cross  
 Title: President

**LLC:**

**HUDSON YARDS NORTH TOWER HOLDINGS LLC** , a Delaware limited liability company

By: /s/ L. Jay Cross  
 Name: L. Jay Cross  
 Title: Authorized Signatory

**ERY TENANT:**

**ERY TENANT LLC** , a Delaware limited liability company

By: /s/ L. Jay Cross  
 Name: L. Jay Cross  
 Title: President

**R/O MEMBER :**

**ERY NORTH TOWER MEMBER LLC** , a Delaware limited liability company

By: /s/ L. Jay Cross

Name: L. Jay Cross

Title: President

**RELATED/OXFORD GUARANTOR :**

**THE RELATED COMPANIES, L.P.** , a New York limited partnership

By: **THE RELATED REALTY GROUP, INC.** , a Delaware corporation, its general partner

By: /s/ Richard O'Toole

Name: Richard O'Toole

Title: Executive Vice President

**OP USA DEBT HOLDINGS LIMITED PARTNERSHIP** , an Ontario limited partnership

By: **OP USA DEBT GP INC.** , its general partner

By: /s/ Andrea L. Fellows-Paparizos

Name: Andrea L. Fellows-Paparizos

Title: Assistant Secretary

By: /s/ Alysha C. Valenti

Name: Alysha C. Valenti

Title: Vice President

Exhibit A

LLC Amendment Term Sheet

1. Section 8.01 of the Operating Agreement will be amended to provide that, notwithstanding the provisions of Section 8.01(a) of the Operating Agreement, PE Member may, without the consent or approval of any Other Member, (A) Transfer (as such term is defined in the Operating Agreement) its membership interest in the Company and/or (B) Transfer (or permit or suffer to occur any Transfer of) any direct or indirect interest in PE Member and/or in the membership interest held by PE Member, in each case to PE Parent or its Affiliates, so long as (i) in the case of any Transfer under clause (A) or (B), PE Parent controls, directly or indirectly, and owns at least 51% of the direct or indirect equity interests in, PE Member, and (ii) in the case of a Transfer under clause (A) only, (x) PE Parent provides confirmation that PE Guaranty shall continue to apply and (y) PE Member provides not less than ten (10) days' prior written notice to the Other Members, which notice shall be accompanied by such documentation as is reasonably necessary to permit the Other Members to determine whether such Transfer complies with Article VIII of the Operating Agreement. On the effective date of any Transfer pursuant to clause (A) of the preceding sentence, the relevant transferee shall become the PE Member of the Company, and shall have the same rights and obligations with respect to the PE Unit as the original PE Member has under this Agreement. "PE Parent" means KKR & Co. L.P., together with its successors. The following provision will be added to Section 8.01 of the Operating Agreement: "For the avoidance of doubt, "Transfer" does not include any agreement or commitment to enter into a financing, lease, sale or other transaction (and/or any mortgage, pledge or other grant of security), *provided that* the completion of any such transaction (and/or grant of security) is conditional on the prior occurrence of Unit Closing."
2. A provision will be added to the Operating Agreement clarifying that references in the Operating Agreement to the Members paying their share of Project Costs shall mean, in reference to any Member, only that such Member shall be required to make the payments required to be made by such Member under its applicable Member Agreements.
3. Sections 6.03(i)(2) and (ii)(1) will be modified to clarify that the references therein to transfer taxes and transfer tax forms shall only apply to the extent required under applicable law.
4. Section 7.03 will be modified to clarify that no "tax matters partner" shall exist (and the Managing Member shall not perform the acts required of the "tax matters partner thereunder) with respect to a Series that is a "disregarded" for federal income tax purposes.
5. The definition of "Tower Unit" will be modified to provide that, prior to any Unit Closing with respect to the Tower Unit, the Tower Unit will be subdivided into multiple Units, and that each Economic Member owning a Series representing beneficial ownership in a portion of the Tower Unit will own a separate Unit prior to its applicable Unit Closing.
6. Clause (i) of Section 5.04(a) will be amended to state that with respect to each Economic Member other than TW Member, a "Management Change Event" under clause (i) of Section 5.04(a) shall occur if Substantial Completion as defined in such Member's Development Agreement does not occur by the date required for achievement of Substantial Completion in such Member's Development Agreement.
7. The references to term sheets that have been replaced with agreements or to documents that have been modified since the Operating Agreement was signed will be updated (e.g., Exhibit E (Condominium Document Term Sheet), Exhibit N (Preliminary Building Site Logistics Plan)).
8. The references to Condominium Document Term Sheet will be updated to refer to the Initial Condominium Documents, as applicable.
9. A new provision will be added to specify the percentage interest of PE Member and that PE Member will be a member of the LLC.
10. The reference in Section 4.04(a) to Section 4.02 will be changed to refer to Section 4.03.

Exhibit B

Form of Building Completion Guaranty



(see attached)  
**GUARANTY AGREEMENT**

**THE RELATED COMPANIES, L.P.,**

**AND**

**OP USA DEBT HOLDINGS LIMITED PARTNERSHIP,**

**as Guarantor**

**GUARANTY AGREEMENT**

THIS GUARANTY AGREEMENT (as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time in accordance herewith, this “Guaranty”) is made as of \_\_\_\_\_, 2015, by THE RELATED COMPANIES, L.P., a New York limited partnership, having an office at 60 Columbus Circle, New York, New York 10023 (“Related”), and OP USA DEBT HOLDINGS LIMITED PARTNERSHIP, an Ontario limited partnership, having an office at 200 Bay Street, Royal Bank Plaza, North Tower, Suite 900, Toronto, Ontario M5J 2J2 Canada (“OPUSA”; OPUSA and Related, each individually or collectively, as the context shall require, “Guarantor”), jointly and severally, to and for the benefit of KKR HY LLC, a Delaware limited liability company, having an office at 9 West 57<sup>th</sup> Street, New York, New York 10019 (“PE Member”).

WITNESSETH:

WHEREAS, ERY Tenant LLC, a Delaware limited liability company (“ERY Tenant”), as ground lessee, and the Metropolitan Transportation Authority, a body corporate and politic constituting a public benefit corporation of the State of New York (the “MTA”), as ground lessor, entered into that certain Agreement of Lease (Eastern Rail Yard Section of the John D. Caemmerer West Side Yard), dated as of April 10, 2013, as amended by that certain First Amendment to Lease dated as of December 30, 2013, and as further amended by that certain Second Amendment to Lease dated as of March 17, 2014 (as further amended, restated, replaced, supplemented or otherwise modified from time to time in accordance with the terms of the Development Agreement and the Operating Agreement (as each term is hereinafter defined), the “Initial Balance Lease”), pursuant to which ERY Tenant ground leased from the MTA certain airspace above and terra firma within the Eastern Rail Yard Section of the John D. Caemmerer West Side Yard in the City, County and State of New York (the “ERY”), as more particularly described in the Initial Balance Lease;

WHEREAS, ERY Tenant, as lessee, and the MTA, as lessor, entered into that certain Agreement of Lease (Eastern Rail Yard Section of the John D. Caemmerer West Side Yard –Tower A/Retail Parcel), dated as of March 17, 2014 (said lease, as amended, restated, replaced, supplemented or otherwise modified from time to time in accordance with the terms of the Development Agreement and the Operating Agreement, the “A/B Balance Lease”), pursuant to which ERY Tenant leased from the MTA real property demised therein;

WHEREAS, TW New York Properties, LLC (“TW Member”), ERY North Tower Member LLC, a Delaware limited liability company (the “R/O Member”), ERY North Tower Office Member LLC, a Delaware limited liability company (the “Office Member”) and ERY North Tower Ob Deck Member LLC, a Delaware limited liability company (“Observation Deck Member”) entered into that certain Amended and Restated Master Agreement of Limited Liability Company of Hudson Yards North Tower Holdings LLC (the “LLC”) dated as of February 17, 2015 (as the same may be amended, restated, replaced, supplemented or otherwise modified from time to time in accordance with the terms thereof and the Development Agreement, the “Operating Agreement”). TW Member, the R/O Member, the Office Member, Observation Deck Member and PE Member are simultaneously herewith entering into that certain LLC Amendment (as defined in the Development Agreement) amending the Operating Agreement and providing for the admission of PE Member as an Economic Member of the LLC;

WHEREAS, on or before the date hereof, the A/B Balance Lease has been further severed into the Tower A Lease and the Destination Retail Lease (as each term is defined in the Development Agreement) pursuant to which the Tower A Severed Parcel and the Destination Retail Severed Parcel (as each term is defined in the Development Agreement) have been leased to Tower A Tenant and Destination Retail Tenant (as each term is defined in the Development Agreement), respectively;

WHEREAS, Tower A Tenant, Destination Retail Tenant and Developer intend to construct, or cause to be constructed, within the Tower A Severed Parcel and Destination Retail Severed Parcel, a mixed use development referred to as the “Building” (as defined in the Operating Agreement);

WHEREAS, pursuant to the terms of that certain Development Agreement (the “Development Agreement”), dated as of \_\_\_\_\_, 2015, between ERY Developer LLC, a Delaware limited liability company (“Developer”) and PE Member, Developer has agreed to perform (in accordance with the provisions thereof, the Co-Construction Agreement (as hereinafter defined) and the Operating Agreement) the Developer Work (as defined in the Development Agreement), to make certain payments, and to cause certain actions to be taken as more specifically provided therein;

WHEREAS, pursuant to the terms of the Operating Agreement, R/O Member has agreed to undertake certain obligations and make certain payments;

WHEREAS, in order to facilitate the construction of the Building (including, without limitation, the performance of the Base Building Work and Developer Work under the Development Agreement and the Operating Agreement), Tower A Tenant and Destination Retail Tenant are simultaneously herewith entering into that certain Co-Construction Agreement with respect to the Building (said agreement as the same may be amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof, the Operating Agreement and the Development Agreement, the “Co-Construction Agreement”);

WHEREAS, all capitalized terms used in this Guaranty and not otherwise defined herein shall have the respective meanings specified in the Development Agreement (to the extent any capitalized term is not defined in either this Guaranty or the Development Agreement, it shall have the meaning set forth in the Operating Agreement);

WHEREAS, as a material inducement to PE Member to enter into the Development Agreement and the LLC Amendment and consummate the transactions contemplated thereunder and under the Operating Agreement, Guarantor agreed to execute and deliver this Guaranty in order to assure the payment and performance of the Guaranteed Obligations (as hereinafter defined); and

WHEREAS, Guarantor will derive, directly or indirectly, substantial benefits from the execution and delivery by PE Member of the LLC Amendment, the Development Agreement and the other Transaction Documents (as hereinafter defined) as well as the performance by PE Member of the transactions contemplated thereby.

NOW, THEREFORE, in consideration of the promises herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

#### SECTION 1. Guaranteed Obligations.

(a) Subject to and in accordance with the succeeding provisions of this Guaranty (including, without limitation, Section 1(b), Section 1(c) and Section 6), Guarantor does hereby, jointly and severally, unconditionally, absolutely and irrevocably, as primary obligor and not merely as surety, guarantee, for the benefit of PE Member (each of the following Guaranteed Obligations (as defined below) being a separate and independent obligation):

(i) Final Completion (including, without limitation, Substantial Completion and the Punch List Work), subject to and in accordance with the terms and conditions of the Development Agreement and the Operating Agreement, except to the extent that the failure to achieve Final Completion arises from PE Member’s failure (beyond the expiration of any applicable notice and/or cure periods) to pay any amounts required to be paid by PE Member pursuant to the Development Agreement and/or the Operating Agreement;

(ii) if the Development Agreement terminates or is terminated (pursuant to Section 6.04 of the Development Agreement, in connection with the appointment or engagement of an Approved Replacement Developer or otherwise, except to the extent such termination is due to a default by PE Member under the Development Agreement and for the avoidance of doubt excluding any termination or expiration of the Development Agreement following completion of the obligations of Developer thereunder), or if an Approved Replacement Developer assumes the obligations of Developer under the Development Agreement (in connection with the exercise of remedies by Construction Lender or its designee or otherwise), payment of any damages, losses, liabilities, costs and expenses (including interest thereon at the Default Rate from the date incurred to the date of recovery) incurred by PE Member or its Affiliates as a result of (x) such termination or assumption and/or (y) any uncompleted or unperformed obligations of the Developer under the Development Agreement (provided that PE Member shall not be entitled to recover special,

punitive or consequential damages, including loss of profits or business opportunity);

(iii) the performance of the obligations of Developer and/or the other applicable affiliates of Guarantor under the Ancillary Rights Agreement, the Retail Services Agreement, Section 3.10 of the Development Agreement and the 50 HY Deed Restriction (it being acknowledged that (i) in the event Developer or its Affiliates transfers any parcel in the 50 HY Block that is subject to the 50 HY Deed Restriction or a 50 HY Restrictive Covenant (as defined in the Development Agreement) to a third party (that is not Developer or any Affiliate of Developer), Guarantor shall not have any liability hereunder for any breach of the 50 HY Deed Restriction or such 50 HY Restrictive Covenant by such transferee or any subsequent third-party owner of any such parcel (that is not Developer or an Affiliate of Developer), and (ii) in the event Developer or its Affiliates transfers any Floor Area (as defined in the Development Agreement) to any Unburdened Parcel (as defined in the Development Agreement) that is owned or controlled by a third party (that is not Developer or an Affiliate of Developer) and, in connection with such transfer an Unburdened Parcel Restriction (as defined in the Development Agreement) is recorded against such Unburdened Parcel, Guarantor shall not have any liability hereunder for any breach by the transferee of such Floor Area or any subsequent third-party owner of such Unburdened Parcel (that is not Developer or an Affiliate of Developer) of the applicable Unburdened Parcel Restriction);

(iv) the removal of any and all liens or claims of any Persons (as defined in the Development Agreement) furnishing materials, labor or services in connection with the Developer Work, or in connection with any other work in and to the PE Unit (other than any such liens or claims due to (x) PE Finish Work, (y) liens caused by PE Member's failure to fund any amounts required to be funded by PE Member under the Operating Agreement or the Development Agreement or (z) liens or claims attributable to any other work performed by PE Member), by bonding or other discharge within the time periods provided in the Development Agreement, subject to the rights of Developer, Tower A Tenant, Destination Retail Tenant and any Mezzanine Borrower (as defined in the Operating Agreement), as applicable, in accordance with the terms and conditions set forth in the Development Agreement and the Construction Loan Documents to contest any such liens or claims which are otherwise so removed by bonding;

(v) the payment in full of (1) all Holdover Costs for which Developer is liable pursuant to Section 6.03 of the Development Agreement and (2) any amounts payable by Developer under Section 12.03(c) of the Development Agreement ;

(vi) the payment and performance of all obligations of the Tower A Tenant as the tenant under the Tower A Lease that are required to be paid or performed on or prior to, or in respect of periods ending on or prior to, the Closing Date for the PE Unit (except to the extent that the failure to pay or perform such obligations arises from PE Member's failure (beyond the expiration of any applicable notice and/or cure periods) to pay any amounts required to be paid by PE Member pursuant to the Development Agreement and/or the Operating Agreement) (collectively, the "Lease Obligations"), provided, that the Guaranteed Obligations shall not include any Lease Obligations that constitute Unit Carry Costs for which PE Member is liable pursuant to Section 12.02 of the Development Agreement;

(vii) the payment in full of: (A) all costs, sums, charges and other amounts due to or for the account of PE Member under the Development Agreement and/or the Operating Agreement, if any (including, without limitation, any repayment of Member Loans (as defined in the Operating Agreement), liquidated and other damages, penalties, self-help costs and interest charges payable by any of the Related/Oxford Parties (as hereinafter defined) under the Development Agreement and/or the Operating Agreement, as applicable); (B) any amounts payable to the Construction Lender to release the PE Unit from the lien of its mortgage (except to the extent that the failure to pay or perform such obligations arises from PE Member's failure (beyond the expiration of any applicable notice and/or cure periods) to pay any amounts required to be paid by PE Member pursuant to the Development Agreement and/or the Operating Agreement); (C) subject to payment by PE Member of the PE Member Fixed MTA Deed Payment (as defined in the Development Agreement), any amounts required to be paid to the MTA in order to cause the MTA to deliver the Deed (as defined in the Development Agreement) or the leasehold estate to the PE Unit to PE Member at the PE Unit Closing; and (D) any and all other costs, sums, charges and other amounts that R/O Member or Developer is required to fund under the Operating Agreement or the Development Agreement, respectively, including without limitation under Section 4.04(c) of the Operating Agreement and under Section 2.02(n) of the Development Agreement, in all cases whether arising or accruing before, on, or after the date hereof;

(viii) the payment and performance of any obligations of Developer under the Development Agreement, subject to Sections 10.02(a) and 10.02(b) of the Development Agreement;

(ix) the conveyance of the PE Unit to PE Member or its Member Designee (as defined in the Operating Agreement) , or, at PE Member's election, the conveyance of multiple units within the PE Unit to multiple Member Designees, in accordance with the provisions of the Operating Agreement and the performance by Developer of Developer's obligations under Section 12.01 of the Development Agreement ;

(x) satisfaction of and compliance with any indemnification obligations or other payment obligations of (I) Developer under the Development Agreement (including, without limitation, pursuant to Section 4.05 and/or Section 17.02 of the Development Agreement) or (II) R/O Member under the Operating Agreement;

(xi) the payment of the Rescission Payment to PE Member, in the event that PE Member exercises the Rescission Election, subject to and in accordance with the terms and conditions set forth in Section 11.04(a) of the Development Agreement; and

(xii) the payment of, or reimbursement to PE Member of, all reasonable out-of-pocket, third-party costs and expenses incurred by PE Member in connection with its enforcement of one or more of the foregoing Guaranteed Obligations, where such enforcement is brought either against Guarantor or in a combined action against both Guarantor and any or all Related/Oxford Parties and PE Member is the prevailing party with respect thereto (such costs, “Enforcement Costs”).

The obligations set forth in clauses (i) through (xii) above are hereinafter collectively referred to as the “Guaranteed Obligations” (provided, that there shall be no duplication of any such obligation to the extent the same underlying obligation is included in more than one such clause).

(b) Subject to the provisions of Section 1(c), if at any time, whether or not a default shall have occurred or be continuing under the Development Agreement, the Operating Agreement or other Transaction Documents (as hereinafter defined), but subject to the rights of PE Member and the Related/Oxford Parties with respect to the arbitration of disputes between or among such parties pursuant to the terms of the Development Agreement or the Operating Agreement, as applicable, any of the Guaranteed Obligations shall not have been duly paid or performed after the expiration of applicable notice and cure periods (if any), then Guarantor shall, within ten (10) Business Days of written notice and demand made by PE Member, pay and perform such Guaranteed Obligations.

(c) Notwithstanding anything to the contrary contained in this Guaranty, no amounts payable to PE Member hereunder shall duplicate any payments actually made to PE Member or any Affiliate thereof in respect of the same underlying obligation under the Operating Agreement or the Development Agreement (or any other agreements or instruments executed by any Related/Oxford Party pursuant thereto). The Operating Agreement, the Development Agreement, this Guaranty and any other agreements and instruments executed between any R/O Party, on the one hand, and PE Member or its Affiliates, on the other hand, in connection with the transactions evidenced thereby shall collectively be referred to herein as the “Transaction Documents”.

(d) For purposes hereof, “Related/Oxford Parties” means Developer, R/O Member, Office Member, Observation Deck Member, Related Parent, Oxford Parent, Destination Retail JV, and Destination Retail Tenant.

## SECTION 2. Nature of Guaranty.

(a) Each Guarantor’s liability under this Guaranty is a guaranty of payment and performance and not of collection. PE Member has the right to require each Guarantor to pay, comply with and satisfy its obligations and liabilities under this Guaranty, and shall have the right to proceed immediately against any or both Persons constituting Guarantor with respect thereto, without being required to attempt recovery first from any other Related/Oxford Party, any other Guarantor or any other Person, and without demonstrating that PE Member has exercised (to any degree) or exhausted any of PE Member’s rights against any Related/Oxford Party under any of the Transaction Documents. This Guaranty is continuing in nature and applies to all Guaranteed Obligations, whether existing now or in the future, including Guaranteed Obligations arising or accruing after any bankruptcy of any Related/Oxford Party or any Person constituting Guarantor or any sale or other disposition of any security for this Guaranty under the Transaction Documents.

(b) Each Guarantor acknowledges and agrees that it may be impossible to measure accurately the damages to PE Member resulting from a breach of such Guarantor’s covenant to (i) complete or cause Final Completion (including, without limitation, Substantial Completion and the Punch List Work) in accordance with the terms and conditions of the Development Agreement, (ii) cause the PE Unit Closing to occur in accordance with the terms of the Operating Agreement and the Development Agreement, and (iii) perform any of the other Guaranteed Obligations, that such a breach will cause irreparable injury to PE Member and that PE Member may not have an adequate remedy at law in respect of such breach. As a consequence, each Guarantor agrees that such covenants shall be specifically enforceable against such Guarantor and hereby waives, and agrees not to assert, any defense against any action for specific performance of any or all such covenants.

## SECTION 3. Representations and Warranties.

(a) Related hereby represents and warrants as of the date hereof as follows:

(i) It is a limited partnership, duly organized, validly existing and in good standing under the laws of

the State of New York, and owns an indirect interest in Developer and the R/O Member.

(ii) It has the power, authority and legal right, (x) to own and operate its properties and assets, (y) to carry on the business now being conducted, and (z) to execute, deliver and perform its obligations under, and engage in the transactions contemplated by, this Guaranty, and it has duly authorized, executed and delivered this Guaranty.

(iii) There is no provision of any agreement or contract binding on it which would prohibit, conflict with, or in any way prevent the execution, delivery and performance of this Guaranty.

(iv) All financial statements of Related and other documents and reports delivered to PE Member by Related in connection herewith are true and correct as of their respective dates and there has been no change in Related's Reporting Methodology (unless the effect of such change is set forth in reasonable detail in such financial statements) and no material adverse change in Related's financial condition since such dates.

(v) True, correct and complete copies of the organizational documents of Related and each amendment thereto entered into as of the date hereof (collectively, the "Related Organizational Documents") have been delivered to PE Member. The Related Organizational Documents are not subject to any right of rescission, set-off, counterclaim or defense by any partner, member or shareholder, and no partner, member or shareholder has asserted any right of rescission, set-off, counterclaim or defense. The Related Organizational Documents are the only documents in existence among the parties thereto relating to the subject matter thereof.

(vi) It has, independently and without reliance upon PE Member and based on such documents and information as Guarantor has deemed appropriate, made its own credit analysis and decision to enter into this Guaranty.

(vii) It is not a Prohibited Person (as such term is defined in the A/B Balance Lease). Neither Related nor, to Related's knowledge, any of its constituent owners has engaged in any dealings or transactions, directly or indirectly, (i) in contravention of any U.S., international or other money laundering regulations or conventions, including, without limitation, the United States Bank Secrecy Act, the United States Money Laundering Control Act of 1986, the United States International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, Trading with the Enemy Act (50 U.S.C. § 1 et seq., as amended), or any foreign asset control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto, or (ii) in contravention of the Anti-Terrorism Order or on behalf of terrorists or terrorist organizations, including those persons or entities that are included on any relevant lists maintained by the United Nations, North Atlantic Treaty Organization, Organization of Economic Cooperation and Development, Financial Action Task Force, U.S. Office of Foreign Assets Control, U.S. Securities & Exchange Commission, U.S. Federal Bureau of Investigation, U.S. Central Intelligence Agency, U.S. Internal Revenue Service, or any country or organization, all as may be amended from time to time. Neither Related nor, to Related's knowledge, any of its constituent owners (A) is or will knowingly be conducting any business or engaging in any transaction with any person appearing on the U.S. Treasury Department's Office of Foreign Assets Control list of restrictions and prohibited persons, or (B) is a person described in Section 1 of the Anti-Terrorism Order, and to Related's knowledge, neither Related nor any of its Affiliates has engaged in any dealings or transactions, or otherwise been associated with any such person. Related and, to Related's knowledge, each of its constituent owners has in place written policies and procedures, internal controls and systems that are reasonably designed to ensure compliance by Related and such constituent owner with the anti-corruption, anti-terrorism and other laws and regulations referenced in this Section 3(a)(vii).

(viii) There are no actions, suits or proceedings at law or in equity by or before any Government Entity now pending or, to Related's knowledge, threatened against Related, any Affiliates of Related or any of their respective assets, which actions, suits or proceedings, if determined against Related, any such Affiliate of Related or any of such assets, might reasonably be expected to materially adversely affect the financial condition of Related or its ability to perform its obligations under this Guaranty.

(ix) This Guaranty in all respects represents valid and legally binding obligations, which are enforceable against Related in accordance with the terms hereof, subject only to the effects of bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally.

(x) Related satisfies the Minimum Net Worth Requirement and Minimum Liquidity Requirement.

(xi) No approval, authorization, consent or other actions by or filing with any third party or governmental agency or authority is required for the execution of this Guaranty by Related and the performance of Related's obligation hereunder that has not been obtained, taken or filed.

(b) OPUSA hereby represents and warrants as of the date hereof as follows:

(i) It is a limited partnership, duly organized, validly existing and in good standing under the laws of the Province of Ontario, Canada, and all or substantially all of the partnership interests in OPUSA are held by Oxford USA Debt Holdings Trust (“Oxford USA”), and OMERS Administration Corporation (“OAC”), a non-share capital corporation continued pursuant to the Ontario Municipal Employees Retirement System Act, 2006, as administrator of the OMERS pension plans and as trustee of the pension funds, indirectly holds substantially all of the economic interests in Oxford USA and the economic interest of Oxford Hudson Yards LLC in the R/O Member and Developer.

(ii) It has the power, authority and legal right, (x) to own and operate its properties and assets, (y) to carry on the business now being conducted, and (z) to execute, deliver and perform its obligations under, and engage in the transactions contemplated by, this Guaranty, and it has duly authorized, executed and delivered this Guaranty.

(iii) There is no provision of any agreement or contract binding on it which would prohibit, conflict with, or in any way prevent the execution, delivery and performance of this Guaranty.

(iv) All financial statements of OPUSA and other documents and reports delivered to PE Member by OPUSA in connection herewith are true and correct as of their respective dates and there has been no change in OPUSA’s Reporting Methodology (unless the effect of such change is set forth in reasonable detail in such financial statements) and no material adverse change in OPUSA’s financial condition since such dates.

(v) True, correct and complete copies of the organizational documents of OPUSA and each amendment thereto entered into as of the date hereof (collectively, the “OPUSA Organizational Documents”) have been delivered to PE Member. The OPUSA Organizational Documents are not subject to any right of rescission, set-off, counterclaim or defense by any partner, member or shareholder, and no partner, member or shareholder has asserted any right of rescission, set-off, counterclaim or defense. The OPUSA Organizational Documents are the only documents in existence among the parties thereto relating to the subject matter thereof.

(vi) It has, independently and without reliance upon PE Member and based on such documents and information as Guarantor has deemed appropriate, made its own credit analysis and decision to enter into this Guaranty.

(vii) It is not a Prohibited Person. Neither OPUSA nor, to OPUSA’s knowledge, any of its constituent owners has engaged in any dealings or transactions, directly or indirectly, (i) in contravention of any U.S., international or other money laundering regulations or conventions, including, without limitation, the United States Bank Secrecy Act, the United States Money Laundering Control Act of 1986, the United States International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, Trading with the Enemy Act (50 U.S.C. § 1 et seq., as amended), or any foreign asset control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto, or (ii) in contravention of the Anti-Terrorism Order or on behalf of terrorists or terrorist organizations, including those persons or entities that are included on any relevant lists maintained by the United Nations, North Atlantic Treaty Organization, Organization of Economic Cooperation and Development, Financial Action Task Force, U.S. Office of Foreign Assets Control, U.S. Securities & Exchange Commission, U.S. Federal Bureau of Investigation, U.S. Central Intelligence Agency, U.S. Internal Revenue Service, or any country or organization, all as may be amended from time to time. Neither OPUSA nor, to OPUSA’s knowledge, any of its constituent owners (A) is or will knowingly be conducting any business or engaging in any transaction with any person appearing on the U.S. Treasury Department’s Office of Foreign Assets Control list of restrictions and prohibited persons, or (B) is a person described in Section 1 of the Anti-Terrorism Order, and to OPUSA’s knowledge, neither OPUSA nor any of its Affiliates have engaged in any dealings or transactions, or otherwise been associated with any such person. OPUSA and, to OPUSA’s knowledge, each of its constituent owners has in place written policies and procedures, internal controls and systems that are reasonably designed to ensure compliance by OPUSA and such constituent owner with the anti-corruption, anti-terrorism and other laws and regulations referenced in this Section 4(a)(vii).

(viii) There are no actions, suits or proceedings at law or in equity by or before any Government Entity now pending or, to OPUSA’s knowledge, threatened against OPUSA, any Affiliates of OPUSA or any of their respective assets, which actions, suits or proceedings, if determined against OPUSA, any such Affiliate of OPUSA or any of such assets, might reasonably be expected to materially adversely affect the financial condition of OPUSA or its ability to perform its obligations under this Guaranty.

(ix) This Guaranty in all respects represents valid and legally binding obligations, which are enforceable against OPUSA in accordance with the terms hereof, subject only to the effects of bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors’ rights generally.

(x) A true, correct and complete copy of the Contribution Agreement (as defined in Section 4(h)) is attached as Exhibit A hereto. A true, correct and complete copy of the Put Agreement (as defined in Section 4(i)) has been delivered

by OPUSA to PE Member.

(xi) OPUSA satisfies the Minimum Net Worth Requirement.

(xii) No approval, authorization, consent or other actions by or filing with any third party or governmental agency or authority is required for the execution of this Guaranty by OPUSA and the performance of OPUSA's obligation hereunder that has not been obtained, taken or filed.

#### SECTION 4. Financial Covenants and Statements.

(a) Each Guarantor shall maintain, at all times while this Guaranty is in force and effect, a Net Worth not less than such Guarantor's Minimum Net Worth Requirement (as such terms are hereinafter defined), and Related shall maintain, at all times while this Guaranty is in force and effect, Liquidity of not less than the Minimum Liquidity Requirement (as such terms are hereinafter defined).

(b) As used herein:

(i) "Cash" shall mean the legal tender of the United States of America.

(ii) "Cash Equivalents" shall mean any one or a combination of the following: (A) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof) having maturities of not more than twelve (12) months from the date of acquisition, (B) U.S. dollar denominated time deposits and certificates of deposit of (x) any domestic commercial bank of recognized standing having capital and surplus in excess of \$500,000,000 and having a long-term senior unsecured debt obligations credit rating of not less than A- from Standard and Poor's Ratings Group ("S&P") and the equivalent rating from another recognized major credit ratings agency (or if not rated by S&P, the equivalent rating from two or more recognized major credit ratings agencies) or (y) any bank whose short-term commercial paper rating from S&P is at least A-1 or the equivalent thereof or from Moody's Investors Service, Inc. ("Moody's") is at least P-1 or the equivalent thereof (any such bank being an "Approved Bank"), in each case with maturities of not more than 270 days from the date of acquisition thereof by the applicable Guarantor, (C) commercial paper and variable or fixed rate notes issued by any Approved Bank (or by the parent company of such Approved Bank with corporate credit ratings not less than those required of the Approved Bank) or any variable rate notes issued by, or guaranteed by, any domestic corporation rated A-1 (or the equivalent thereof) or better by S&P or P-1 (or the equivalent thereof) or better by Moody's and maturing within six months of the date of acquisition thereof by the applicable Guarantor, (D) repurchase agreements entered into by any person or entity with a bank or trust company or recognized securities dealer having capital and surplus in excess of \$500,000,000 and having a long-term senior unsecured debt obligations credit rating of not less than A- from S&P and the equivalent rating from another recognized major credit ratings agency (or if not rated by S&P, the equivalent rating from two or more recognized major credit ratings agencies) for direct obligations issued by or fully guaranteed by the United States of America in which such person or entity shall have a perfected first priority security interest (subject to no other liens) and having, on the date of purchase thereof, a fair market value of at least 100% of the amount of the repurchase obligations, (E) investments in individual money market investment programs, registered under the Investment Company Act of 1940, as amended, classified in accordance with generally accepted accounting principles as current assets, and limited to 20% of any individual money market investment program, which are administered by reputable financial institutions having capital of at least \$500,000,000 and having a long-term senior unsecured debt obligations credit rating of not less than A- from S&P and the equivalent rating from another recognized major credit ratings agency (or if not rated by S&P, the equivalent rating from two or more recognized major credit ratings agencies) and the portfolios of which are limited to investments of the character described in the foregoing subdivisions (A) through (D), (F) 50% of the current market value of readily marketable common or preferred shares of stock having trading privileges on the New York Stock Exchange or the American Stock Exchange or which are subject to price quotations on the NASDAQ Stock Market's National Market System and are not pledged or encumbered or otherwise restricted from transfer, (G) letter(s) of credit unconditionally drawable upon sight by the applicable Guarantor issued by a lending institution having a long-term senior unsecured debt obligations credit rating of not less than A- from S&P and the equivalent rating from another recognized major credit ratings agency (or if not rated by S&P, the equivalent rating from two or more recognized major credit ratings agencies) ("Letters of Credit"), which Letters of Credit shall be valued at the face amount thereof and any collateral characterized as a Cash Equivalent of the applicable Guarantor securing such Letters of Credit shall be excluded from the calculation of Liquidity, (H) without duplication, undrawn lines of credit available to a Guarantor issued by a lending institution having a long-term senior unsecured debt obligations credit rating of not less than A- from S&P and the equivalent rating from another recognized major credit ratings agency (or if not rated by S&P, the equivalent rating from two or more recognized major credit ratings agencies) with respect to which (x) there are no conditions to such lines of credit other than the giving of notice, other administrative requirements or other conditions which have been satisfied as of such relevant date ("Lines of Credit"), and (y) such lines of credit are not secured by any other collateral characterized as a Cash Equivalent of the applicable Guarantor unless the value of such collateral is excluded from the calculation of Liquidity, (I) without duplication, unfunded and unencumbered capital commitments

and recallable capital of the partners of Guarantor that are reflected on the audited balance sheet of such Guarantor as an asset and with respect to which there are no conditions to funding such commitments, other than the giving of notice or demand therefor and other administrative requirements or other conditions have been satisfied as of such relevant date, and as to which the creditworthiness of such partner is reasonably satisfactory to PE Member, and (J) with respect to OPUSA, (x) amounts due and payable to OPUSA pursuant to the Contribution Agreement or any equity commitment letter issued by OAC or any Affiliate of OAC to OPUSA, and (y) amounts (marked to market) due to OPUSA from any Affiliate of OPUSA, OAC or any Affiliate of OAC that are due and payable on demand by OPUSA and are not pledged or encumbered.

(iii) “Liquidity” shall mean Unencumbered Cash or Cash Equivalents.

(iv) “Minimum Liquidity Requirement” shall mean, with respect to Related, Liquidity equal to or greater than Fifty Million Dollars (\$50,000,000.00).

(v) “Minimum Net Worth Requirement” shall mean, (A) with respect to Related, Net Worth equal to or greater than Three Hundred Million Dollars (\$300,000,000.00), and (B) with respect to OPUSA, Net Worth equal to or greater than [Four Hundred Million Dollars (\$400,000,000.00)].

(vi) “Net Worth” shall mean: (A) with respect to Related, an amount equal to the excess of consolidated total assets of Related over consolidated total liabilities of Related, determined in accordance with the Reporting Methodology, and (B) with respect to OPUSA, an amount equal to the excess of the value of all assets of OPUSA, including, without limitation and without duplication, all Cash and Cash Equivalents, as shown on a balance sheet of OPUSA, over all liabilities of OPUSA as of such date, (i) minus intangible assets and prepaid taxes and/or expenses, (ii) plus amounts due from OPUSA to any Affiliate of OPUSA, OAC or any Affiliate of OAC to the extent structurally or expressly subordinated to the payment of the Guaranteed Obligations, and all amounts due to OPUSA under any loan made by OPUSA to any Affiliate of OAC, all on or as of such date and with respect to any Canadian Dollar denominated amounts, calculated in U.S. Dollars based on the conversion rate from Canadian Dollars to U.S. Dollars as of such date. For the purposes of calculating OPUSA’s, Net Worth, all Qualified Guaranties (as hereinafter defined) shall be excluded as liabilities of OPUSA except for any claim made under any such Qualified Guaranty that is required to be reflected as a liability of OPUSA in accordance with the Reporting Methodology.

(vii) “Reporting Methodology” shall mean, with respect to (A) Related, generally accepted accounting principles as set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the accounting profession, or in such other statements by such entity as may be in general use by significant segments of the U.S. accounting profession, to the extent such principles are applicable to the facts and circumstances on the date of determination, and (B) OPUSA, International Financing Reporting Standard (“IFRS”) or any other methodology for financial accounting and reporting which is commonly used by OPUSA and is recognized as standard in the principal industry in which OPUSA operates.

(viii) “Unencumbered Cash or Cash Equivalents” shall mean Cash or Cash Equivalents that have not been pledged to any Person as security for any obligation of any Guarantor or any other Person.

(c) Notwithstanding the foregoing, if a Guarantor or an Affiliate of Guarantor is the Person providing the guaranty of completion of construction of the Tower Building to a Construction Lender in connection with a Construction Loan (any such guaranty, the “Lender Guaranty”; and Guarantor, in such case, a “Lender-Approved Guarantor”), the Minimum Net Worth Requirement and the Minimum Liquidity Requirement for such Guarantor shall be the greater of (i) the Minimum Net Worth Requirement and the Minimum Liquidity Requirement, and (ii) minimum Net Worth and Liquidity, respectively, required by any Construction Lender. PE Member acknowledges and, by its acceptance hereof, agrees that if (A) at any time the Construction Lender shall dispute the Net Worth set forth in any of the financial statements of OPUSA in accordance with the dispute resolution procedures set forth in the Lender Guaranty, (B) PE Member is permitted to participate in such dispute resolution proceeding, at its expense, as a party in interest thereto, and (C) such dispute is then resolved in accordance with such dispute resolution procedures set forth in the Lender Guaranty, then PE Member shall accept and be bound by the determination of OPUSA’s Net Worth made in accordance with such dispute resolution procedures. The valuation of OPUSA’s assets shall occur not less frequently than annually but may be based on an internal mark to market of such assets.

(d) Not more than one hundred twenty (120) days after the end of each fiscal year of each Guarantor during the period that this Guaranty is in effect, each Guarantor shall deliver or cause to be delivered to PE Member: (i) such Guarantor’s audited annual financial statements and notes thereto (which statements shall include, without limitation, a balance sheet, income statement and a statement of cash flows) for such year, as certified by Guarantor’s independent certified public accountant prepared in accordance with the Reporting Methodology, evidencing such Guarantor’s satisfaction of its applicable Minimum Liquidity Requirement and Minimum Net Worth Requirement, (ii) a statement of cash flow for such fiscal year prepared in accordance with the



Reporting Methodology, and (iii) concurrently with any delivery of financial statements under clause (i) or (ii) above, a certification of such Guarantor's Chief Financial Officer or other responsible senior officer (x) setting forth reasonably detailed calculations demonstrating compliance with its applicable Minimum Liquidity Requirement and Minimum Net Worth Requirement, and (y) stating whether any change in Reporting Methodology or in the application thereof has occurred since the date of the audited financial statements referred to in Section 4(d)(i), which has not been previously disclosed by the Guarantor pursuant to this Section 4(d), and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate .

(e) Not more than sixty (60) days after the end of each of the first three fiscal quarters of each fiscal year of Guarantor, and not more than ninety (90) days after the end of the last fiscal quarter of each fiscal year of Guarantor, during the period that this Guaranty is in effect, each Guarantor shall deliver to PE Member (i) a balance sheet as of the end of such quarter and statements of income and expense for such quarter and the fiscal year to date, in each case prepared in accordance with the Reporting Methodology, and (ii) concurrently with any delivery of balance sheets and statements of income and expense under clause (i) above, a certification of such Guarantor's Chief Financial Officer or other responsible senior officer (x) setting forth reasonably detailed calculations demonstrating compliance with its applicable Minimum Liquidity Requirement and Minimum Net Worth Requirement, and (y) stating whether any change in Reporting Methodology or in the application thereof has occurred since the date of the most recent audited financial statements referred to in Section 4(d)(i), which has not been previously disclosed by the Guarantor pursuant to Section 4(d), and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate .

(f) Promptly following the giving of a notice of default under any Construction Loan Document, Member Agreement (as defined in the Operating Agreement), or MTA Project Document (collectively, the "Notice Documents") to any Related/Oxford Party, ERY Tenant, the LLC, or Tower A Tenant, or any Affiliate thereof, but no more than five (5) Business Days thereafter, Guarantor shall deliver (or cause to be delivered) to PE Member a true, correct, and complete copy of such notice of default. In addition, promptly following the giving (but no later than five (5) Business Days thereafter) by Related /Oxford Party, ERY Tenant, the LLC, or Tower A Tenant, or any Affiliate thereof to any other party to any Notice Document any certification or other written report or statement as to whether a material default by any Related/Oxford Party, ERY Tenant, the LLC, Tower A Tenant or any Affiliate thereof, then exists under any Notice Document ("Default Statement"), Guarantor shall deliver (or cause to be delivered) a true, correct, and complete copy of such Default Statement to PE Member. Further, at any time following the giving of a notice of default under any Notice Document to any Related/Oxford Party, ERY Tenant, the LLC, or Tower A Tenant, or any Affiliate thereof, or a Default Statement identifying a material default by any Related/Oxford Party, ERY Tenant, the LLC, Tower A Tenant or any Affiliate then existing under any Notice Document, Guarantor shall deliver to PE Member, within ten (10) Business Days after a request therefor (or as soon thereafter as may be reasonably practicable), a certification of such Guarantor's Chief Financial Officer or other responsible senior officer certifying as to (x) whether such default under such Notice Document remains uncured and (y) whether to the knowledge of such Chief Financial Officer or other responsible senior officer there has been an event or occurrence since the most recent quarterly financial statements that is reasonably expected to have a material adverse effect on the Net Worth or Liquidity of the Guarantor by comparison with the Net Worth or Liquidity set forth on the most recent quarterly statements, and stating to the knowledge of such Chief Financial Officer or other responsible senior officer his or her good-faith estimate of the impact on the Net Worth or Liquidity of such event or occurrence .

(g) Prior to the date hereof, each Guarantor has delivered to PE Member true, correct and complete copies of the following documents and information, as applicable: (i) the organizational documents of such Guarantor; and (ii) the documents or other evidence provided in Section 4(d) and Section 4(e) for the fiscal year [●], and (to the extent such documents or evidence are available therefor) any quarterly periods thereafter with respect to Guarantor.

(h) On the date hereof, Oxford USA, OAC and OPUSA have executed and delivered that certain Contribution Agreement, dated as of the date hereof (as amended or modified from time to time, the "Contribution Agreement"), a copy of which is attached hereto as Exhibit A. OPUSA acknowledges that the Contribution Agreement expressly provides that the PE Member is an intended third party beneficiary under the Contribution Agreement and has the right to enforce directly the contribution obligations of Oxford USA and OAC thereunder, and to execute and deliver all notices and demands, including, without limitation, demand for contribution by OAC to Oxford USA and Oxford USA to OPUSA, in PE Member's own name, and not as agent for OPUSA, and OPUSA agrees and consents thereto. In addition, OPUSA agrees that until the Guaranteed Obligations have been paid and performed in full, the Contribution Agreement may not be amended, supplemented, terminated or replaced without the prior written consent of PE Member in each instance. PE Member acknowledges and agrees that the obligation of OAC to contribute or cause to be contributed to Oxford USA and the obligation of Oxford USA to contribute or cause to be contributed to OPUSA any cash or assets required to satisfy the Minimum Net Worth Requirement pursuant to the Contribution Agreement or any net worth and liquidity covenants contained in any other Qualified Guaranty pursuant to any other contribution or similar agreements executed by Oxford USA and/or OAC in connection with such Qualified Guaranty, shall be without duplication, and any contribution of funds made or caused to be made to OPUSA by Oxford USA or OAC shall satisfy such obligation under the Contribution Agreement and all such other agreements. As used in this Guaranty, the term "Qualified Guaranties" means, collectively, (A) all guaranties made by

OPUSA in favor of the MTA or any other Person in connection with the Property (as defined in the Development Agreement) or any other portion of the ERY or the acquisition, ownership, development, construction, leasing and/or financing of any parcel of land located in Block 705 on the Tax Map of the City of New York, Borough of Manhattan (collectively, the “50 HY Property”), whether given prior to, on or at any time following the date hereof, (B) that certain Default Payments Guaranty (Western Rail Yard Section of the John D. Caemmerer West Side Yard), dated as of April 10, 2014, made by OPUSA and Related in favor of the MTA, as the same may be amended or modified from time to time, and (C) all guaranties made by OPUSA in favor of any Person in connection with the properties commonly known as 650 Madison Avenue and 450 Park Avenue in New York, New York, the property known as Gallery Place located in the District of Columbia, and the properties collectively known as the Greenfield US Portfolio prior to the date hereof. Each of the Qualified Guaranties is referred to herein as a “Qualified Guaranty”.

(i) OAC and OPUSA have executed and delivered that certain Put Agreement, dated as of [the date hereof] (as amended or modified from time to time, the “Put Agreement”), a copy of which has been furnished to PE Member. OPUSA acknowledges and agrees that PE Member is an intended third party beneficiary under the Put Agreement as the holder of this Guaranty, and has the right to enforce directly the obligations of OAC thereunder, and to execute and deliver all notices and demands, including, without limitation, to exercise the Put Right (as defined in the Put Agreement), in PE Member's own name, and not as agent for OPUSA, and OPUSA agrees and consents thereto. In addition, OPUSA agrees that until the Guaranteed Obligations have been paid and performed in full, the Put Agreement may not be amended, supplemented, terminated or replaced without the prior written consent of PE Member in each instance, and further agrees that it shall give PE Member written notice of (i) any written demand for payment or performance by OPUSA (or OPUSA and Related) of any obligation guaranteed under any Qualified Guaranty made by the holder of such Qualified Guaranty in accordance with the terms thereof, (ii) any demand for contribution by Oxford USA and OAC made by the holder of any Qualified Guaranty pursuant to any contribution or similar agreement entered into by Oxford USA and/or OAC in connection with such Qualified Guaranty, or (iii) any exercise of the Put Right by OPUSA or any third party beneficiary (other than PE Member) thereunder.

(j) Until the Guaranteed Obligations have been paid and performed in full, (i) no transfers of assets may be made by a Guarantor for other than fair market value except pursuant to the Put Agreement, and (ii) no dividends or distributions may be made by a Guarantor to any of its partners, members, shareholders or other constituent owner if such Guarantor, either at the time of the making of such dividend or distribution or as a result of the making of such dividend or distribution, fails or would fail to satisfy either the Minimum Net Worth Requirement or the Minimum Liquidity Requirement. Until the Guaranteed Obligations have been paid and performed in full, no obligations of any Person shall be guaranteed and no guaranty shall be made by OPUSA except with respect to and in connection with the ERY, the Western Rail Yard Section of the John D. Caemmerer West Side Yard and the acquisition, ownership, development, construction, leasing and/or financing 50 HY Property.

**SECTION 5. Obligations Independent.** The obligations of Guarantor under this Guaranty shall be independent of, and shall not be measured or affected by, (a) the legal sufficiency or insufficiency of the Development Agreement, the Operating Agreement or any other Transaction Document, (b) the modification, expiration, rescission or termination of the Development Agreement, the Operating Agreement or any other Transaction Document (except as any modifications shall modify the Guaranteed Obligations), (c) any extension of time for performance under the Development Agreement, the Operating Agreement, the Co-Construction Agreement or any Transaction Document (except as any extensions of time shall extend the time to perform the Guaranteed Obligations), (d) the terms and provisions of the Construction Loan Documents or the sufficiency of the funds advanced to Tower A Tenant or any Mezzanine Borrower by a Construction Lender pursuant thereto, (e) the terms and provisions of the DRB Construction Loan Documents or the sufficiency of the funds advanced to Destination Retail Tenant or any mezzanine borrower by a DRB Construction Lender pursuant thereto, (f) any bankruptcy, insolvency or other discharge of any Related/Oxford Party, and (g) any offsets or defenses available to any Related/Oxford Party or any other offsets or defenses to liability of Guarantor (other than any offset based on a default by PE Member in the payment of any PE Member Total Development Costs or any other amounts to be paid by PE Member in accordance with the applicable provisions of the Development Agreement or the Operating Agreement, as applicable), all of which are hereby waived. Notwithstanding the foregoing, the Guaranteed Obligations shall be deemed to be modified to the extent that the obligations of the applicable Related/Oxford Party with respect to the Developer Work pursuant to the Development Agreement or the Operating Agreement shall be modified. Notwithstanding the foregoing or anything to the contrary set forth in this Guaranty, if PE Member exercises the Rescission Election pursuant to Section 11.04 of the Development Agreement and receives payment in full of the Rescission Payment, all obligations of Guarantor under this Guaranty shall terminate and be of no further force and effect.

**SECTION 6. Remedies.** Notwithstanding anything to the contrary herein, it is expressly understood that Guarantor's liability under this Guaranty, and the remedies available to PE Member to enforce payment and performance of the Guaranteed Obligations, shall be subject to the limitations on the liability of Developer, R/O Member and/or their Affiliates set forth in Sections 10.02(a) and 10.02(b) of the Development Agreement and Section 11.03 of the Operating Agreement. Notwithstanding the foregoing, the limitations on liability set forth in Sections 10.02(a) and 10.02(b) of the Development Agreement and Section 11.03 of the Operating Agreement do not apply to the Guaranteed Obligations referenced in Section 1(a)(ii).

**SECTION 7. Limitation on Obligations.** Notwithstanding anything to the contrary contained herein or in any other Transaction Document to the contrary, the maximum liability of Guarantor under this Guaranty shall be One and 00/100 Dollar (\$1.00) less than the amounts which, under applicable federal and state laws, including those relating to the insolvency of debtors, and after giving effect to all applicable rights of contribution, would result in the avoidance or illegality of the obligations of Guarantor hereunder or, if applicable, under any other Transaction Document. Nothing herein shall be construed to shift to PE Member the burden of proof with respect to the maximum liability of Guarantor.

SECTION 8. Survival of Obligations. Subject to the final sentence in Section 5, the Guaranteed Obligations shall survive any rescission, termination, surrender, summary proceeding, foreclosure or other proceeding involving the Development Agreement, the Operating Agreement, the Tower A Lease, the Destination Retail Lease or any other Transaction Document and/or the exercise by PE Member of any of its remedies pursuant to the Development Agreement, the Operating Agreement, the Tower A Lease or any other Transaction Document. The Guaranteed Obligations shall survive until performed in full, and shall be reinstated in the event that any payment made is rescinded.

SECTION 9. Obligations Absolute.

(a) The obligations and liability of Guarantor hereunder shall remain in full force and effect without regard to, and shall not be impaired by, the following: (i) any amendment, modification, renewal, supplement or extension of or waiver under (or the termination or assumption of) the Development Agreement, the Co-Construction Agreement, the Operating Agreement or any other Transaction Document or any obligations thereunder (except that the Guaranteed Obligations shall be deemed to be modified to the extent that any such amendment, modification, renewal, supplement, extension or waiver shall modify any obligations of any Related/Oxford Party that constitute Guaranteed Obligations); (ii) any exercise or non-exercise by PE Member of (or any delay in exercising) any right or privilege under the Development Agreement, the Operating Agreement or any other Transaction Document; (iii) any voluntary or involuntary bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or similar proceeding relating to any Related/Oxford Party or Guarantor or any of the assets belonging to either of them, or any action taken with respect to this Guaranty by any trustee or receiver, or by any court, in any such proceeding, whether or not Guarantor shall have had notice or knowledge of any of the foregoing; (iv) any release, waiver or discharge of Guarantor from liability under any of the Transaction Documents (other than liability under this Guaranty); (v) any subordination, compromise, settlement, release (by operation of law or otherwise), discharge, collection or liquidation of any of the Transaction Documents or any repossession or surrender of the Premises (as defined in the Tower A Lease) under the Tower A Lease; (vi) any assignment or other transfer of any or all of the Development Agreement, the Co-Construction Agreement, the Operating Agreement or the other Transaction Documents, in whole or in part; (vii) any acceptance of a partial performance of any of the obligations of Guarantor (except to the extent of such partial performance); (viii) any transfer of any or all of the Building or any Unit or any consent thereto; (ix) any bid or purchase at any sale of any or all of the Tower Building, the Destination Retail Building or any Unit; (x) any change in the composition of any Related/Oxford Party, or any member, partner or shareholder of any Related/Oxford Party, including, without limitation, the withdrawal or removal of any Guarantor from any current or future position of direct or indirect ownership, management or control of the R/O Member and/or Developer or such member, partner or shareholder; (xi) any failure to file or record the Tower A Lease or any documents related thereto or any failure to take or perfect any security interest intended to be provided thereby; (xii) any breach or inaccuracy of a representation, warranty or covenant made by any Related/Oxford Party, whether express or implied; and (xiii) any replacement of Developer or the removal or other termination of Developer's status as the developer for the Project or the Building.

(b) Guarantor unconditionally waives: (i) any right to require PE Member to rescind or terminate the Development Agreement, the Operating Agreement or any other Transaction Document or to pursue any other remedy whatsoever under the Development Agreement, the Operating Agreement or any other Transaction Document or otherwise; (ii) any defense arising by reason of any invalidity or unenforceability of the Development Agreement, the Operating Agreement or any other Transaction Document or any of the respective provisions thereof; (iii) any defense based upon an election of remedies by PE Member, including, without limitation, any election to proceed by rescission (subject to the final sentence in Section 5) or termination of the Development Agreement, the Operating Agreement or any other Transaction Document, or exercise of any other remedies of PE Member under the Development Agreement, the Operating Agreement or any other Transaction Document; (iv) any defense to the recovery by PE Member against either or both of the Persons constituting Guarantor of any deficiency or otherwise to the enforcement of this Guaranty (except as otherwise expressly provided herein); (v) demand, presentment for payment, notice of nonpayment or other default by any Related/Oxford Party, protest, notice of protest and all other notices of any kind, or the lack of any thereof, including, without limiting the generality of the foregoing, notice of the existence, creation or incurring of any new or additional indebtedness or obligation or of any action or non-action on the part of PE Member, any endorser or creditor of Guarantor or any other person whomsoever under this or any other instrument in connection with any obligation or evidence of indebtedness held by PE Member, except for notices required under this Guaranty; (vi) any right or claim of right to cause a marshaling of the assets of either or both of the Persons constituting Guarantor; (vii) any duty on the part of PE Member to disclose to Guarantor any facts PE Member may now or hereafter know about the Building, the PE Areas (as defined in the Development Agreement) or the Land, regardless of whether PE Member has reason to believe that any such facts materially increase the risk beyond that which Guarantor intends to assume or has reason to believe that such facts are unknown to Guarantor or has a reasonable opportunity to communicate such facts to Guarantor, it being understood and agreed that Guarantor is fully responsible for being and keeping informed of the condition of the Building, the Land and PE Areas and of any and all circumstances bearing on the risk that liability may be incurred by Guarantor hereunder; (viii) any lack of notice of disposition or of manner of disposition of any collateral for any Transaction Document or the Guaranteed Obligations; (ix) any deficiencies in the collateral for any Transaction Document or the Guaranteed Obligations or any deficiency in the ability of PE Member to collect or to obtain performance from any Persons now or hereafter liable for the payment and performance of any of the Guaranteed Obligations; (x) any defense arising by reason of the incapacity, lack of authority or any disability or other defense of the PE Member, including, without limitation, any defense based on

or arising out of the lack of validity or the unenforceability of the Guaranteed Obligations or any agreement or instrument related thereto or by reason of the cessation of the liability of any PE Member from any cause other than payment, performance and completion in full of the Guaranteed Obligations; (xi) any release, discharge, modification, impairment or limitation of the liability of the PE Member to the Developer, whether consented to by the Developer, consensual or arising by operation of law or any proceedings in bankruptcy or reorganization, or from any other cause; (xii) any principles or provisions of law, statutory or otherwise, which are or might be in conflict with the terms of this Guaranty and any legal or equitable discharge of any Guarantor's obligations hereunder (other than payment, performance and completion of the Guaranteed Obligations), the benefit of any statute of limitations affecting Guarantor's liability hereunder or the enforcement hereof, any rights to setoffs, recoupments and counterclaims and promptness and diligence; and (xiii) any other circumstance which might otherwise constitute a defense available to a guaranty or surety, or a discharge of any of the Guaranteed Obligations. Without limiting the generality of the foregoing, Guarantor hereby waives all rights and defenses arising out of an election of remedies by PE Member and all rights of subrogation or contribution, whether arising by contract or operation of law or otherwise by reason of any payment by Guarantor pursuant to the provisions hereof for so long as the obligations of the applicable Related/Oxford Party under the Development Agreement or any other Transaction Document remain outstanding (to the extent such subrogation or contribution adversely affects the exercise of PE Member's rights hereunder). Furthermore, Guarantor shall not have any right of recourse against PE Member or any of its Affiliates, or any other PE Indemnitee, by reason of any action that any PE Indemnitee may take or omit to take under the provisions of this Guaranty, the Development Agreement or, if applicable, any other Transaction Document, except as set forth in such Transaction Document or to the extent such action or omission constitutes gross negligence or willful misconduct, and provided that nothing in this Guaranty shall limit any rights or remedies of Guarantor or any of its Affiliates under the Development Agreement, the Operating Agreement or any other Transaction Document in the event of any default thereunder or violation of the terms thereof by PE Member.

#### SECTION 10. Intentionally Omitted.

SECTION 11. Release of Guaranty. Subject to the provisions of Section 24 regarding reinstatement of Guaranteed Obligations, Guarantor shall be released and discharged from all liability for the Guaranteed Obligations under this Guaranty at such time (the "Release Date") as all of the following have occurred and have been satisfied: (a) the PE Unit Closing shall have occurred in accordance with the applicable provisions of the Operating Agreement and the Development Agreement, provided, that if all conditions precedent to the obligations of PE Member to consummate the PE Unit Closing under Section 12.01 of the Development Agreement have been satisfied (subject to the provisions of Section 11.04 of the Development Agreement), and PE Member fails to consummate the PE Unit Closing on the date set forth in Section 12.01(b) of the Development Agreement and such failure continues beyond thirty (30) days following the ten (10) Business Day period provided in Section 12.01(b) of the Development Agreement, then the condition specified in this clause (a) shall be deemed to have been satisfied as of the expiration of such 30-day cure period; (b) Final Completion shall have been achieved in accordance with the terms and provisions of the Development Agreement (provided that if the failure to achieve Final Completion was caused by PE Member's failure to pay, as and when required, all amounts owed under the Development Agreement and/or the Operating Agreement (subject to any applicable notice and cure periods set forth in the applicable agreement), then Final Completion shall be deemed to have been achieved on the date they would have occurred, if not for such nonpayment); (c) all Enforcement Costs have been paid in full; and (d) the satisfaction in full of any and all other Guaranteed Obligations, provided that if the failure to satisfy any other Guaranteed Obligations was caused by PE Member's failure to pay, as and when required, all amounts owed under the Development Agreement and/or the Operating Agreement (subject to any applicable notice and cure periods set forth in the applicable agreement) then the condition set forth in this clause (d) as to such Guaranteed Obligation shall be deemed to have been satisfied on the date such Guaranteed Obligation would have been satisfied if not for such nonpayment; provided, that Guarantor shall remain liable under this Guaranty with respect to any enforcement actions under this Guaranty in existence as of such Release Date (collectively, the "Enforcement Actions"). Upon satisfaction of the Guaranteed Obligations and the conditions set forth in this Section 11, at the request of Guarantor, PE Member will deliver a written instrument evidencing the termination of this Guaranty and the release of Guarantor of all obligations hereunder in form and substance reasonably satisfactory to PE Member and Guarantor, which release shall be subject to reinstatement as provided in Section 24, and subject to any Enforcement Actions; provided that PE Member's failure to deliver such release shall not impair the termination of this Guaranty.

#### SECTION 12. Intentionally Omitted.

#### SECTION 13. Recourse; Exculpation.

(a) Guarantor's liability hereunder shall be fully recourse and shall not be subject to, limited by or affected in any way by any non-recourse provisions contained in the Development Agreement, the Operating Agreement or any other Transaction Document, but shall be subject to the limitations on remedies and damages contained herein, including, for the avoidance of doubt, the provisions of Section 1(c) hereof. Guarantor hereby acknowledges that it is the intent of PE Member to create separate obligations of Guarantor hereunder which can be enforced against Guarantor without regard to the existence of any other Transaction Document or the rights, liens or security interests created therein. Guarantor agrees that the agreements made and given in this Guaranty are separate from, independent of and in addition to the undertakings under any other guaranty now existing or hereafter made by Guarantor in favor of any other Person with respect to any of the Guaranteed Obligations ("Other Guarantees"). Guarantor agrees that a separate action may be brought to enforce the provisions of this Guaranty which shall in no way be deemed to be an action on any of the Other Guaranties, the Development Agreement, the Operating Agreement or any other Transaction Document.

(b) PE Member shall not be required (and Guarantor hereby waives any rights that Guarantor may have to require PE Member), in order to enforce the obligations of Guarantor hereunder, first to (i) institute any suit or exhaust any remedies

against any Related/Oxford Party or any other Person liable under the Development Agreement, the Operating Agreement or any other Transaction Documents, (ii) enforce PE Member's rights against any other guarantors of the Guaranteed Obligations, (iii) enforce PE Member's rights against any collateral which shall ever have been given to secure the Development Agreement, the Operating Agreement or any other Transaction Document, (iv) join any Related/Oxford Party or any other Person liable for the Guaranteed Obligations in any action seeking to enforce this Guaranty, or (v) resort to any other means of obtaining payment of the Guaranteed Obligations. PE Member shall not be required to mitigate damages or take any other action to reduce, collect or enforce the Guaranteed Obligations.

(c) Guarantor shall have no right of recourse against PE Member by reason of any enforcement action that PE Member may take or omit to take under the provisions of this Guaranty or any of the Transaction Documents in connection with the enforcement of the Guaranteed Obligations in compliance with law and with such Transaction Documents.

(d) No personal liability shall be asserted, sought or obtained by PE Member under this Guaranty or enforceable by PE Member under this Guaranty against (i) any Affiliate of Guarantor, (ii) any Person owning, directly or indirectly, any legal or beneficial interest in Guarantor or any Affiliate of Guarantor or (iii) any direct or indirect partner, member, principal, officer, beneficiary, trustee, advisor, shareholder, employee, agent, Affiliate or director of any Persons described in clauses (i) and (ii) above, other than any such Person that is itself a Guarantor (collectively, the "Exculpated Parties"), and none of the Exculpated Parties shall have any personal liability in respect of any of the Guaranteed Obligations or any other liabilities and obligations of Guarantor under this Guaranty. Nothing in this Section 13(d) shall derogate from or reduce the rights of PE Member in respect of any separate undertakings or agreements given in connection herewith.

SECTION 14. Independent Actions. Guarantor waives any right to require that any action be brought by PE Member against any other Person, or that any other remedy under the Development Agreement, the Operating Agreement or any other Transaction Document be exercised. PE Member may, subject to compliance with any notice obligations set forth in the Transaction Documents, at its option, proceed against Guarantor in the first instance to collect monies when due or obtain performance under this Guaranty, without first resorting to the Development Agreement, the Operating Agreement or any other Transaction Document or any remedies thereunder.

SECTION 15. Assignment.

(a) Guarantor may not assign any of its rights and obligations under this Guaranty without the prior written consent of PE Member, which consent may be granted or withheld by PE Member in its sole and absolute discretion.

(b) Subject to the provisions of the Transaction Documents, Guarantor acknowledges and agrees that PE Member shall have the right, upon notice to Guarantor but without Guarantor's consent, to assign, transfer, sell, lease, negotiate, pledge, grant or otherwise hypothecate all or any portion of its rights in and to the PE Unit, the Development Agreement, the Operating Agreement, or any other Transaction Documents and/or this Guaranty to any permitted transferee of its interest under and in accordance with the terms of the Development Agreement, the Operating Agreement, or such other Transaction Document, and no such assignment, transfer, sale, lease, negotiation, pledge, grant or hypothecation, and/or transfer of PE Member's rights thereunder or hereunder, shall in any way impair or affect, or constitute a defense to, Guarantor's liability under this Guaranty.

SECTION 16. Successors and Assigns Included in Parties. Whenever in this Guaranty any of Guarantor, PE Member or any Related/Oxford Party is named or referred to, the heirs, legal representatives, successors and permitted assigns of such Person shall be included and all covenants and agreements contained in this Guaranty by or on behalf of Guarantor shall bind and inure to the benefit of their respective heirs, legal representatives, successors and permitted assigns, whether so expressed or not.

SECTION 17. Number and Gender. Whenever the singular or plural number, or the masculine, feminine or neuter gender is used herein, it shall equally include the other.

SECTION 18. Computation of Time Periods. In this Guaranty, with respect to the computation of periods of time from a specified date to a later specified date, the word "from" means both "from and including" and the words "to" and "until" both mean "to but excluding".

SECTION 19. Notices.

(a) Any request, notice, report, demand, approval, objection, comment, response or other communication (each, a "Notice") permitted or required by this Guaranty to be given or furnished shall be in writing signed by the party giving such Notice and shall be delivered (x) by hand (with signed confirmation of receipt) or (y) by nationally or internationally recognized overnight mail or courier service (with signed confirmation of receipt). All such Notices shall be deemed delivered, as applicable: (i) on the date of the personal delivery if delivered by 5:00 p.m., and if delivered after 5:00 p.m. then on the next Business Day (as defined in the Development Agreement); or (ii) on the next Business Day for overnight mail.

(b) Each Guarantor and PE Member may change the entity, address or the attention party to which any Notice is to be given to such Person by furnishing written Notice of such change to each Guarantor and PE Member in the manner

specified above. Rejection or refusal to accept, or inability to deliver because of changed address or because no notice of changed address was given, shall be deemed to be receipt of any such Notice.

(c) Notices directed to a Guarantor and/or PE Member shall be delivered to the applicable Persons at the addresses set forth below or at such other address or addresses as may be supplied by written Notice given in conformity with the terms of this Section 19:

if to PE Member:

9 West 57<sup>th</sup> Street  
New York, New York 10019  
Attention:  
Facsimile:

with a copy to each of the following:

Sullivan & Cromwell  
125 Broad Street  
New York, New York 10004  
Attention:  
Facsimile:

if to Related:

The Related Companies, L.P.  
60 Columbus Circle, 19th Floor  
New York, New York 10023  
Attention: Jeff T. Blau and L. Jay Cross  
Facsimile : (212) 801-3540

with a copy to each of the following:

The Related Companies, L.P.  
60 Columbus Circle  
New York, New York 10023  
Attention: Richard O'Toole, Esq.  
Facsimile: (212) 801-1036

The Related Companies, L.P.  
60 Columbus Circle  
New York, New York 10023  
Attention: Amy Arentowicz, Esq.  
Facsimile: (212) 801-1003

Gibson, Dunn & Crutcher LLP  
200 Park Avenue  
New York, New York 10166-0193  
Attention: Andrew J. Dady, Esq.  
Facsimile: (212) 351-4035

if to OPUSA:

OP USA Debt Holdings Limited Partnership  
c/o Oxford Properties Group  
Royal Bank Plaza, North Tower

200 Bay Street, Suite 900  
Toronto, Ontario M5J 2J2 Canada  
Attention: Chief Legal Counsel  
Facsimile: ( 416) 868-3799

and, if different than the address set forth above, to the address posted from time to time as the corporate head office of Oxford Properties Group on the website [www.oxfordproperties.com](http://www.oxfordproperties.com) to the attention of the Chief Legal Counsel (unless the same is not readily ascertainable or accessible by the public in the ordinary course)

with a copy to each of the following:

Oxford Hudson Yards LLC  
c/o Oxford Properties Group  
320 Park Avenue, 17th Floor  
New York, New York 10022  
Attention: Dean J. Shapiro  
Facsimile: (212) 986-7510

Schulte Roth & Zabel LLP  
919 Third Avenue  
New York, New York 10022  
Attention: Stuart D. Freedman, Esq.  
Facsimile: (212) 593-5955

if to OAC:

OMERS Administration Corporation  
One University Avenue, Suite 400  
Toronto, Ontario M5J 2P1 Canada  
Attention: Chief Financial Officer  
Facsimile: ( 416) 360-0217

with a copy to:

OMERS Administration Corporation  
One University Avenue, Suite 400  
Toronto, Ontario M5J 2P1 Canada  
Attention: Chief Legal Officer  
Facsimile: ( 416) 360-0217

if to Oxford USA:

Oxford USA Debt Holdings Trust  
c/o Oxford Properties Group  
Royal Bank Plaza, South Tower  
200 Bay Street, Suite 2010  
Toronto, Ontario M5J 2J2, Canada  
Attention: Chief Legal Counsel  
Facsimile: (416) 868-3799

with a copy to:

2266226 Ontario Inc.  
c/o Oxford Properties Group

Royal Bank Plaza, North Tower  
200 Bay Street, Suite 200  
Toronto, Ontario M5J 2J2, Canada  
Attention: Chief Legal Counsel  
Facsimile: (416) 868-3799

The attorney for any Person may send notices on that Person's behalf.

SECTION 20. Governing Law. This Guaranty shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed solely within such State.

SECTION 21. Consent to Jurisdiction; Waiver of Jury Trial. Each Person constituting Guarantor hereby irrevocably and unconditionally (a) agrees that any suit, action or other legal proceeding arising out of or relating to this Guaranty shall be brought in the courts of record of the State of New York in New York County or the courts of the United States, Southern District of New York; (b) consents to, and waives any and all personal rights under the laws of any state or the United States to object to, the jurisdiction of each such court in any such suit, action or proceeding; and (c) waives any objection which it may have to the laying of venue of any such suit, action or proceeding in any of such courts. In furtherance of such agreement, each such Person hereby agrees, upon request of PE Member, to discontinue (or allow to be discontinued) any such suit, action or proceeding pending in any other jurisdiction or court. Nothing contained herein, however, shall prevent PE Member from bringing any suit, action or proceeding or exercising any rights against any security or against any Guarantor, or against any property of any Guarantor, in any other state or court. Initiating such suit, action or proceeding or taking such action in any state shall in no event constitute a waiver of the agreement contained herein that the laws of the State of New York shall govern the rights and obligations of each Guarantor and PE Member hereunder or thereunder or the submission herein or therein by each Guarantor to personal jurisdiction within the State of New York. Each Guarantor hereby irrevocably consents to the service of any and all process in any such suit, action or proceeding by service of copies of such process to Guarantor at its address provided herein. Nothing in this Section 21, however, shall affect the right of PE Member to serve legal process in any other manner permitted by law. **TO THE FULLEST EXTENT PERMITTED BY LAW, EACH GUARANTOR AND PE MEMBER, EACH KNOWINGLY, INTENTIONALLY AND VOLUNTARILY, WITH AND UPON THE ADVICE OF COMPETENT COUNSEL, WAIVES, RELINQUISHES AND FOREVER FORGOES THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF, OR IN ANY WAY RELATING TO THIS GUARANTY OR ANY CONDUCT, ACT OR OMISSION OF ANY GUARANTOR OR PE MEMBER, OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, PARTNERS, MEMBERS, EMPLOYEES, ATTORNEYS OR AFFILIATES, IN EACH OF THE FOREGOING CASES, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE.** The waivers contained in this Section 21 are given knowingly and voluntarily by each Guarantor and PE Member, as the case may be, and, with respect to the waiver of jury trial, are intended to encompass individually each instance and each issue as to which the right to a trial by jury would otherwise accrue. PE Member and each Guarantor are hereby authorized to file a copy of this Section 21 in any proceeding as conclusive evidence of these waivers.

SECTION 22. Invalid Provisions to Affect No Others. If fulfillment of any provision hereof at the time performance of such provision shall be due, shall involve transcending the limit of validity presently prescribed by law, with regard to obligations of like character and amount, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity; and if any clause or provision herein contained operates or would prospectively operate to invalidate this Guaranty in whole or in part, then such clause or provision only shall be held for naught, as though not herein contained, and the remainder of this Guaranty shall remain operative and in full force and effect to the fullest extent permitted by law.

SECTION 23. No Waiver. No failure or delay on the part of PE Member to exercise any power, right or privilege under this Guaranty shall impair or be construed to be a waiver of any such power, right or privilege, or be construed to be a waiver of any default or an acquiescence therein, nor shall any single or partial exercise of such power, right or privilege preclude any other or further exercise thereof or of any other right, power or privilege.

SECTION 24. Reinstatement of Guaranteed Obligations. If at any time all or any part of any payment made by any Related/Oxford Party or any Guarantor or received by PE Member from any Related/Oxford Party or any Guarantor under or with respect to the Guaranteed Obligations and/or this Guaranty is or may be voided in bankruptcy proceedings as a preference or for any other reason, or shall at any time be required to be restored or returned by PE Member upon the insolvency, bankruptcy or reorganization of any Related/Oxford Party or such Guarantor, or for any other reason, then the obligations of Guarantor hereunder shall, to the extent of the payment voided, rescinded or returned, be deemed to be reinstated and to have continued in existence, notwithstanding such previous payment made by any Related/Oxford Party or any Guarantor, or receipt of payment by PE Member, and the obligations of Guarantor hereunder shall continue to be effective or be reinstated, as the case may be, as to such payment, all as though such previous payment by any Related/Oxford Party or such Guarantor had never been made.

SECTION 25. Time of the Essence. Time is of the essence with respect to the performance by Guarantor of its obligations hereunder.

SECTION 26. Successive Actions. Separate and successive actions may be brought hereunder to enforce any of the provisions hereof at any time and from time to time. No action hereunder shall preclude any subsequent action, and Guarantor hereby waives and covenants not to assert any defense in the nature of splitting of causes of action or merger of judgments.

SECTION 27. Headings. The headings of the Sections and subsections of this Guaranty are for the convenience of reference only, are not to be considered a part hereof and shall not limit or otherwise affect any of the terms hereof.

SECTION 28. Waiver. Guarantor hereby covenants and agrees that upon the commencement of a voluntary or involuntary bankruptcy proceeding by or against any Related/Oxford Party, Guarantor shall not seek a supplemental stay pursuant to



the United States Bankruptcy Code or any other debtor relief law (whether statutory, common law, case law, or otherwise) of any jurisdiction whatsoever, now or hereafter in effect, which may be or become applicable, to stay, interdict, condition, reduce or inhibit the ability of PE Member to enforce its rights against Guarantor by virtue of this Guaranty or otherwise.

SECTION 29. Amendments. Neither this Guaranty nor any provision hereof may be changed, waived, discharged or terminated orally, but only by instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

SECTION 30. Counterparts. This Guaranty may be executed in any number of counterparts, each of which, when executed and delivered, shall be deemed an original, and such counterparts shall constitute but one and the same instrument and shall be binding upon each party hereto as fully and completely as if all had signed but one instrument. The exchange of copies of this Guaranty, any signature pages required hereunder or any other documents required or contemplated hereunder by facsimile or portable document format (“PDF”) transmission shall constitute effective execution and delivery of such signature pages and may be used in lieu of the original signature pages for all purposes. Signatures of the parties transmitted by facsimile or PDF shall be deemed to be their original signatures for all purposes.

SECTION 31. Entire Agreement. This Guaranty embodies the entire agreement and understanding between the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, whether oral or written, relating to the subject matter hereof, except as specifically agreed to the contrary.

SECTION 32. [ Intentionally Omitted ].

SECTION 33. Approval Standard. In any circumstance where this Guaranty specifies that the approval or consent of PE Member must be given, or that any matter or circumstance must be satisfactory or acceptable to PE Member, then unless expressly set forth to the contrary, or unless PE Member expressly agrees hereunder or under the applicable Transaction Document to be reasonable, such approval or consent or such determination of satisfaction or acceptability, shall be within the sole and absolute discretion of PE Member.

SECTION 34. Statute of Limitations. Each Guarantor hereby expressly waives and releases, to the fullest extent permitted by law, the pleading of any statute of limitations as a defense to payment or performance of its obligations hereunder.

SECTION 35. Confidentiality.

(a) Each of PE Member and each Guarantor and their respective partners, principals, members, owners, shareholders, partners, attorneys, agents, employees and consultants (and their respective successors and assigns) shall treat the terms of this Guaranty as confidential, giving it the same care as its own confidential information, and make no use of any such disclosed information not independently known to it, except (i) in connection with the transactions contemplated hereby, (ii) to the extent legally compelled or requested by a regulatory or other governmental authority (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose the same, (iii) to the extent required by any federal, state, local or foreign laws, or by any rules or regulations of the United States Securities and Exchange Commission (or its equivalent in any foreign country) or any domestic or foreign public stock exchange or stock quotation system that may be applicable to any party hereto or any of their direct or indirect constituent owners or Affiliates (including that require this Agreement to be publicly filed) or (iv) to the extent required by the MTA Project Documents or the Construction Loan Documents, but in such case disclosure may only be made to the MTA or the Construction Lender. Notwithstanding the foregoing, the terms of this Guaranty (and/or any other information subject to the confidentiality and non-disclosure restrictions set forth in the preceding sentence) may be disclosed to (A) a party’s accountants, attorneys, employees, agents, actual or potential direct or indirect transferees, sublessees, direct or indirect investors and direct or indirect lenders, and others in privity with such party or its Affiliates or actual or potential transferees or lenders, purchasers, lessors, tenants and/or financial counterparties, in each case to the extent reasonably necessary for such party’s business purposes or in connection with a dispute hereunder, (B) the LLC, Tower A Tenant, the Other Members and any Construction Lender or other lender providing financing to PE Member or its Affiliates or to the Other Members or their respective Affiliates, which financing shall be secured by the PE Unit or the Other Units or any direct or indirect interests therein, (C) any equity investor in PE Member or its Affiliates or the Other Members or their respective Affiliates providing equity capital for the Project and (D) as otherwise permitted under the terms of the Development Agreement. In the event of a termination of this Guaranty, each party shall promptly return or destroy all confidential information it has received (except for such information that is required to be retained pursuant to applicable law or regulation or internal compliance procedures, for as long as the same is so required to be retained).

(b) None of Guarantors, nor PE Member nor any Member may, without all other parties’ prior consent, permit the public dissemination of any public relations releases, advertisements or similar communications or materials with respect to the Project that includes or describes the identity of the other party or its constituents or affiliates.

SECTION 36. Joint and Several Liability. If more than one Person executes this Guaranty as Guarantor, the obligations of those Persons under this Guaranty shall be joint and several. PE Member may, in its sole and absolute discretion, (a) bring suit against Guarantor, or any one or more of the Persons comprising Guarantor, jointly and severally, or against any one or more of them; (b) compromise or settle with any one or more of the Persons comprising Guarantor for such consideration as PE Member may deem proper; (c) release one or more of the Persons comprising Guarantor from liability; and (d) otherwise deal with Guarantor or any one or more of them, in any manner, and no such action shall impair the rights of PE Member to collect from

Guarantor any amount guaranteed by Guarantor under this Guaranty.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be duly executed and delivered as of the date first above written.

GUARANTOR:

THE RELATED COMPANIES, L.P., a New York limited partnership

By: The Related Realty Group, Inc.,  
a Delaware corporation,  
its general partner

By:  
Name:  
Title:

OP USA DEBT HOLDINGS LIMITED PARTNERSHIP, an Ontario limited partnership

By: OP USA Debt GP Inc., an Ontario corporation,  
its general partner

By:  
Name:  
Title:

By:  
Name:  
Title:

For purposes of agreeing to Sections 1(c), 4(h), 13 and 35 hereof :

\_\_\_\_\_, a Delaware limited liability company

By: \_\_\_\_\_  
Name:  
Title:

STATE OF NEW YORK        )  
                                  ) ss.  
COUNTY OF NEW YORK    )

On the \_\_\_\_ day of \_\_\_\_\_, 2015, before me, the undersigned, a Notary Public in and for the State of New York, personally appeared \_\_\_\_\_, personally known to me or who proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or person upon behalf of which the individual acted, executed the instrument.

Notary Public  
(Seal)

My commission expires:

PROVINCE OF ONTARIO

On the \_\_\_\_ day of \_\_\_\_\_, 2015, before me, the undersigned, a Notary Public in and for the Province of Ontario, personally appeared \_\_\_\_\_ and \_\_\_\_\_, personally known to me or who proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signatures on the instrument, the individual(s) or person upon behalf of which the individual(s) acted, executed the instrument.

Notary Public

My commission expires:

STATE OF NEW YORK        )  
                                  ) ss.  
COUNTY OF NEW YORK    )

On the \_\_\_\_ day of \_\_\_\_\_, 2015, before me, the undersigned, a Notary Public in and for the State of New York, personally appeared \_\_\_\_\_, personally known to me or who proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual or person upon behalf of which the individual acted, executed the instrument.

Notary Public  
(Seal)

My commission expires:

Exhibit A

Contribution Agreement

(See following pages)

Exhibit C

(see attached)

**FORM OF ARCHITECT’S CERTIFICATE OF SUBSTANTIAL COMPLETION**

Kohn Pedersen Fox Associates PC

[ \_\_\_\_\_, 20\_\_ ]

Hudson Yards North Tower Tenant LLC (“ Tower A Owner ”)  
c/o The Related Companies, L.P.  
60 Columbus Circle  
New York, New York 10023

[ \_\_\_\_\_ ] (“ PE Member ”)

[ \_\_\_\_\_ ]

[ \_\_\_\_\_ ]

[ \_\_\_\_\_ ]

Re: Project: Hudson Yards, New York, New York — Tower A and Retail Podium

Ladies and Gentlemen:

The undersigned (“ Architect ”) entered into (i) an Architectural Services Agreement with ERY Developer LLC (“ Developer ”) dated as of July 22, 2013 (as amended and assigned by Developer to Tower A Owner by that certain Assignment, Amendment, and Assumption Agreement made and entered into on October 28, 2014 and as may be further amended from time to time, collectively, the “ Tower A Architect Agreement ”), with respect to the design and development by Tower A Owner of the building commonly referred to as Tower A (30 Hudson Yards) on the property located at the southwest corner of West 33rd Street and 10th Avenue and known as Parcel A of the Eastern Rail Yard Section of John D. Caemmerer West Side Yard, and (ii) an Architectural Services Agreement with Developer dated as of December 23, 2014 and effective as of April 1, 2013, as assigned from Developer to ERY Tenant LLC pursuant to that certain Assignment and Assumption Agreement dated as of December 23, 2014 and effective as of June 30, 2014, as further assigned from ERY Tenant to ERY Retail Podium LLC (“ Retail Owner ” and together with Tower A Owner, collectively, “ Owners ”) pursuant to that certain Assignment and Assumption Agreement, dated as of December 31, 2014 (and as may be further amended from time to time, collectively, the “ Retail Architect Agreement ”, and together with the Tower A Architect Agreement, collectively, the “ Architect Agreements ”), with respect to the design and development by Retail Owner of the building commonly referred to as the Retail Podium on the property bounded by Tower A to the north, Tower C to the south, Hudson Boulevard to the west, and 10th Avenue to the east, and known as Parcel B of the Eastern Rail Yard Section of John D. Caemmerer West Side Yard (collectively, the “ Projects ” as more specifically described in the Architect Agreements). Architect has been engaged by each of Tower A Owner and Retail Owner to act as the architect of record for the respective Projects. PE Member and Developer have entered into that certain Development Agreement, dated as of [ \_\_\_\_\_ ], 2015, with respect to certain portions of the Project (the “ Development Agreement ”). Capitalized terms used but not defined herein shall have the meaning set forth in the Development Agreement.

In connection with the Projects and in accordance with the terms of the Architect Agreements, Architect hereby certifies to Owners and the PE Member that, in the Architect’s professional opinion, made in accordance with current, accepted professional architectural standards appropriate for the size, complexity, schedule and other characteristics of the Projects in the jurisdiction in which the Project is located (the “ Standard of Care ”) and based on (i) Architect’s performance of its services under the Architect Agreements; (ii) as to matters outside the services of the Architect, based on and limited to written representation of others (including but not limited to the main contractor, various subcontractors, and engineers and other consultants retained directly by Owners); and (iii) based upon all necessary information and certifications by others (which universe of information and certifications must be mutually agreed upon by Owners and Architect) supporting the below statements which must be supplied to Architect before Architect can provide this Certification, and further, based on the foregoing and upon the Architect’s knowledge, information and belief, the construction of the Developer Work designed by Architect is sufficiently complete in accordance with the Plans (as defined herein) so that the Owners can occupy or utilize the Developer Work designed by Architect for its intended use as specified below (“substantially complete”) and the date of such substantial completion for such Developer Work is the date hereof. For all matters outside the scope of Architect’s services, all certifications below are merely certifying that the Architect received information from the relevant parties confirming the information set forth below.

1. The Developer Work is in substantial conformance with the plans and specifications identified in Exhibit A attached hereto (the “ Plans ”) [this exhibit should list all of the Plans, as defined in the Development Agreement, as modified by Change Orders, and omitting only those plans prepared by PE Member’s Architect], other than the completion of the Developer Work set forth on the punch lists prepared by Architect and others.

2. As of the date hereof, the Developer Work (other than (i) any Base Building Lighting work not required in order to obtain a temporary certificate of occupancy for the core and shell of the Tower Building pursuant to Section 645 of the New York City Charter and (ii) the Subway Entrance) is substantially completed in accordance with the Plans and in accordance with applicable Laws, other than the completion of the Developer Work set forth on the punch lists prepared by Architect and others.
3. The exterior envelope and curtain wall of Tower A (excluding the interior enclosing wall thereof) appear to be substantially complete, other than the completion of the Developer Work set forth on the punch lists prepared by Architect and others.
4. All PE Elevators (excluding, for all purposes of this paragraph 5, the elevator cab interiors) and one Tower A elevator providing access to the roof (i) have been substantially completed and (ii) have been inspected and certified for use by the NYC DOB.

Notwithstanding anything to the contrary herein or otherwise, nothing contained in this Certificate, including but not limited to the capitalized terms not defined herein and the definitions thereof, shall increase Architect's duties or obligations or decrease Architect's rights under the Architect Agreements or with regard to the Plans, the Projects, or otherwise. Furthermore, without limiting the foregoing, any and all liability of Architect under this Certificate shall be subject to the same limitations of liability contained in the Architect Agreements. This certification is not a representation as to the performance of any of the systems or construction components contained in the Developer Work, and no opinions are expressed regarding the quality or completeness of the designs or work provided by any entity other than the Architect.

Very truly yours,

KOHN PEDERSEN FOX ASSOCIATES PC

By:  
Name:  
Title:

[ARCHITECT SEAL]

Acknowledged by:

[PE Member]

By: \_\_\_\_\_  
Name:  
Title:

Exhibit D

**30 HUDSON YARDS**

**Delivery Conditions**

Developer shall perform all work, and furnish and install all materials and equipment, so that the Building, Premises (i.e., the PE Unit), and building systems are delivered to PE Member free of hazardous materials and asbestos and in compliance with all applicable Laws:

1. Floors will be delivered with base building HVAC as follows:
  - a. Developer provides PE Member with a Water Cooled Local Floor Packaged Air Conditioning Unit in the core mechanical room, floors 81 to 83 fed from dedicated Packaged Air Conditioning Units (one unit per floor) that are to be located on the 85th floor machine room floor. Permanent cooling will be available at building core and shell 0% TCO no later than March 2019.
  - b. Condenser water will be circulated 24x7, year round.
  - c. Supply and Return air ducts including any fire/smoke dampers as may be required connected to the buildings fire alarm system from Water Cooled Local Floor Packaged Air Conditioning Units, or central Air Conditioning Units for floors all PE Member floors, shall be capped at core wall on both the North and South sides of the core for distribution by PE Member

- i. The base mechanical design for cooling will be 5.0 watts per usable square foot demand load for lighting and power, and 49 degree supply air
- ii. The outside air ventilation is designed at 20 CFM per person based on one (1) person per 140 usable square foot
  1. Note, the air change rate of the floor directly correlates to the ceiling height of the space because it is a volume calculation. Assuming a 9'-6" ceiling, the air change rate would be approximately 4.5 Air Changes on the Mid Rise and High Rise and 5 Air Changes per hour on the Upper Office Floors. This air change rate is based on design conditions. Since it is a variable volume system, the air change rate will vary.
- iii. The post-fire smoke exhaust is designed at 6 air changes per hour.
- iv. All PE Member floors will be provided with a 2½" condenser water tap (for future PE Member connection), with approximately 30 tons per floor of capacity. The condenser water piping size (taps) can be increased or decreased in size in order to provide each floor with more or less capacity, as long as the total does not exceed the design criteria of 30 tons / floor (300 tons total for 10 floors).
- d. Secondary hot water supply and return risers (SHWS&R) at the perimeter of each floor
- e. Capped toilet supply air duct at North and South sides of core
- f. Capped toilet exhaust duct at North and South sides of core
- g. Return air duct at North and South sides of core
- h. Primary hot water to be used by PE Member to create via heat exchanger domestic hot water to serve kitchens/serveries and fitness center.
- i. Future Kitchen Exhaust Riser Shaft only at core. PE Member to furnish and install or work with Developer on terms to have installed at the time of the core and shell build out all material and equipment including, but not limited to, ductwork, risers, taps, precipitator, fans, filtration, etc. associated with their kitchen facilities. Note the following:
  - i. Kitchen exhaust black-iron fire-wrap insulated ductwork riser from 81<sup>st</sup> Floor PE Member kitchen to base building MER (also on 81<sup>st</sup> Floor), where a new electrostatic precipitator shall be located to treat kitchen exhaust before discharge to atmosphere. Location of precipitator discharge to be positioned to prevent odors on PE Member 80<sup>th</sup> floor terrace.
  - ii. Additional kitchen exhaust black-iron fire-wrap insulated ductwork riser from a second PE Member kitchen (to be located within floors 74 to 79) to base building MER (80<sup>th</sup> Floor), where a new electrostatic precipitator shall be located to treat kitchen exhaust before discharge to atmosphere. The most likely location for a second kitchen would be the 79<sup>th</sup> floor. If floor other than 79 is selected for a 2<sup>nd</sup> PE Member kitchen (i.e. 74 through 78), the appropriate black-iron-fire-wrap insulated ductwork and required access doors / clean outs will be coordinated in order to perform proper maintenance.
  - iii. Makeup air insulated ductwork riser, originating from a new gas-fired H+V unit located within the base building MER (81<sup>st</sup> Floor), routing to PE Member kitchen.
  - iv. Additional make-up air system with insulated ductwork riser, originating from a new gas-fired H+V unit located within the base building MER (80<sup>th</sup> Floor), routing to PE Member kitchen (to be located within floors 74 to 79).
  - v. Type II Hood ductwork riser from PE Member amenity floor with a warming pantry to base building MER, where an exhaust system will be located to exhaust heat and vapors from the warming pantry to the atmosphere.
  - vi. Type II Hood ductwork riser from PE Sky Lobby demised space from a warming pantry to base building MER, where an exhaust system will be located to exhaust heat and vapors from the warming pantry to the atmosphere.
  - vii. A 4" gas service is currently provided to the 52nd floor and can be extended to two (2) PE Member kitchen floors. (+/-5,000 CFH)
  - viii. Two (2) dedicated 400A/460V electric services to serve two (2) separate PE Member kitchens/cafeterias and associated equipment located in base building electric closet on the floor proper.
  - ix. Two (2) dedicated 200A/460V electric services to serve PE Member warming pantry equipment locations in base building electric closet on the floor proper.
- j. Developer will provide sub-metering of all HVAC piping and electrical systems
- k. Developer shall provide HVAC during Building Hours, 8:00 AM to 6:00 PM, Monday through Friday, and 9:00 AM to 1:00 PM Saturday. The cost of electricity to power PE Member's water cooled DX unit (AC) will be submetered and allocated to PE Member. The HVAC system shall have floor by floor temperature and system controls accessible by PE Member for its use.
- l. The Building BMS will accommodate the connection of PE Member systems & devices. All connections shall be made at PE Member's sole cost and expense. The maintenance and service of these devices and points will be at the sole cost and expense of PE Member.

- m. Developer shall provide temporary heating within the core shell spaces on PE Member floors to the extent floors are delivered prior to building TCO.
2. Floors will be delivered with base building plumbing at the core walls as follows:
    - a. (2) 2" cold water valved outlet
    - b. (2) 1" hot water valved outlet
    - c. (2) 3/4" hot water circulation valved outlet
    - d. (2) 4" sanitary plugged outlet
    - e. (2) 3" vent plugged outlet
  3. Electrical service shall be distributed to each floor of the Premises via 265/460V Bus Duct risers serving high voltage lighting panel, step down transformer and utility panel in each of the (2) electric closets. Building design will be based on 5.0 watts / USF demand load, plus two (2) 400A/460V and one (1) 200A/460V supplemental power source to serve the PE Member Kitchen/café as noted above to be provided upon building substantial completion by March 2019. At initial delivery January 2019, floors shall be on temporary power.
  4. All sub-metering of utilities is included in base building work.
  5. Developer will provide an Emergency Power System (EPS), at no additional cost to PE Member, which will support all code required Building systems and all code required systems in PE Member's Premises (including ¼ watt per rentable square foot for PE Member's emergency lighting needs). In addition, Developer and PE Member to discuss alternative solutions available to address any additional emergency power requirements specific to PE Member's Premises.
  6. Corridor walls, if any, to be completed with PE Member's side ready to receive finishes. If shown on plans as drywall, it shall be taped, spackled, and sanded smooth.
  7. Steel columns, bracing and beams with spray fireproofing will be exposed.
  8. Mechanical equipment rooms including acoustical rated walls and doors shall be provided and completed by Developer, the assembly shall be rate at no more than 40 STC at the mechanical equipment room walls/doors and where there is drywall it shall be taped, spackled, and sanded smooth. PE Member will have an acoustical engineer of their choice to ensure the mechanical rooms meet the minimum standards for sound and vibration for a commercial office space. Any remedies to meet the minimum standard will be paid for by the Developer.
  9. All core doors and frames installed. Construction cores to be provided at locksets.
  10. Smooth unsealed concrete floors. All trowel finished slabs shall achieve an overall tolerance of FF25 and all float finished surfaces shall achieve an overall tolerance of FF20. Slab surface deviation from level not to exceed 3/8" in 10'-0" with an overall maximum of 3/4".
  11. Fire alarm/sprinkler and life safety system installed in core areas containing required points for base building code requirements & future connection points for PE Member's fit-out installation. The Base Building Contractor will provide for the final programming at their cost for the PE Member fit out work.
  12. Fire sprinkler system distributed including sprinkler heads installed (but not commissioned) in core toilets, Mechanical Equipment rooms, electrical closets, tele-data rooms and janitor closets and other code required base building areas. 2½" sprinkler mains will be capped at the East and West sides of the core. The appropriate sprinkler system coverage per the Plans will be installed on each PE Member floor in order to achieve TCO. System will not be commissioned.
  13. Men's and Women's rest rooms on each floor shall be constructed and completed but not functioning. Core Restrooms are to be functional at the time of TCO/Turn-over to PE Member. PE Member will have approval rights over the interior design of the bathrooms on its floors (e.g. finishes, fixtures etc.) excluding major structural or mechanical changes. Bathrooms have been designed to meet NYC Building Code with 1 fixture per approximately 28 occupants on Floors 74 – 79 and 1 fixture per approximately 20 occupants on Floors 80–83.
  14. Temporary water and power will be provided to the Premises.
  15. Premises shall be delivered in broom clean condition.
  16. Insulation on Base Building pipes and ducts, if required, will be completed.
  17. Fire stopping in all areas of building core and perimeter completely in place and signed-off by a NYCDOB-certified Special Inspector.
  18. Floors are closed in and weather tight exclusive of standard leave-outs or come-back areas of curtain wall (e.g. hoist or crane openings). Infill logistic plan to be provided for PE Member review. The North will be removed by October 2019, although it may come off the building earlier depending on the timing of the various interior fit-outs. Leave-out areas will be provided by Related's Contractor in a configuration that is to be submitted for PE Member approval such that PE Member's interior fit-out can proceed around these locations. Refer to the Leave-Out Hoists Plan. Vertical transportation during construction to be provided as described in the Site Logistics Procedures.
  19. PE Member will submit a plan for any proposed penetrations (e.g. inter-floor connecting stairs) through floor slabs (within its stack) identifying the size, location, etc. for review by the base building Structural Engineer during PE Member's schematic design process. Upon approval, PE Member will provide all required: structural reinforcing; fire safing; etc. as required by said approval and all applicable codes.

Two (2) 4" empty conduits from each of two (2) Points-of-Entry routing express vertically with pull boxes where required up to the 74<sup>th</sup> Floor (PE Member MDF Room).

The two Points of Entry shall provide PE Member redundant Carrier Central Office connectivity. At its option, PE Member can establish connectivity to the Site Wide Loop and 10th Avenue to provide additional diversity (the latter which would be considered an Upgrade Beyond DI-48/100% CDs (the Plans defined in the Development Agreement) at PE Member's cost.

Additionally, provisions will be made to add four (4) 4" conduits in one of the shafts for connectivity of the 74<sup>th</sup> Floor PE Member MDF Room to the following locations; (a) Ground Floor Lobby, (b) 35<sup>th</sup> Floor Sky Lobby, (c) 81<sup>st</sup> Floor Terrace Level and (d) 82<sup>nd</sup> Floor Upper Stack. See attached drawing E-TC-501.00 dated 8.10.15.

- 20. Fire hose valve outlets will be provided as required by code for Core & Shell.
- 21. Refer to the Gensler Plans and Specifications for the additional Delivery Conditions and clarification if portions of Delivery Conditions are considered Developer Fitout Work or Upgrade Beyond DI-48/100% CDs (the Plans defined in the Development Agreement) at PE Member's cost.

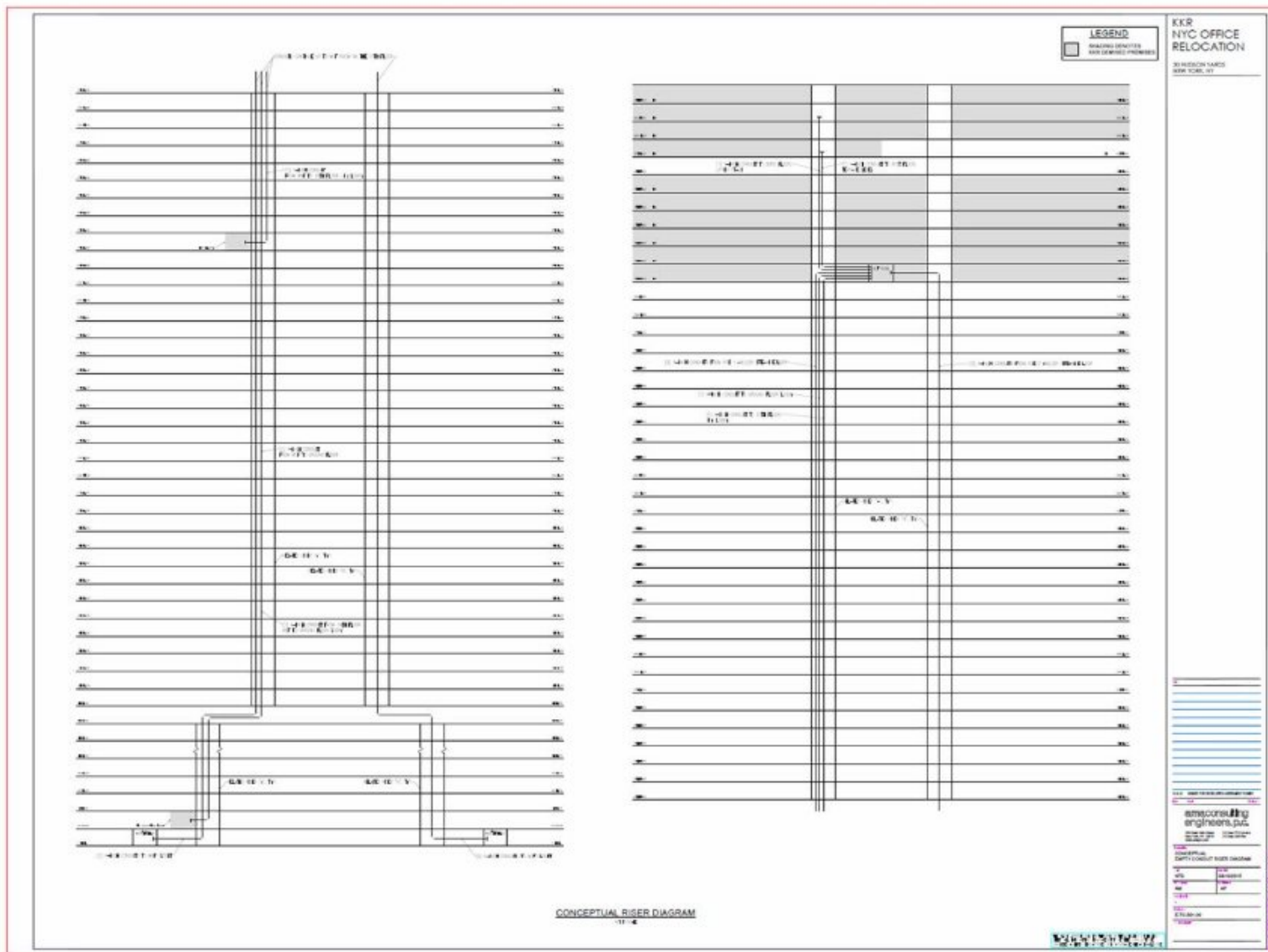


Exhibit E

Form of Statement of Changes

(see attached)



**ERY Developer LLC**

**Statement of Changes**

Date: OSCR # SAMPLE

[PE MEMBER]

[\_\_\_\_\_]

[\_\_\_\_\_]

Attention: [\_\_\_\_\_]

Dear [\_\_\_\_\_]:

Pursuant to Section 3.06(a) of the Development Agreement, PE Member has submitted the request for a PE Change Order attached hereto as Exhibit A. Pursuant to Section 3.07(b) of the Development Agreement, the Developer is furnishing this Statement of Changes to PE Member in connection with such requested PE Change Order.

**Total PE Change Cost**

Direct Construction Cost of Change (Detail Attached)

Design Consulting Services (Detail Attached)

Bond Total — (\_\_\_%)

**Subtotal** \$ \_\_\_\_\_

Cost of OCIP Insurance — (\_\_\_% of Construction & Bond Only)

Construction Manager Fee — (\_\_\_% of Construction, Bond & OCIP)

ECM Fee (1%)

Developer Fee — (3.0%)

Overhead — (3.0%)

Sales Tax - (Estimate to be adjusted to actual, 8.875% of construction materials)

Contingency — (\_\_\_%)

**Subtotal — ECM Cost** \$ \_\_\_\_\_

Other \$ \_\_\_\_\_

**Total PE Change Cost** \$ \_\_\_\_\_

The preceding change will add a maximum of [\_\_\_] days to the Schedule and the Maximum PE Change Cost is reasonably estimated to be no greater than [\$\_\_\_].

**[remainder of page left blank]**

**Developer Approval of Change:**

ERY DEVELOPER LLC, a Delaware limited liability company

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**PE Member Approval:**

The PE Member acknowledges the preceding estimate of the Total PE Change Cost, Maximum PE Change Cost and the additional time (if noted) as an addition to the Schedule.

Acknowledged and Accepted:

[PE MEMBER]

By: \_\_\_\_  
Name: \_\_\_\_  
Title: \_\_\_\_

Exhibit A  
PE Change Order Request

Exhibit F  
Dual Obligee Rider

(see attached)

**FORM OF PERFORMANCE AND PAYMENT BOND**

PERFORMANCE BOND

Bond No: \_\_

CONTRACTOR/PRINCIPAL:

Name: \_\_  
Address: \_\_

SURETY:

Name: \_\_  
Address: \_\_

OBLIGEE:

Name: Hudson Yards Construction LLC  
Address: c/o The Related Companies, L.P.  
60 Columbus Circle  
New York, New York 10023

CONSTRUCTION CONTRACT/PROJECT:

Name: Hudson Yards — Tower A/30 Hudson Yards  
Address: 500 West 33<sup>rd</sup> Street  
New York, New York 10001

BOND

Date \_\_\_\_

Amount \_\_\_\_

1. The Contractor and Surety, jointly and severally, bind themselves, their heirs, executors, administrators, successors and assigns to the Obligee for the performance of the Construction Contract, which is incorporated herein by reference.

2. If the Contractor performs the Construction Contract, the Surety and the Contractor shall have no obligation under this Bond.
3. The Surety's obligation under this Bond shall arise after
  - (i) the Obligees declares the Contractor in Default, terminates the Construction Contract and notifies the Surety of such Default and termination; and
  - (ii) the Obligees has agreed to pay the Balance of the Contract Price in accordance with the terms of the Construction Contract to the Surety or to a contractor selected by the Surety to perform the Construction Contract.
4. Within ten (10) days after the Obligees has satisfied the conditions of Section 3, the Surety shall, at its sole cost and expense, take one of the following actions:
  - (i) arrange for the Contractor, with the consent of the Obligees, to perform and complete the Construction Contract;
  - (ii) undertake to perform and complete the Construction Contract itself, through its agents or independent contractors;
  - (iii) obtain bids or negotiated proposals from qualified contractors acceptable to the Obligees for a contract for performance and completion of the Construction Contract, arrange for a contract to be prepared for execution by the Obligees and a contractor selected with the Obligees's concurrence, to be secured with performance and payment bonds executed by a qualified surety equivalent to the bonds issued on the Construction Contract, and pay to the Obligees the amount of damages as described in Section 6 in excess of the Balance of the Contract Price incurred by the Obligees as a result of the Contractor Default; or
  - (iv) waive its right to perform and complete, arrange for completion, or obtain a new contractor and with reasonable promptness under the circumstances:
  - a) after investigation, determine the amount for which it may be liable to the Obligees and, as soon as practicable after the amount is determined, make payment to the Obligees; or
  - b) deny liability in whole or in part and notify the Obligees, citing the reasons for denial.
5. If the Surety does not proceed as provided in Section 4, the Surety shall be deemed to be in default on this Bond seven (7) days after receipt of an additional written notice from the Obligees to the Surety demanding that the Surety perform its obligations under this Bond, and the Obligees shall be entitled to enforce any remedy available to the Obligees. If the Surety proceeds as provided in Section 4(iv), and the Obligees refuses the payment or the Surety has denied liability, in whole or in part, without further notice the Obligees shall be entitled to enforce any remedy available to the Obligees.
6. If the Surety elects to act under Sections 4(i), 4(ii) or 4(iii), then the responsibilities of the Surety to the Obligees shall not be greater than those of the Contractor under the Construction Contract, and the responsibilities of the Obligees to the surety shall not be greater than those of the Obligees under the Construction Contract. Subject to the commitment by the Obligees to pay the Balance of the Contract Price, the Surety is obligated, without duplication, for
  - (i) the responsibilities of the Contractor for correction of defective work and completion of the Construction Contract;
  - (ii) additional legal, design professional and delay costs resulting from the Contractor's Default, and resulting from the actions or failure to act of the Surety under Section 4; and
  - (iii) liquidated damages, or if no liquidated damages are specified in the Construction Contract, actual damages caused by delayed performance or non-performance of the Contractor.
7. If the Surety elects to act under Section 4(i), 4(ii) or 4(iii), the Surety's liability is limited to the amount of this Bond.
8. The Surety shall not be liable to the Obligees or others for obligations of the Contractor that are unrelated to the Construction Contract, and the Balance of the Contract Price shall not be reduced or set off on account of any such unrelated obligations. No right of action shall accrue on this Bond to any person or entity other than the Obligees or its heirs, executors, administrators, successors and assigns.
9. The Surety hereby waives notice of any change, including changes of time, to the Construction Contract or to related subcontracts, purchase orders and other obligations. The Surety agrees that no change, extension of time, alteration, addition, omission or other modification of the Construction Contract, the Contract Documents or the Work to be performed, shall in any

way affect its obligation under this Bond.

10. Any proceeding, legal or equitable, under this Bond may be instituted in any court of competent jurisdiction in the location in which the work or part of the work is located and shall be instituted within two years after a declaration of Contractor Default or within two years after the Contractor ceased working or within two years after the Surety refuses or fails to perform its obligations under this Bond, whichever occurs first.

11. Notice to the Surety, the Obligee or the Contractor shall be mailed or delivered to the address shown on the first page of this Bond.

12. Definitions:

(i) Balance of the Contract Price: The total amount payable by the Obligee to the Contractor under the Construction Contract after all proper adjustments have been made, including allowance to the Contractor of any amounts received or to be received by the Obligee in settlement of insurance or other claims for damages to which the Contractor is entitled, reduced by all valid and proper payments made to or on behalf of the Contractor under the Construction Contract.

(ii) Construction Contract: The agreement between the Obligee and Contractor identified on the cover page, including all Contract Documents and changes made to the agreement and the Contract Documents.

(iii) Contractor Default. Failure of the Contractor, which has not been remedied or waived, to perform or otherwise to comply with a material term of the Construction Contract.

(iv) Contract Documents. All the documents that comprise the agreement between the Obligee and Contractor.

13. If this Bond is issued for an agreement between a Contractor and Subcontractor, the term Contractor in this Bond shall be deemed to be Subcontractor and the term Owner shall be deemed to be Contractor.

CONTRACTOR/PRINCIPAL

SURETY

Name

Name

Signature

Signature

Name and Title

Name and Title

RIDER TO PERFORMANCE BOND ADDING ADDITIONAL OBLIGEE

Rider to be attached to and form a part of Bond Number \_\_\_\_\_, dated the \_\_\_ day of \_\_\_\_\_, 20\_\_\_, executed by \_\_\_\_\_(the "Surety") on behalf of \_\_\_\_\_(the "Principal") in favor of HUDSON YARDS CONSTRUCTION LLC (the "Obligee"),

WHEREAS, the Principal has by written agreement dated \_\_\_\_\_, 20\_\_\_, entered into a contract (the "Construction Contract") with the Obligee for \_\_\_\_\_; and

WHEREAS, upon the request of the Principal and Obligee the attached bond is hereby amended to add HUDSON YARDS NORTH TOWER TENANT LLC, ERY RETAIL PODIUM LLC, ERY TENANT LLC, KKR HY LLC, [TOWER A LENDER], [RETAIL LENDER], METROPOLITAN TRANSPORTATION AUTHORITY and THE LONG ISLAND RAIL ROAD COMPANY, and their respective successors and assigns as additional Obligees,

In no event shall the aggregate liability of the Surety to either or to both Obligees exceed the penal sum of the attached bond, nor shall the Surety be liable except for a single payment for each single breach or default. At the Surety's election, any payment due to either Obligee may be made by its check issued jointly both.

This change is effective this \_\_\_ day of \_\_\_\_\_, 20\_\_\_.

The attached bond shall be subject to all of its terms, conditions and limitations except as herein modified.

DATED as of this \_\_\_ day of \_\_\_\_\_, 20\_\_\_.

CONTRACTOR/PRINCIPAL:

SURETY:

Name \_\_

Name \_\_

Signature \_\_

Signature \_\_

Name and Title \_\_

Name and Title \_\_

PAYMENT BOND

Bond No: \_\_

CONTRACTOR/PRINCIPAL:

SURETY:

Name: \_\_

Name: \_\_

Address: \_\_

Address: \_\_

—

—

OBLIGEE:

CONSTRUCTION CONTRACT/PROJECT:

Name: Hudson Yards Construction LLC  
Address: c/o The Related Companies, L.P.  
60 Columbus Circle  
New York, New York 10023

Name: Hudson Yards — Tower A  
Address: 500 West 33<sup>rd</sup> Street  
New York, New York 10001

BOND

Date \_\_\_\_\_

Amount \_\_\_\_\_

1. The Contractor and Surety, jointly and severally, bind themselves, their heirs, executors, administrators, successors and assigns to the Obligee for the payment of the above sum well and truly to be made.
2. The Contractor has entered into a written Construction Contract with the Obligee, which is incorporated herein by reference.
3. The condition of this Bond is such that, if the Contractor shall promptly pay all persons having just claims for (a) labor, materials, services, insurance, supplies, machinery, equipment, rentals, fuels, oils, implements, tools and/or appliances and any other items of whatever nature, furnished for, used or consumed in the prosecution of the work called for by said contract and any and all modifications thereof, whether lienable or nonlienable and whether or not permanently incorporated in said work; (b) pension, welfare, vacation and/or other supplemental employee benefit contributions payable under collective bargaining agreements with respect to persons employed upon said work; and (c) federal, state and local taxes and/or contributions required by law to be withheld and/or paid with respect to the employment of persons upon said work, then this obligation shall be null and void; otherwise it shall remain in full force and effect.
4. The Surety hereby waives notice of any change, including changes of time, to the Construction Contract or to related subcontracts, purchase orders and other obligations. The Surety agrees that no change, extension of time, alteration, addition, omission or other modification of the Construction Contract, the Contract Documents or the Work to be performed, shall in any way affect its obligation under this Bond.
5. The Contractor and the Surety agree that this Bond shall inure to the benefit of all persons supplying labor and material in the prosecution of the work provided for in the Construction Contract, as well as to the Obligee, and that such persons may maintain independent actions upon this Bond in their own names.
6. Any proceeding, legal or equitable, under this Bond may be instituted in any court of competent jurisdiction in the location in which the work or part of the work is located.

7. Notice to the Surety, the Obligee or the Contractor shall be mailed or delivered to the address shown on the first page of this Bond.
8. Definitions:
- (i) Construction Contract: The agreement between the Obligee and Contractor identified on the cover page, including all Contract Documents and changes made to the agreement and the Contract Documents.
  - (ii) Contract Documents. All the documents that comprise the agreement between the Obligee and Contractor.
9. If this Bond is issued for an agreement between a Contractor and Subcontractor, the term Contractor in this Bond shall be deemed to be Subcontractor and the term Owner shall be deemed to be Contractor.

CONTRACTOR/PRINCIPAL:

Name \_\_  
 Signature \_\_  
 Name and Title \_\_

SURETY:

Name \_\_  
 Signature \_\_  
 Name and Title \_\_

**RIDER TO PAYMENT BOND ADDING ADDITIONAL OBLIGEE**

Rider to be attached to and form a part of Bond Number \_\_\_\_\_, dated the \_\_\_ day of \_\_\_\_\_, 20\_\_\_, executed by \_\_\_\_\_(the "Surety") on behalf of \_\_\_\_\_(the "Principal") in favor of HUDSON YARDS CONSTRUCTION LLC (the "Obligee"),

WHEREAS, the Principal has by written agreement dated \_\_\_\_\_, 20\_\_\_, entered into a contract (the "Construction Contract") with the Obligee for \_\_\_\_\_; and

WHEREAS, upon the request of the Principal and Obligee the attached bond is hereby amended to add HUDSON YARDS NORTH TOWER TENANT LLC, ERY RETAIL PODIUM LLC, ERY TENANT LLC, [TOWER A LENDER], [RETAIL LENDER], METROPOLITAN TRANSPORTATION AUTHORITY and THE LONG ISLAND RAIL ROAD COMPANY, and their respective successors and assigns as additional Obligees,

In no event shall the aggregate liability of the Surety to either or to both Obligees exceed the penal sum of the attached bond, nor shall the Surety be liable except for a single payment for each single breach or default. At the Surety's election, any payment due to either Obligee may be made by its check issued jointly both.

This change is effective this \_\_\_ day of \_\_\_\_\_, 20\_\_\_.

The attached bond shall be subject to all of its terms, conditions and limitations except as herein modified.

DATED as of this \_\_\_ day of \_\_\_\_\_, 20\_\_\_.

CONTRACTOR/PRINCIPAL:

SURETY:

Name \_\_

Name \_\_

Signature \_\_

Signature \_\_

Name and Title \_\_

Name and Title \_\_

101838571.3

Exhibit G

Arbiters

Honorable Bernard J. Fried  
Honorable Stephen G. Crane  
Michael Young, Esq.

Exhibit H

Work Dispute Arbiters

Walter Hunt, FAIA  
Kenneth D. Levien, AIA

Exhibit I

Form of 50 HY Deed Restriction  
(see attached)

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**AGREEMENT RE RESTRICTIVE COVENANT**

between

\_\_\_\_\_ **LLC,**  
a Delaware limited liability company,

("Owner")

and

**HUDSON YARDS NORTH TOWER TENANT LLC ,**  
a Delaware limited liability company

("Tower A Tenant")

Block: \_\_\_\_\_  
Lot: \_\_\_\_\_  
County: New York  
Address: \_\_\_\_\_

---

After recording, please return by mail to:

Sullivan & Cromwell LLP  
125 Broad Street  
New York, NY 10004  
Attention: Robert M. Schlein, Esq.

**AGREEMENT RE RESTRICTIVE COVENANT**

THIS AGREEMENT RE RESTRICTIVE COVENANT (this "Agreement") made this \_\_\_\_\_ day of \_\_\_\_\_, 2015 by and between \_\_\_\_\_ LLC, a Delaware limited liability company, having an office at c/o The Related Companies, L.P., 60 Columbus Circle, New York, New York 10023 (or its successors or assigns as owner of the Burdened Premises or any portion thereof, "Owner") and Hudson Yards North Tower Tenant LLC, a Delaware limited liability company, having an office at c/o The Related Companies, L.P., 60 Columbus Circle, New York, New York 10023 ("Tower A Tenant").

WHEREAS, Owner is the owner of certain real property situated in the Borough of Manhattan, County of New York and State of New York, known and designated as Block \_\_\_\_, Lot \_\_ (the "Burdened Premises"), as shown on the tax map of the City of New York for the County of New York and as more particularly described in Exhibit A hereto;

WHEREAS, Tower A Tenant is the lessee of the Office Unit, as defined in the Declaration Establishing a Plan for Condominium Ownership of the Premises known as 30 Hudson Yards, New York, New York, Pursuant to Article 9-B of the Real Property Law of the State of New York, dated \_\_\_\_\_, 2015 (the "Declaration"), intended to be recorded simultaneously herewith with respect to the real property known and designated as Block 702, [Lot 125] and more particularly described in Exhibit B hereto. The Office Unit is known and designated as Block 702, [Lot \_\_\_\_];

WHEREAS, Tower A Tenant intends to further subdivide the Office Unit into one or more Subdivided Units (as defined in the bylaws of the Condominium attached to the Declaration (the "Bylaws"), including a Subdivided Unit comprising [floors 74-83] of the Building (as defined in the Declaration) (the "Upper Office Unit") (the Office Unit prior to such subdivision, and the Upper Office Unit following such subdivision, being referred to herein as the "Benefited Unit");

WHEREAS, the benefits conferred upon the Benefited Unit pursuant to this Agreement are essential to preserving sight lines, air and proper sunlight for the Office Unit and the Upper Office Unit; and

WHEREAS, the parties hereto wish to set forth certain agreements between Owner and Tower A Tenant relating to the improvements to be constructed at the Burdened Premises.



NOW, THEREFORE, it is agreed as follows:

1. Restrictions. Owner hereby restricts the use and development of the Burdened Premises for the benefit of the Benefited Parties (as hereinafter defined) in perpetuity as expressly set forth in this Section 1:

(a) In no event shall Owner construct, develop, maintain or rebuild, or permit or suffer to be constructed, developed, maintained or rebuilt, any building, structure or improvement (including, without limitation, any parapet, bulkhead, fence, elevator shaft, water tower, antenna, cell tower, satellite dish, chimney, pipe, ladder, fire escape, or other mechanical or telecommunications equipment) on the Burdened Premises that exceeds the lesser of (i) the height of the top slab of the 79<sup>th</sup> floor of the Building (as depicted in the construction drawings for the Building attached to the Initial Construction Agreements (as defined in the Declaration)) or (ii) the horizontal plane that is one thousand ten (1,010) feet above the Base Level (as hereinafter defined) (the “Height Limit”), irrespective of whether the same would be permitted under the Zoning Resolution of the City of New York or any other legal requirement. Owner acknowledges and agrees that the foregoing restriction on the Burdened Premises is to benefit the Benefited Unit by affording light, air and view for the perpetual benefit of the Benefited Parties. For purposes of the foregoing, “Base Level” means the Borough of Manhattan Datum 2.75 feet above mean sea level at Sandy Hook, New Jersey as determined by the United States Coast and Geodetic Survey.

(b) In no event shall Owner transfer Floor Area from the Burdened Premises to another parcel located on the 50 HY Block that is not subject to a restrictive covenant substantially in the form of this Agreement (any such parcel on the 50 HY Block that is not subject to such a restrictive covenant, an “Unburdened Parcel”), unless, prior to any such transfer of Floor Area, the transferee of such Floor Area executes and records against such Unburdened Parcel a restrictive declaration or other agreement, for the benefit of the Benefited Parties, that prohibits the construction or development on any portion of such Unburdened Parcel of any building, structure or improvement (including, without limitation, any parapet, bulkhead, fence, elevator shaft, water tower, antenna, cell tower, satellite dish, chimney, pipe, ladder, fire escape, or other mechanical or telecommunications equipment) that exceeds the Height Limit (any such restrictive declaration or similar agreement recorded against an Unburdened Parcel, an “Unburdened Parcel Restriction”). Any transfer of Floor Area to an Unburdened Parcel without the prior recordation of such an Unburdened Parcel Restriction shall be void, and the Benefited Parties shall be entitled to obtain equitable relief by way of injunction and/or to compel specific performance of Owner’s obligation to obtain such Unburdened Parcel Restriction (without the need to prove or demonstrate damages). From and after the recording of any such Unburdened Parcel Restriction against any such Unburdened Parcel that is owned or controlled by a third party (that is not Owner or an Affiliate of Owner), (i) the Benefited Parties shall have the sole right to enforce such Unburdened Parcel Restriction, and Owner and its Affiliates shall have no obligation to enforce such Unburdened Parcel Restriction and (ii) Owner and its Affiliates shall have no liability to the Benefited Parties in connection with the transfer of Floor Area to such Unburdened Parcel or any breach of such Unburdened Parcel Restriction by the transferee of such Floor Area or any subsequent third-party owner of such Unburdened Parcel (that is not Developer or an Affiliate of Developer). For purposes of this Agreement (x) “Floor Area” shall have the meaning ascribed thereto in Section 12-10 of the Zoning Resolution and shall be measured in accordance with the standards set forth in the Zoning Resolution (notwithstanding that the Building may be exempt from application of the Zoning Resolution under Public Authorities Law Section 1266(8)) and (y) “50 HY Block” shall mean the block bounded by 10th Avenue in the east, Hudson Boulevard in the west, 33rd Street in the south and 34th Street in the north, in the City, County and State of New York.

2. Covenants Running With the Land. The provisions of this Agreement shall run with the land and inure to the benefit of and be binding upon each party and its successors and assigns. Any present or future estate in the Burdened Premises and any lien, obligation, covenant, lease, mortgage, deed of trust or other encumbrance of any kind at any time arising, claimed or asserted in the Burdened Premises shall be subject and subordinate to this Agreement and the Benefited Parties’ interest herein, except in each case with respect to the Title Exceptions (as hereinafter defined). Notwithstanding the foregoing, upon the filing of an amendment to the Declaration subdividing the Office Unit and creating the Upper Office Unit, this Agreement shall automatically terminate and be of no further force or effect with respect to the owner or lessee of any portion of the Office Unit or the Building other than the Upper Office Unit. For purposes of this Agreement, “Benefited Parties” means Tower A Tenant, any owner of the Office Unit (prior to such subdivision) or the Upper Office Unit (from and after such subdivision), any Declarant Net Lessee (as defined in the Bylaws) of the Office Unit (prior to such subdivision) or the Upper Office Unit (from and after such subdivision), KKR HY LLC, a Delaware limited liability company, and their respective successors and assigns.

3. Representations and Warranties of Owner. Owner hereby represents and warrants that it (a) owns fee simple title to the Burdened Premises, subject to any matters of record as of the date of recordation of this Agreement, including without limitation any mortgage recorded against the Burdened Premises; liens for real estate taxes and assessments; unrecorded leases; any laws, rules, regulations, statutes, ordinances, orders or other legal requirements affecting the Burdened Premises; and any state of facts which a current survey or inspection of the Burdened Premises would disclose (collectively, the “Title Exceptions”); (b) has all power and authority to enter into this Agreement, and (c) in connection with the Burdened Premises, has not transferred any development rights, air rights or rights or options to purchase to any third party.

4. Estoppels. Each party shall, upon at least twenty (20) days' prior written request, deliver to the other party a written statement, setting forth whether this Agreement is in full force and effect; the extent to which this Agreement has been modified by written instrument not of record; the extent to which the responding party has served any written notice of default under this Agreement, which default remains uncured; and that the statement may be relied upon by the requesting party and said designee.

5. Remedies. In the event of a default by Owner under this Agreement, the Benefited Parties shall have the right to seek any and all administrative and judicial remedies as may be available at law or equity, including without limitation an action for injunctive relief or specific performance (it being agreed that any violation by Owner of the covenants contained in this Agreement would cause irreparable harm to the Benefited Parties as to which an award of money damages may be an inadequate remedy) or for damages (including the diminution in value of the Benefited Unit, if any). In the event of any action, suit or proceeding between the parties, the prevailing party shall be entitled to reimbursement from the non-prevailing party of the legal fees and expenses incurred by the prevailing party in connection with such action, suit or proceeding.

6. No Transfer of Development Rights. Nothing in this Agreement shall be construed as conveying or otherwise transferring the fee or any other interest in the property owned or leased by either party to the other party, or in any air rights or development rights.

7. Miscellaneous.

(a) This Agreement shall be governed by, and construed in accordance with, the law of the State of New York without reference to principles of conflicts of laws, and the parties each individually agrees to submit to the jurisdiction of all Federal and New York State courts located in the State and County of New York in connection with any litigation instituted under this Agreement.

(b) This Agreement shall be construed without regard to the presumption or other rule requiring construction against the party causing this Agreement to be drafted.

(c) Except as expressly set forth in this Agreement, no party shall be deemed to have made any representations, warranties or promises, express or implied, concerning anything affected by this Agreement.

(d) This Agreement may be executed in any number of counterparts, each of which shall, when executed, be deemed to be an original and all of which shall be deemed to be one and the same investment. In addition, the parties may execute separate signature and acknowledgment pages, and such signature and acknowledgment pages (and/or signature and acknowledgment pages that have been detached from one or more duplicate original copies of this Agreement) may be combined and attached to one or more copies of this Agreement so that such copies shall contain the signatures and acknowledgments of all of the parties hereto.

(e) In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or enforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

(f) Except as expressly set forth in this Agreement, no covenant or agreement contained in this Agreement shall inure to the benefit of any party other than the parties hereto and their respective successors and assigns. For the avoidance of doubt, the Benefited Parties are expressly intended to be third party beneficiaries of this Agreement, and each of them shall have full power and authority to enforce this Agreement. Neither the members, managers, partners, shareholders, directors, officers or principals, direct and indirect, of Owner shall be liable for the performance of Owner's obligations under this Agreement. From and after the transfer by Owner of the Burdened Premises to any third party (that is not Owner or an Affiliate of Owner), neither Owner nor any of its Affiliates shall have any obligation to enforce this Agreement nor shall either of them have any liability for any breach of this Agreement by such transferee or any subsequent third-party owner of the Burdened Premises (that is not Owner or an Affiliate of Owner).

(g) The titles set forth in this Agreement are intended for ease of reference only and shall have no force or effect in the interpretation of this Agreement.

(h) Each party shall execute, acknowledge and deliver such further instruments, and take such other or further actions as may be reasonably required in order to carry out and effectuate the intent and purpose of this Agreement, all at the sole cost and expense of the party requesting such further assurances.

(i) This Agreement may not be amended or modified except by a written instrument duly executed by each party hereto or its respective successor in interest hereto.

(j) This Agreement shall be recorded against the Burdened Premises and the Benefited Unit in the Office of the City

Register for New York County.

(k) Owner represents, covenants and warrants that any consideration received by it will be received subject to the provisions of Section 13 of the Lien Law.

[ Signature pages follow ]

IN WITNESS WHEREOF, this Agreement has been duly executed the day and year first above written.

OWNER:

\_\_\_\_\_ LLC, a Delaware limited liability company

By: \_\_\_\_\_

Name:

Title:

TOWER A TENANT:

Hudson Yards North Tower Tenant LLC, a Delaware limited liability company

By: \_\_\_\_\_

Name:

Title:

STATE OF NEW YORK )

) SS:

COUNTY OF NEW YORK )

On the \_\_\_\_ day of \_\_\_\_\_ in the year 2015, before me, the undersigned, personal appeared [Name of signatory] personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his authorized capacity, and that by his signatures on the instrument the persons, or the entity upon behalf of which the person acted, executed the instrument.

\_\_\_\_\_  
Signature of Notary

STATE OF NEW YORK )

) SS:

COUNTY OF NEW YORK )

On the \_\_\_\_ day of \_\_\_\_\_ in the year 2015, before me, the undersigned, personal appeared [Name of signatory] personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his authorized capacity, and that by his signatures on the instrument the persons, or the entity upon behalf of which the person acted, executed the instrument.

\_\_\_\_\_  
Signature of Notary

**Exhibit A**

Legal Description

**Exhibit J**

Form of Mortgage Subordination

(see attached)

**WAIVER AND SUBORDINATION OF MORTGAGE**

**THIS WAIVER AND SUBORDINATION OF MORTGAGE** made by **MERCANTIL COMMERCEBANK, N.A.** , having an office at 11 East 51st Street, New York, New York 10022 (together with its successors and assigns, “Mortgagee”).

Mortgagee is the holder of that certain Amended, Restated and Consolidated Mortgage, Security Agreement and Assignment of Leases and Rents (as the same may be amended, restated, spread, replaced or otherwise modified from time to time, the “Mortgage”), made by and among **507-511 WEST 33RD STREET ASSOCIATES LLC** , a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, having an office at c/o The Related Companies, L.P., 60 Columbus Circle, 19th Floor, New York, New York 10023 (“33<sup>rd</sup> Street Associates”), and **413 10TH AVENUE PROPERTY, LLC** , a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, having an office at c/o The Related Companies, L.P., 60 Columbus Circle, 19th Floor, New York, New York 10023 (“10<sup>th</sup> Avenue Property LLC”; together with 33<sup>rd</sup> Street Associates, together with their respective successors and assigns, collectively, “Mortgagor”), as is more particularly described on Exhibit A annexed hereto and made a part hereof, encumbering (i) 33<sup>rd</sup> Street Associates’ fee interest in the premises known as Tax Lot 29 in Block 705 on the Tax Map of the City of New York, County of New York, which is known by the street address 507-511 West 33<sup>rd</sup> Street, New York, New York and (ii) 10<sup>th</sup> Avenue Property LLC’s fee interest in the premises known as Tax Lot 32 in Block 705 on the Tax Map of the City of New York, County of New York, which is known by the street address 413 Tenth Avenue, New York, New York, in each case, as is more particularly described on Exhibit B annexed hereto and made a part hereof (collectively, the “Premises”).

Mortgagee:

1. Hereby waives its rights to execute that certain (i) Agreement RE Restrictive Covenant (the “33<sup>rd</sup> Street Restrictive Covenant”), dated as of the date hereof, by and between 33<sup>rd</sup> Street Associates and Hudson Yards North Tower Tenant LLC, a Delaware limited liability company (“HY North Tower Tenant”), and (ii) Agreement RE Restrictive Covenant (the “10<sup>th</sup> Avenue



dated as of May 26, 1983 and recorded in the New York City Register's Office on June 1, 1983 in Reel 692, Page 228.

1. which Mortgage A was assigned by Citibank, N.A. to Apple Bank for Savings pursuant to that certain Assignment of Mortgage Without Covenant, dated as of November 3, 1988 and recorded in the New York City Register's Office on November 21, 1988 in Reel 1496, Page 2497.
- B. Mortgage made by Avon Development Enterprises, Corp. to John Ford and William Goodman in the original principal amount of \$600,000.00, dated as of May 26, 1983 and recorded in the New York City Register's Office on June 1, 1983 in Reel 692, Page 243.
1. which Mortgage B was assigned by John Ford and William Goodman to Apple Bank for Savings pursuant to that certain Assignment of Mortgage With Covenant, dated as of November 4, 1988 and recorded in the New York City Register's Office on November 21, 1988 in Reel 1496, Page 2495.
- C. Mortgage made by Avon Development Enterprises Corp. to Apple Bank for Savings in the original principal amount of \$142,667.38, dated as of November 4, 1988 and recorded in the New York City Register's Office on November 21, 1988 in Reel 1496, Page 2388.  
Mortgage Tax Paid: \$2,140.50.
1. which Mortgage C, was consolidated with Mortgages A and B above, pursuant to that certain Consolidation, Modification and Extension Agreement by and between Avon Development Enterprises Corp. and Apple Bank for Savings, dated as of November 4, 1988 and recorded in the New York City Register's Office on November 21, 1988 in Reel 1496, Page 2393, to form a single lien in the amount of \$1,300,000.00.
  2. which Mortgages A, B and C, as consolidated, were assigned by Apple Bank for Savings to National Bank of New York City pursuant to that certain Assignment of Mortgage, dated as August 17, 1999 and recorded in the New York City Register's Office on December 15, 1999 in Reel 3010, Page 1119.
- D. Mortgage and Security Agreement made by Avon Development Enterprises, Corp. to National Bank of New York City in the original principal amount of \$909,940.89, dated as of September 17, 1999 and recorded in the New York City Register's Office on December 15, 1999 in Reel 3010, Page 1123.  
Mortgage Tax Paid: \$25,022.25.
1. which Mortgage D, was consolidated with Mortgages A, B and C above, pursuant to that certain Agreement of Consolidation of Notes and Mortgage and Modification of the Consolidated Mortgage by and between Avon Development Enterprises, Corp. and National Bank of New York City, dated as of September 17, 1999 and recorded in the New York City Register's Office on December 15, 1999 in Reel 3010, Page 1164, to form a single lien in the amount of \$2,000,000.00.
- E. Mortgage and Security Agreement made by Avon Development Enterprises, Corp. to National Bank of New York City in the original principal amount of \$162,028.46, dated as of May 1, 2002 and recorded in the New York City Register's Office on May 24, 2002 in Reel 3524, Page 2339.  
Mortgage Tax Paid: \$3,240.00.
1. which Mortgage E, was consolidated with Mortgages A, B, C and D above, pursuant to that certain Agreement of Consolidation of Notes and Mortgages and Modification of the Consolidated Mortgage by and between Avon Development Enterprises, Corp. and National Bank of New York City, dated as of May 1, 2002 and recorded in the New York City Register's Office on May 24, 2002 in Reel 3524, Page 2379, to form a single lien in the amount of \$2,100,000.00.
- F. Second Mortgage and Security Agreement made by Avon Development Enterprises, Corp. to National Bank of New York City in the original principal amount of \$300,000.00, dated as of October 23, 2003 and recorded in the New York City Register's Office on November 25, 2003 as CRFN 2003000472189.  
Mortgage Tax Paid: \$6,000.00.
- G. Mortgage and Security Agreement made by Avon Development Enterprises, Corp. to National Bank of New York City in the

original principal amount of \$1,413,858.94, dated as of July 19, 2007 and recorded in the New York City Register's Office on August 28, 2007 as CRFN 2007000444155.

1. which Mortgage G, was consolidated with Mortgages A, B, C, D, E and F above, pursuant to that certain Agreement of Consolidation, Extension and Modification of Mortgage by and between Avon Development Enterprises, Corp. and National Bank of New York City, dated as of July 19, 2007 and recorded in the New York City Register's Office on August 28, 2007 as CRFN 2007000444156, to form a single lien in the amount of \$3,500,000.00.
- H. Mortgage and Security Agreement made by Avon Development Enterprises, Corp. to National Bank of New York City in the original principal amount of \$450,000.00, dated as of September 16, 2009 and recorded in the New York City Register's Office on September 28, 2009 as CRFN 2009000312250.
1. which Mortgage H, was consolidated with Mortgages A, B, C, D, E, F and G above, pursuant to that certain Agreement of Consolidation, Extension and Modification of Mortgage by and between Avon Development Enterprises, Corp. and National Bank of New York City, dated as of September 16, 2009 and recorded in the New York City Register's Office on September 28, 2009 as CRFN 2009000312251, to form a single lien in the amount of \$3,762,393.13.
  2. which Mortgages A, B, C, D, E, F, G and H, as consolidated, were assigned by National Bank of New York City to JPMorgan Chase Bank, N.A. pursuant to that certain Assignment of Mortgages, dated as of July 12, 2012 and recorded in the New York City Register's Office on August 3, 2012 as CRFN 2012000306939.
- I. Mortgage made by Avon Development Enterprises, Corp. to JPMorgan Chase Bank, N.A. in the original principal amount of \$216,154.82, dated as of July 16, 2012 and recorded in the New York City Register's Office of New York on August 3, 2012 as CRFN 2012000306940.
1. which Mortgage I, was consolidated with Mortgages A, B, C, D, E, F, G and H above, pursuant to that certain Mortgage Consolidation, Modification and Extension Agreement by and between Avon Development Enterprises, Corp. and JPMorgan Chase Bank, N.A., dated as of July 16, 2012 and recorded in the New York City Register's Office on August 3, 2012 as CRFN 2012000306941, to form a single lien in the amount of \$3,800,000.00.
  2. which Mortgages A, B, C, D, E, F, G, H and I, as consolidated, were assigned by JPMorgan Chase Bank, N.A. to Mercantil CommerceBank, N.A. pursuant to that certain Assignment of Mortgage, dated as of 8/4/2015 and recorded in the New York City Register's Office on 8/31/2015 as CRFN 2015000302776.
- J. Gap Mortgage, Assignment of Leases and Rents, Security Agreement and Fixture Filing made by 507-511 West 33rd Street Associates LLC and 413 10th Avenue Property, LLC to Mercantil CommerceBank, N.A., in the original principal amount of \$26,630,074.69, dated as of 8/12/2015 and recorded in the New York City Register's Office on 8/31/2015, as CRFN 2015000302778.
1. which Mortgage J was consolidated and spread with Mortgages A, B, C, D, E, F, G, H, and I above, pursuant to that certain Amended, Restated and Consolidated Mortgage, Security Agreement and Assignment of Leases and Rents by and among 507-511 West 33rd Street Associates LLC, 413 10th Avenue Property, LLC and Mercantil CommerceBank, N.A., dated as of 8/12/2015 and recorded in the New York City Register's Office on 8/31/2015, as CRFN 2015000302779, to form a single lien in the amount of \$30,000,000.

## **EXHIBIT B**

### **Metes and Bounds Description of the Premises**

#### **Lot 29:**

**ALL THAT CERTAIN** plot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the Borough of Manhattan, City, County and State of New York, bounded and described as follows:

BEGINNING at a point on the northerly side of West 33rd Street, distant 125 feet westerly from the corner formed by the intersection of the westerly side of 10th Avenue with the said northerly side of West 33rd Street;

RUNNING THENCE northerly parallel with said westerly side of 10th Avenue, and part of the distance through a party wall, 98 feet 9 inches to the center line of the block;

THENCE westerly along said center line of the block, 80 feet;

THENCE southerly again parallel with said westerly side of 10th Avenue, 98 feet 9 inches to the said northerly side of West 33rd Street;

THENCE easterly along said northerly side of West 33rd Street, 80 feet to the point or place of BEGINNING.

**For Information Only:** Said premises are known as 507-511 West 33rd Street, New York, NY and designated as Block 705 Lot 29 as shown on the Tax Map of the City of New York, County of New York.

**Lot 32:**

**ALL THAT CERTAIN** plot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being in the Borough of Manhattan, County of New York, City and State of New York, bounded and described as follows:

BEGINNING at the corner formed by the intersection of the Westerly line of Tenth Avenue with the Northerly line of West 33<sup>rd</sup> Street;

RUNNING THENCE Westerly along the Northerly line of West 33<sup>rd</sup> Street, 75 feet;

THENCE Northerly parallel with Tenth Avenue, 24 feet 9 inches (record) 24.75 feet (survey);

THENCE Easterly parallel with West 33<sup>rd</sup> Street and part of the way through the center of a party wall 75 feet to the Westerly line of Tenth Avenue aforesaid;

THENCE Southerly along said Westerly line of Tenth Avenue, 24 feet 9 inches (record) 24.75 feet (survey) to the Northerly side of West 33<sup>rd</sup> Street to the corner, at the point or place of BEGINNING.

**For Information Only:** Said premises are known as 413 10th Avenue, New York, NY and designated as Block 705 Lot 32 as shown on the Tax Map of the City of New York, County of New York.



## Subsidiaries of the Registrant

Name	Jurisdiction
Allstar Co-Invest GP LLC	Delaware
ASF Walter Co-Invest GP Limited	Cayman Islands
Asian Fund (Ireland II) ILP	Ireland
Asian Fund (Ireland III ELP) ILP	Ireland
Asian Fund (Ireland III MIT) ILP	Ireland
Asian Fund (Ireland) ILP	Ireland
Avoca Capital	Ireland
Avoca Capital CLO X Limited	Ireland
Avoca Capital Jersey Unlimited	Jersey
Avoca Capital Property	Ireland
Avoca CLO XI Limited	Ireland
Avoca CLO XII Limited	Ireland
Avoca CLO XIII Limited	Ireland
Avoca CLO XIV Limited	Ireland
Avoca CLO XV Limited	Ireland
Avoca Convertible Bond Partners LLP	England & Wales
Avoca Securities Investments	Ireland
Blue Holdings Co-Invest GP LLC	Delaware
CDP-KKR PE Partnership	Cayman Islands
CH Co-Investors GP Limited	Cayman Islands
CPS Associates L.P.	Cayman Islands
CPS GP Limited	Cayman Islands
Dorms Asia Real Estate (GP) Pte. Ltd.	Singapore
Dorms Asia Real Estate LP	Singapore
Dorms Pte. Ltd.	Singapore
Fan Co-Invest GP Limited	Cayman Islands
Fan Co-Invest L.P.	Cayman Islands
Fan Investors GP Limited	Cayman Islands
Fan Investors L.P.	Cayman Islands
Fan Investors Limited	Cayman Islands
Fortune Creek Co-Invest GP Limited	Cayman Islands
GDG Co-Invest GP LLC	Delaware
Genesis Holdings L.P.	Cayman Islands
Helios Co-Invest GP Limited	Cayman Islands
Hupah Co-Invest Limited	Cayman Islands
KAG Europe GP S.à r.l.	Luxembourg
KAG Italy S.C.S.	Luxembourg
KAM Advisors LLC	Delaware
KAM Credit Advisors LLC	Delaware
KAM Fund Advisors LLC	Delaware
KAM Funds GP Limited	Cayman Islands
KAM Loan Administration LLC	Delaware
Kappa Holdings Ltd.	Cayman Islands



Name	Jurisdiction
Keats General Infrastructure L.P.	Cayman Islands
KEDI Holdings S.à.r.l.	Luxembourg
KFH III Holdings Ltd.	Cayman Islands
KFH PE Holdings I LLC	Delaware
KFH PE Holdings II LLC	Delaware
KFH PE Holdings III LLC	Delaware
KFH PE Holdings IV LLC	Delaware
KFH Real Asset Holdings L.P.	Delaware
KFH Royalties GP LLC	Delaware
KFH Royalties II GP LLC	Delaware
KFH Royalties II LLC	Delaware
KFH Royalties L.P.	Delaware
KFH Royalties LLC	Delaware
KFN Birch Feeder LLC	Delaware
KFN Broadway Feeder LLC	Delaware
KFN BTS Feeder LLC	Delaware
KFN CC Portfolio Feeder LLC	Delaware
KFN Colonie Feeder LLC	Delaware
KFN HG Hotel Feeder LLC	Delaware
KFN HHV Feeder LLC	Delaware
KFN Midland Feeder LLC	Delaware
KFN PEI IX, LLC	Delaware
KFN PEI V, LLC	Delaware
KFN PEI XI, LLC	Delaware
KFN Pelican 1 Feeder LLC	Delaware
KFN Rad Philly Feeder LLC	Delaware
KFN Sentinel REIT LLC	Delaware
KFN WTC Oahu Feeder LLC	Delaware
KFN YTC Feeder LLC	Delaware
KFN-SSFD, LLC	Delaware
KKR (Cayman) Limited	Cayman Islands
KKR 2006 AIV GP LLC	Delaware
KKR 2006 AIV Limited	Cayman Islands
KKR 2006 Fund (Allstar) L.P.	Delaware
KKR 2006 Fund (GDG) L.P.	Delaware
KKR 2006 Fund (Invictus) L.P.	Cayman Islands
KKR 2006 Fund (Ireland) GP Limited	Ireland
KKR 2006 Fund (Overseas), Limited Partnership	Cayman Islands
KKR 2006 Fund (Samson) L.P.	Delaware
KKR 2006 Fund L.P.	Delaware
KKR 2006 GDG Blocker L.P.	Delaware
KKR 2006 GP (Energy II) LLC	Delaware
KKR 2006 GP LLC	Delaware
KKR 2006 Limited	Cayman Islands
KKR 8 NA Limited	Cayman Islands
KKR Account Adviser (Mauritius), Ltd.	Mauritius
KKR AHI GP LLC	Delaware
KKR AHI Investors L.P.	Delaware



Name	Jurisdiction
KKR Alternative Credit L.P.	Delaware
KKR Alternative Credit Limited	Cayman Islands
KKR Alternative Credit LLC	Delaware
KKR Alternative Investment Management	Ireland
KKR Americas XII EEA Limited	Cayman Islands
KKR Americas XII EEA LLC	Delaware
KKR Americas XII Limited	Cayman Islands
KKR Apex Equity Master Fund LP	Cayman Islands
KKR Apex Tactical Fund Ltd.	Cayman Islands
KKR Arcadia Co-Invest GP LLC	Delaware
KKR ASF Walter PE Limited	Cayman Islands
KKR Asia (Ireland) Limited	Ireland
KKR Asia II Japan AIV Limited	Cayman Islands
KKR Asia II Limited	Cayman Islands
KKR Asia Limited	Hong Kong
KKR Asia Limited	Cayman Islands
KKR Asia LLC	Delaware
KKR Asia S.à.r.l.	Luxembourg
KKR Asian Fund (Ireland) GP Limited	Ireland
KKR Asian Fund II DE AIV L.P.	Delaware
KKR Asian Fund II Japan AIV L.P.	Cayman Islands
KKR Asian Fund II L.P.	Cayman Islands
KKR Asian Fund L.P.	Cayman Islands
KKR Asset Management (International) Partners LLP	Delaware
KKR Asset Management Ltd	England & Wales
KKR Asset Management Partners LLP	England & Wales
KKR Associates 2006 (Overseas) AIV L.P.	Cayman Islands
KKR Associates 2006 (Overseas), Limited Partnership	Cayman Islands
KKR Associates 2006 AIV L.P.	Delaware
KKR Associates 2006 L.P.	Delaware
KKR Associates 8 NA L.P.	Cayman Islands
KKR Associates Americas XII L.P.	Cayman Islands
KKR Associates ASF Walter PE L.P.	Cayman Islands
KKR Associates Asia (Japan) L.P.	Cayman Islands
KKR Associates Asia II Japan AIV L.P.	Cayman Islands
KKR Associates Asia II L.P.	Cayman Islands
KKR Associates Asia L.P.	Cayman Islands
KKR Associates CDP PE L.P.	Cayman Islands
KKR Associates China Growth L.P.	Cayman Islands
KKR Associates CIS Global L.P.	Cayman Islands
KKR Associates Credit Select L.P.	Cayman Islands
KKR Associates CS I L.P.	Cayman Islands
KKR Associates CS II L.P.	Cayman Islands
KKR Associates CS III L.P.	Cayman Islands
KKR Associates CS IX L.P.	Cayman Islands
KKR Associates CS V L.P.	Delaware
KKR Associates CS VIII L.P.	Cayman Islands
KKR Associates CS X L.P.	Cayman Islands



Name	Jurisdiction
KKR Associates E2 L.P.	Cayman Islands
KKR Associates EIGF AIV L.P.	Delaware
KKR Associates EIGF L.P.	Delaware
KKR Associates EIGF TE AIV L.P.	Delaware
KKR Associates EIGF TE L.P.	Delaware
KKR Associates Europe II, Limited Partnership	Alberta
KKR Associates Europe III, Limited Partnership	Cayman Islands
KKR Associates Europe IV L.P.	Cayman Islands
KKR Associates Europe, Limited Partnership	Alberta
KKR Associates GFIP L.P.	Cayman Islands
KKR Associates Global Credit Opportunities GP L.P.	Cayman Islands
KKR Associates Infrastructure (AIV) L.P.	Delaware
KKR Associates Infrastructure II L.P.	Cayman Islands
KKR Associates Infrastructure L.P.	Cayman Islands
KKR Associates Lending Europe L.P.	Cayman Islands
KKR Associates Lending II L.P.	Delaware
KKR Associates Lending L.P.	Delaware
KKR Associates LR Energy L.P.	Cayman Islands
KKR Associates Mezzanine I L.P.	Delaware
KKR Associates Millennium (Overseas), Limited Partnership	Alberta
KKR Associates Millennium L.P.	Delaware
KKR Associates NGT L.P.	Cayman Islands
KKR Associates North America XI AIV L.P.	Delaware
KKR Associates North America XI L.P.	Cayman Islands
KKR Associates NR I L.P.	Delaware
KKR Associates NR II L.P.	Delaware
KKR Associates NZSF L.P.	Cayman Islands
KKR Associates PCOP II (Offshore) L.P.	Cayman Islands
KKR Associates PCOP II L.P.	Delaware
KKR Associates PIP L.P.	Delaware
KKR Associates Principal Opportunities (Domestic) L.P.	Cayman Islands
KKR Associates Principal Opportunities (Offshore) L.P.	Cayman Islands
KKR Associates Principal Opportunities AIV (Domestic) L.P.	Cayman Islands
KKR Associates Principal Opportunities AIV (Offshore) L.P.	Cayman Islands
KKR Associates RECOI L.P.	Cayman Islands
KKR Associates REPA AIV-3 L.P.	Delaware
KKR Associates REPA AIV-4 L.P.	Delaware
KKR Associates REPA AIV-5 L.P.	Cayman Islands
KKR Associates REPA L.P.	Delaware
KKR Associates REPE L.P.	Cayman Islands
KKR Associates Revolving Credit Partners L.P.	Cayman Islands
KKR Associates SA Co-Invest L.P.	Cayman Islands
KKR Associates SA Master L.P.	Cayman Islands
KKR Associates Shanda L.P.	Cayman Islands
KKR Associates SMRS L.P.	Delaware
KKR Associates Special Situations (Domestic) II L.P.	Cayman Islands
KKR Associates Special Situations (Domestic) L.P.	Cayman Islands
KKR Associates Special Situations (EEA) II Limited	Cayman Islands





Name	Jurisdiction
KKR Associates Special Situations (EEA) II LLP	Guernsey
KKR Associates Special Situations (Offshore) II L.P.	Cayman Islands
KKR Associates Special Situations (Offshore) L.P.	Cayman Islands
KKR Associates SPN L.P.	Cayman Islands
KKR Associates TFO L.P.	Cayman Islands
KKR Associates TV SPN L.P.	Cayman Islands
KKR Atlanta Co-Invest GP Limited	Cayman Islands
KKR Australia Investment Management Pty Limited	Australia
KKR Australia Pty Limited	Australia
KKR Biosimilar GP LLC	Delaware
KKR Biosimilar L.P.	Delaware
KKR Brazil Aggregator GP LLC	Delaware
KKR Brazil LLC	Delaware
KKR Brickman Co-Invest GP LLC	Delaware
KKR Canada LLC	Delaware
KKR Canada ULC	Nova Scotia
KKR Capital Markets Asia Limited	Hong Kong
KKR Capital Markets Holdings GP LLC	Delaware
KKR Capital Markets Holdings L.P.	Delaware
KKR Capital Markets India Private Limited	India
KKR Capital Markets Japan Holdings LLC	Delaware
KKR Capital Markets Japan Limited	Japan
KKR Capital Markets Limited	England & Wales
KKR Capital Markets LLC	Delaware
KKR CC Co-Invest GP LLC	Delaware
KKR CDP PE Limited	Cayman Islands
KKR China Growth Fund L.P.	Cayman Islands
KKR China Growth Limited	Cayman Islands
KKR Chrome Investors GP, LLC	Delaware
KKR Chrome Investors L.P.	Delaware
KKR CIS Global Limited	Cayman Islands
KKR Click Investors Limited	Cayman Islands
KKR CLO 10 Ltd.	Cayman Islands
KKR CLO 11 Ltd.	Cayman Islands
KKR CLO 13 Ltd.	Cayman Islands
KKR CLO 9 Ltd.	Cayman Islands
KKR Co G.P S.à.r.l.	Luxembourg
KKR Co L.P S.à.r.l.	Luxembourg
KKR Corporate Capital Services LLC	Delaware
KKR Corporate Credit Partners L.P.	Cayman Islands
KKR Corporate Lending (Cayman) Limited	Cayman Islands
KKR Corporate Lending (UK) LLC	Delaware
KKR Corporate Lending LLC	Delaware
KKR Credit Advisors (Hong Kong) Limited	Hong Kong
KKR Credit Advisors (Ireland)	Ireland

Name	Jurisdiction
KKR Credit Advisors (UK) LLP	England & Wales
KKR Credit Advisors (US) LLC	Delaware
KKR Credit Alpha Fund (US) L.P.	Delaware
KKR Credit Alpha GP Limited	Cayman Islands
KKR Credit Fund Advisors LLC	Delaware
KKR Credit Relative Value GP L.P.	Cayman Islands
KKR Credit Relative Value Master Fund L.P.	Cayman Islands
KKR Credit Select Limited	Cayman Islands
KKR CRV GP Limited	Cayman Islands
KKR CS Advisors I LLC	Delaware
KKR CS I Limited	Cayman Islands
KKR CS II Limited	Cayman Islands
KKR CS III Limited	Cayman Islands
KKR CS IX Limited	Cayman Islands
KKR CS V LLC	Delaware
KKR CS VIII Investor LLC	Delaware
KKR CS VIII Limited	Cayman Islands
KKR CS X Limited	Cayman Islands
KKR Cyprus Holdings LLC	Delaware
KKR DBFH LLC	Delaware
KKR DBMH LLC	Delaware
KKR de Mexico, S.C.	Mexico
KKR Debt Investors 2006 S.à.r.l.	Luxembourg
KKR DI 2006 GP Limited	Cayman Islands
KKR DI 2006 L.P.	Cayman Islands
KKR do Brasil Gestão de Investimentos e Participações Ltda.	Brazil
KKR E2 Investors L.P.	Cayman Islands
KKR E2 Limited	Cayman Islands
KKR Eagle Co-Invest GP Limited	Cayman Islands
KKR EIGF AIV LLC	Delaware
KKR EIGF Feeder GP Limited	Cayman Islands
KKR EIGF LLC	Delaware
KKR Energy HF Stake Limited	Cayman Islands
KKR Energy Income and Growth Fund I AIV L.P.	Delaware
KKR Energy Income and Growth Fund I L.P.	Delaware
KKR Energy Income and Growth Fund I-TE L.P.	Delaware
KKR Energy Income and Growth Fund I-TE AIV L.P.	Delaware
KKR Engage Investors GP LLC	Delaware
KKR Engage Investors L.P.	Delaware
KKR Europe II Limited	Cayman Islands
KKR Europe III Limited	Cayman Islands
KKR Europe IV EEA Limited	Cayman Islands
KKR Europe IV EEA LLC	Delaware
KKR Europe IV Investments GP Limited	Cayman Islands
KKR Europe IV Limited	Cayman Islands
KKR Europe Limited	Cayman Islands
KKR European Fund II, Limited Partnership	Alberta
KKR European Fund III (AIV I) L.P.	Cayman Islands



Name	Jurisdiction
KKR European Fund III (AIV II) L.P.	Cayman Islands
KKR European Fund III, Limited Partnership	Cayman Islands
KKR European Fund IV (EEA) L.P.	England & Wales
KKR European Fund IV Investments L.P.	Cayman Islands
KKR European Fund IV L.P.	Cayman Islands
KKR European Fund, Limited Partnership	Alberta
KKR European Infrastructure Investors II L.P.	England & Wales
KKR European Infrastructure Investors L.P.	Scotland
KKR European Infrastructure Limited	Cayman Islands
KKR European Infrastructure LLC	Delaware
KKR European Special Opportunities Limited	Cayman Islands
KKR FH Investment Limited	Cayman Islands
KKR FI Advisors Cayman Ltd.	Cayman Islands
KKR FI Advisors LLC	Delaware
KKR FI Advisors V Limited	Cayman Islands
KKR Finance LLC	Delaware
KKR Financial Advisors II, LLC	Delaware
KKR Financial Advisors IV LLC	Delaware
KKR Financial Advisors LLC	Delaware
KKR Financial Capital Trust I	Delaware
KKR Financial Capital Trust II	Delaware
KKR Financial Capital Trust III	Delaware
KKR Financial Capital Trust IV	Delaware
KKR Financial Capital Trust V	Delaware
KKR Financial Capital Trust VI	Delaware
KKR Financial CLO 2005-1, Ltd.	Cayman Islands
KKR Financial CLO 2005-2, Ltd.	Cayman Islands
KKR Financial CLO 2006-1, Ltd.	Cayman Islands
KKR Financial CLO 2007-1, Ltd.	Cayman Islands
KKR Financial CLO 2007-A Blocker 1 Corp.	Delaware
KKR Financial CLO 2007-A, Ltd.	Cayman Islands
KKR Financial CLO 2009-1, Ltd.	Cayman Islands
KKR Financial CLO 2011-1, Ltd.	Cayman Islands
KKR Financial CLO 2012-1, Ltd.	Cayman Islands
KKR Financial CLO 2013-1 Holdings, Ltd.	Cayman Islands
KKR Financial CLO 2013-1, Ltd.	Cayman Islands
KKR Financial CLO 2013-2 Holdings, Ltd.	Cayman Islands
KKR Financial CLO 2013-2, Ltd.	Cayman Islands
KKR Financial CLO Holdings II LLC	Delaware
KKR Financial CLO Holdings, LLC	Delaware
KKR Financial Holdings II, LLC	Delaware
KKR Financial Holdings II, Ltd.	Cayman Islands
KKR Financial Holdings III, LLC	Delaware
KKR Financial Holdings III, Ltd.	Cayman Islands
KKR Financial Holdings LLC	Delaware
KKR Financial Holdings, Inc.	Delaware
KKR Financial Holdings, Ltd.	Cayman Islands



Name	Jurisdiction
KKR Fund Holdings GP Limited	Cayman Islands
KKR Fund Holdings L.P.	Cayman Islands
KKR Genetic Disorder GP LLC	Delaware
KKR GFIP Limited	Cayman Islands
KKR Global Credit Opportunities Fund L.P.	Delaware
KKR Global Infrastructure Investors (Keats) L.P.	Cayman Islands
KKR Global Infrastructure Investors (Water) L.P.	Delaware
KKR Global Infrastructure Investors II (EEA) L.P.	England & Wales
KKR Global Infrastructure Investors II L.P.	Cayman Islands
KKR Global Infrastructure Investors L.P.	Cayman Islands
KKR GMO GP Limited	Cayman Islands
KKR GMO Holdings L.P.	Cayman Islands
KKR GMO Holdings Limited	Cayman Islands
KKR GMO II Holdings L.P.	Cayman Islands
KKR GMO II Holdings Limited	Cayman Islands
KKR GMO II US Holdings LLC	Delaware
KKR Greek Aggregator GP Limited	Cayman Islands
KKR Group Finance Co. II LLC	Delaware
KKR Group Finance Co. III LLC	Delaware
KKR Group Finance Co. IV LLC	Delaware
KKR Group Finance Co. LLC	Delaware
KKR Group Holdings L.P.	Cayman Islands
KKR Group Limited	Cayman Islands
KKR Gym Aggregator L.P.	Cayman Islands
KKR Gym GP Limited	Cayman Islands
KKR Harbourview Holdings Pty Ltd	Australia
KKR Harbourview Pty Ltd	Australia
KKR Holdings Mauritius, Ltd.	Mauritius
KKR HY LLC	Delaware
KKR IFI GP L.P.	Cayman Islands
KKR IFI Limited	Cayman Islands
KKR ILP LLC	Delaware
KKR India Advisors Private Limited	India
KKR India Credit Opportunities Fund I	India
KKR India Debt Fund I	India
KKR India Debt Opportunities Fund III	India
KKR India Finance Holdings LLC	Delaware
KKR India Financial Services Private Limited	India
KKR India LLC	Delaware
KKR India Reconstruction Pte. Ltd.	Singapore
KKR Indigo Co-Invest GP LLC	Delaware
KKR Infrastructure (AIV) GP LLC	Delaware
KKR Infrastructure II EEA Limited	Cayman Islands
KKR Infrastructure II EEA LLC	Delaware
KKR Infrastructure II Limited	Cayman Islands
KKR Infrastructure Limited	Cayman Islands
KKR International Holdings L.P.	Cayman Islands
KKR Investment Advisory (Shanghai) LLC	China



Name	Jurisdiction
KKR Investment Advisory (Zhuhai Hengqin) Company Limited	China
KKR Investment Consultancy (“Beijing”) Company Limited	China
KKR Investment Holdings I (Mauritius), Ltd.	Mauritius
KKR Investment Management LLC	Delaware
KKR Investments LLC	Delaware
KKR Irish Holdings SPC Limited	Cayman Islands
KKR Irish Parent S.à.r.l.	Luxembourg
KKR Japan Limited	Japan
KKR Korea Limited Liability Corporation	Korea, Republic of
KKR KPE LLC	Delaware
KKR Latin America LLC	Delaware
KKR Lending Europe GP Limited	Cayman Islands
KKR Lending Europe GP LLP	Guernsey
KKR Lending Europe Limited	Cayman Islands
KKR Lending GP LLC	Delaware
KKR Lending II GP LLC	Delaware
KKR Lending Partners Europe (Euro) L.P.	England & Wales
KKR Lending Partners Europe (Euro) Unlevered L.P.	England & Wales
KKR Lending Partners Europe (GBP) Unlevered L.P.	England & Wales
KKR Lending Partners Europe (USD) L.P.	England & Wales
KKR Lending Partners II L.P.	Delaware
KKR Lending Partners L.P.	Delaware
KKR LR Energy Limited	Cayman Islands
KKR Luxembourg S.à r.l.	Luxembourg
KKR Mackellar Partners GP Limited	Cayman Islands
KKR Management Holdings Corp.	Delaware
KKR Management Holdings L.P.	Delaware
KKR Matterhorn Co-Invest GP Limited	Cayman Islands
KKR Mauritius PE Investments I, Ltd.	Mauritius
KKR MENA Holdings LLC	Delaware
KKR MENA Limited	Dubai International Financial Centre
KKR Mexico LLC	Delaware
KKR Mezzanine GP LLC	Delaware
KKR Mezzanine I Advisors LLC	Delaware
KKR Mezzanine Partners I L.P.	Delaware
KKR Millennium Fund (Overseas), Limited Partnership	Alberta
KKR Millennium Fund L.P.	Delaware
KKR Millennium GP LLC	Delaware
KKR Millennium Limited	Cayman Islands
KKR Natural Resources Fund I-A L.P.	Delaware
KKR Natural Resources I L.P.	Delaware
KKR Nautilus Aggregator Limited	Cayman Islands
KKR Next Gen Tech Growth Limited	Cayman Islands
KKR Next Generation Technology Growth Fund (EEA) L.P.	England & Wales
KKR Next Generation Technology Growth Fund L.P.	Cayman Islands
KKR NGT EEA Limited	Cayman Islands
KKR NGT EEA LLC	Delaware





Name	Jurisdiction
KKR North America Fund XI (AIV I) L.P.	Cayman Islands
KKR North America Fund XI (AIV II) L.P.	Cayman Islands
KKR North America Fund XI (AMG) LLC	Delaware
KKR North America Fund XI (Brazil A) L.P.	Québec
KKR North America Fund XI (Brazil B) L.P.	Québec
KKR North America Fund XI (Buckeye) L.P.	Delaware
KKR North America Fund XI (Indigo) L.P.	Delaware
KKR North America Fund XI (Sage) L.P.	Delaware
KKR North America Fund XI (Wave) L.P.	Delaware
KKR North America Fund XI Brazil GP LLC	Delaware
KKR North America Fund XI L.P.	Cayman Islands
KKR North America XI AIV GP LLC	Delaware
KKR North America XI Limited	Cayman Islands
KKR NR I LLC	Delaware
KKR NR II LLC	Delaware
KKR NR Investors I-A GP LLC	Delaware
KKR NR Investors I-A L.P.	Delaware
KKR NZSF Limited	Cayman Islands
KKR Oracle Co-Invest GP LLC	Delaware
KKR PCOP II (EEA) Limited	Cayman Islands
KKR PCOP II (EEA) LLC	Delaware
KKR PCOP II (Offshore) Limited	Cayman Islands
KKR PCOP II GP LLC	Delaware
KKR PEI Alternative Investments Limited	Cayman Islands
KKR PEI Associates, L.P.	Guernsey
KKR PEI GP Limited	Cayman Islands
KKR PEI Investments, L.P.	Guernsey
KKR PEI Opportunities GP Ltd.	Cayman Islands
KKR PEI Opportunities, L.P.	Cayman Islands
KKR PEI Securities Holdings Ltd.	Cayman Islands
KKR Phorm Investors GP LLC	Delaware
KKR Phorm Investors L.P.	Delaware
KKR PIP GP LLC	Delaware
KKR Principal Opportunities (Domestic) Limited	Cayman Islands
KKR Principal Opportunities (Offshore) Limited	Cayman Islands
KKR Principal Opportunities AIV (Domestic) Limited	Cayman Islands
KKR Principal Opportunities AIV (Offshore) L.P.	Cayman Islands
KKR Principal Opportunities AIV (Offshore) Limited	Cayman Islands
KKR Principal Opportunities Partnership (Offshore) L.P.	Cayman Islands
KKR Prisma Associates GP L.P.	Cayman Islands
KKR Prisma GP Limited	Cayman Islands
KKR Prisma LP Limited	Cayman Islands
KKR Prisma PABF GP LLC	Delaware
KKR Prisma-Noah GP Associates Limited	Cayman Islands
KKR Real Estate Credit Opportunities India Feeder LP	Singapore
KKR Real Estate Finance Holdings L.P.	Delaware
KKR Real Estate Finance Manager LLC	Delaware
KKR Real Estate Finance Trust Inc.	Maryland



Name	Jurisdiction
KKR Real Estate Fund AIV 1 L.P.	Delaware
KKR Real Estate Fund AIV 1 LLC	Delaware
KKR Real Estate Fund GP LLC	Delaware
KKR Real Estate Fund Holdings L.P.	Delaware
KKR Real Estate Management GP LLC	Delaware
KKR Real Estate Management Holdings L.P.	Delaware
KKR Real Estate Partners Americas L.P.	Delaware
KKR Real Estate Partners Europe (A) L.P.	Cayman Islands
KKR Real Estate Partners Europe (EEA) AIV L.P.	Delaware
KKR Real Estate Partners Europe (EEA) L.P.	England & Wales
KKR Real Estate Partners Europe L.P.	Cayman Islands
KKR RECOI (Cayman) Limited	Cayman Islands
KKR RECOI (Singapore) Pte. Ltd.	Singapore
KKR Renaissance Co-Invest GP LLC	Delaware
KKR REPA AIV-1 L.P.	Delaware
KKR REPA AIV-2 L.P.	Delaware
KKR REPA AIV-3 GP LLC	Delaware
KKR REPA AIV-3 L.P.	Delaware
KKR REPA AIV-4 GP Ltd.	Cayman Islands
KKR REPA AIV-4 L.P.	Delaware
KKR REPA AIV-5 GP Ltd.	Cayman Islands
KKR REPA AIV-5 L.P.	Cayman Islands
KKR REPA GP LLC	Delaware
KKR REPE EEA Limited	Cayman Islands
KKR REPE EEA LLC	Delaware
KKR REPE GP Limited	Cayman Islands
KKR Revolving Credit Partners L.P.	Cayman Islands
KKR Revolving Credit Partners Limited	Cayman Islands
KKR Rise Co-Invest GP Limited	Cayman Islands
KKR Royalty Aggregator LLC	Delaware
KKR Royalty Splitter LLC	Delaware
KKR SA Co-Invest GP Limited	Cayman Islands
KKR SA Master GP Limited	Cayman Islands
KKR Saudi Limited	Saudi Arabia
KKR Selena Co-Invest GP Limited	Cayman Islands
KKR Sentinel Co-Invest GP LLC	Delaware
KKR Shanda Limited	Cayman Islands
KKR Singapore Pte. Ltd.	Singapore
KKR SMRS LLC	Delaware
KKR Spark Power Holdings I (Mauritius), Ltd.	Mauritius
KKR Special Situations (Domestic) Fund L.P.	Cayman Islands
KKR Special Situations (EEA) Fund II L.P.	England & Wales
KKR Special Situations (Domestic) Fund II L.P.	Cayman Islands
KKR Special Situations (Domestic) II Limited	Cayman Islands
KKR Special Situations (Domestic) Limited	Cayman Islands
KKR Special Situations (Offshore) Fund L.P.	Cayman Islands
KKR Special Situations (Offshore) II Limited	Cayman Islands



Name	Jurisdiction
KKR SPN GP Limited	Cayman Islands
KKR SPN Investments L.P.	Cayman Islands
KKR Sprint SLP Limited	Cayman Islands
KKR Strategic Capital Fund MRO Trust	Delaware
KKR Strategic Capital Holdings GP, Ltd.	Cayman Islands
KKR Strategic Capital Institutional Fund, Ltd.	Cayman Islands
KKR Strategic Capital Management, L.L.C.	Delaware
KKR Strategic Capital Partners, L.L.C.	Delaware
KKR Subsidiary Corp.	Delaware
KKR Subsidiary Partnership L.P.	Delaware
KKR TC Investors GP Limited	Cayman Islands
KKR TE Seeder LLC	Delaware
KKR TFO GP Limited	Cayman Islands
KKR TFO Partners L.P.	Cayman Islands
KKR TRS Holdings Ltd.	Cayman Islands
KKR Turbine Investors LLC	Delaware
KKR TV SPN GP Limited	Cayman Islands
KKR Upstream Associates LLC	Delaware
KKR Upstream LLC	Delaware
KKR Victoria GP Limited	Cayman Islands
KKR Vision Investors GP LLC	Delaware
KKR Vision Investors L.P.	Delaware
KKR YC AIV-1 Associates L.P.	Delaware
KKR YC Associates GP L.P.	Cayman Islands
KKR YC Associates GP Limited	Cayman Islands
KKR YC Associates L.P.	Cayman Islands
KKR-CDP Partners L.P.	Cayman Islands
KKR-Keats Associates Pipeline (AIV) L.P.	Delaware
KKR-Keats Associates Pipeline L.P.	Delaware
KKR-Keats Capital Partners L.P.	Cayman Islands
KKR-Keats Pipeline (AIV) LLC	Delaware
KKR-Keats Pipeline LLC	Delaware
KKR-Milton Capital Partners L.P.	Cayman Islands
KKR-Yanchang Global Energy Fund AIV-1 L.P.	Delaware
KKR-Yanchang Global Energy Fund L.P.	Cayman Islands
KNR Trinity Holdings LLC	Delaware
Kohlberg Kravis Roberts & Co. (International) Partners LLP	Delaware
Kohlberg Kravis Roberts & Co. L.P.	Delaware
Kohlberg Kravis Roberts & Co. Ltd	England & Wales
Kohlberg Kravis Roberts & Co. Partners LLP	England & Wales
Kohlberg Kravis Roberts & Co. SAS	France
Kohlberg Kravis Roberts (España) Asesores SL	Spain
KREF Capital LLC	Delaware
KREF Holdings I LLC	Delaware
KREF Holdings II LLC	Delaware
KREF Holdings III LLC	Delaware



Name	Jurisdiction
KREF Lending I LLC	Delaware
KREF Lending II LLC	Delaware
KREF Lending III LLC	Delaware
KREF Securities Holdings II, LLC	Delaware
KREF Securities Holdings, LLC	Delaware
KREFT 625NMA, LLC	Delaware
KREFT REOC LLC	Delaware
Lemonade Investors LLC	Delaware
Lombard Street CLO I Public Limited Company	Ireland
Machine Investors GP Limited	Cayman Islands
Machine Investors L.P.	Cayman Islands
Machine2014 GmbH	Germany
Magic Investors GP LLC	Delaware
Magic Investors L.P.	Delaware
MBF Co-Invest GP Limited	Cayman Islands
New Omaha Co-Invest GP, LLC	Delaware
New Omaha SLP LLC	Delaware
NIM Aggregator LLC	Delaware
Pacova Limited	Jersey
Ping Investors LLC	Delaware
Prisma Capital Advisors LLC	Delaware
Prisma Capital Management International LLP	England & Wales
Prisma Capital Management International Ltd	England & Wales
Prisma Capital Management LLC	Delaware
Prisma Capital Partners EH LLC	Delaware
Prisma Capital Partners I, L.P.	Delaware
Prisma Capital Partners I, LLC	Delaware
Prisma Capital Partners LLC	Delaware
Prisma Capital Partners LP	Delaware
Prisma GP LLC	Delaware
REFH 909 Half Street Investors LLC	Delaware
REFH Holdings LLC	Delaware
REFH SR Mezz LLC	Delaware
Renee C-I Holding L.P.	Delaware
Royalty (GP) Pte. Ltd.	Singapore
Samson Co-Invest GP LLC	Delaware
Silverview Investments Pte. Ltd.	Singapore
Sprint Co-Invest 2 GP Limited	Cayman Islands
Valhalla Co-Invest GP Limited	Cayman Islands



**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement No. 333-171601 on Form S-8, Registration Statement No. 333-208019 on Form S-3, as amended by Amendment No. 1, Registration Statement No. 333-196059 on Form S-3, Registration Statement No. 333-196052 on Form S-3, Registration Statement No. 333-194249 on Form S-3 and Registration Statement No. 333-169433 on Form S-1, as amended by Post-Effective Amendment No. 2 on Form S-3 of our report dated February 26, 2016, relating to the consolidated financial statements and financial statement schedule of KKR & Co. L.P. and subsidiaries (the "Company") and the effectiveness of the Company's internal control over financial reporting appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2015.

/s/ Deloitte & Touche LLP

New York, New York  
February 26, 2016

## CO-CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Henry R. Kravis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended December 31, 2015 of KKR & Co. L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 2/26/2016

/s/ Henry R. Kravis

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Henry R. Kravis

*Co-Chief Executive Officer*

## CO-CHIEF EXECUTIVE OFFICER CERTIFICATION

I, George R. Roberts, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended December 31, 2015 of KKR & Co. L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 2/26/2016

/s/ George R. Roberts

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George R. Roberts

*Co-Chief Executive Officer*

## CHIEF FINANCIAL OFFICER CERTIFICATION

I, William J. Janetschek, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended December 31, 2015 of KKR & Co. L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: 2/26/2016

/s/ William J. Janetschek

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William J. Janetschek

*Chief Financial Officer*

**CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER**

Pursuant to 18 U.S.C. §1350,

As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of KKR & Co. L.P. (the "Partnership") on Form 10-Q for the period ended December 31, 2015 as filed with the Securities and Exchange Commission (the "Report"), I, Henry R. Kravis, Co-Chief Executive Officer of the general partner of the Partnership, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: 2/26/2016

/s/ Henry R. Kravis

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Henry R. Kravis

*Co-Chief Executive Officer*

\* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

**CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER**

Pursuant to 18 U.S.C. §1350,

As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of KKR & Co. L.P. (the "Partnership") on Form 10-Q for the period ended December 31, 2015 as filed with the Securities and Exchange Commission (the "Report"), I, George R. Roberts, Co-Chief Executive Officer of the general partner of the Partnership, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: 2/26/2016

/s/ George R. Roberts

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George R. Roberts

*Co-Chief Executive Officer*

\* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

Pursuant to 18 U.S.C. §1350,

As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of KKR & Co. L.P. (the "Partnership") on Form 10-Q for the period ended December 31, 2015 as filed with the Securities and Exchange Commission (the "Report"), I, William J. Janetschek, Chief Financial Officer of the general partner of the Partnership, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: 2/26/2016

/s/ William J. Janetschek

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William J. Janetschek

*Chief Financial Officer*

\* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

# **EXHIBIT C-6**



# KKR & CO. INC.

## FORM 10-Q (Quarterly Report)

Filed 05/11/20 for the Period Ending 03/31/20

Address	9 WEST 57TH STREET, SUITE 4200 NEW YORK, NY, 10019
Telephone	212-750-8300
CIK	0001404912
Symbol	KKR
SIC Code	6282 - Investment Advice
Industry	Investment Management & Fund Operators
Sector	Financials
Fiscal Year	12/31

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**Form 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended March 31, 2020

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the Transition period from        to        .  
Commission File Number 001-34820

**KKR**  
**KKR & CO. INC.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other Jurisdiction of  
Incorporation or Organization)

**26-0426107**  
(I.R.S. Employer  
Identification Number)

**9 West 57<sup>th</sup> Street, Suite 4200**  
**New York, New York 10019**  
**Telephone: (212) 750-8300**  
(Address, zip code, and telephone number, including  
area code, of registrant's principal executive office.)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock	KKR	New York Stock Exchange
6.75% Series A Preferred Stock	KKR PR A	New York Stock Exchange
6.50% Series B Preferred Stock	KKR PR B	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of May 8, 2020, there were 558,642,093 shares of common stock of the registrant outstanding.

**KKR & CO. INC.**

**FORM 10-Q**

**For the Quarter Ended March 31, 2020**

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which reflect our current views with respect to, among other things, our operations and financial performance. You can identify these forward-looking statements by the use of words such as "outlook," "believe," "expect," "potential," "continue," "may," "should," "seek," "approximately," "predict," "intend," "will," "plan," "estimate," "anticipate," the negative version of these words, other comparable words or other statements that do not relate strictly to historical or factual matters. Without limiting the foregoing, statements regarding the declaration and payment of dividends on common or preferred stock of KKR, the timing, manner and volume of repurchases of common stock pursuant to a repurchase program, and the expected synergies and benefits from acquisitions, reorganizations or strategic partnerships, may constitute forward-looking statements. Forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements or cause the anticipated benefits and synergies from transactions to not be realized. We believe these factors include those described under the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019 (our "Annual Report"). These factors should be read in conjunction with the other cautionary statements that are included in this report, our Annual Report and in our other filings with the U.S. Securities and Exchange Commission (the "SEC"). We do not undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law.

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In this report, references to "KKR," "we," "us" and "our" refer to KKR & Co. Inc. and its subsidiaries. On January 1, 2020, KKR completed an internal reorganization (the "Reorganization"), which was undertaken to, among other purposes, simplify KKR's internal structure. In the Reorganization, (i) KKR Management Holdings L.P. and KKR International Holdings L.P., which were former intermediate holding companies for KKR's business, were combined with another intermediate holding company, KKR Fund Holdings L.P., which changed its name to KKR Group Partnership L.P. ("KKR Group Partnership") and became the sole intermediate holding company for KKR's business, (ii) the issuers of each series of KKR's outstanding senior notes were contributed to KKR Group Partnership and the guarantees by KKR International Holdings L.P. and KKR Management Holdings L.P. under the senior notes were automatically and unconditionally released and discharged pursuant to the terms of the indentures governing such senior notes, with KKR Group Partnership remaining as a guarantor, and (iii) the ownership interests of certain operating subsidiaries of KKR Group Partnership were reorganized. In connection with the 6.75% Series A Preferred Stock ("Series A Preferred Stock") and 6.50% Series B Preferred Stock ("Series B Preferred Stock") of KKR & Co. Inc., KKR Group Partnership has series of preferred units issued and outstanding with economic terms designed to mirror those of the Series A Preferred Stock and Series B Preferred Stock, respectively. Effective May 8, 2020, Class A common stock of KKR & Co. Inc. was renamed as common stock, and Class B common stock and Class C common stock of KKR & Co. Inc. were reclassified into Series I preferred stock and Series II preferred stock, respectively. KKR & Co. Inc. has one class of common stock authorized and outstanding.

References to "KKR Group Partnerships" for periods prior to the Reorganization mean KKR Fund Holdings L.P., KKR Management Holdings L.P. and KKR International Holdings L.P., collectively, and references to "KKR Group Partnership" for periods following the Reorganization mean KKR Group Partnership L.P. References to a "KKR Group Partnership Unit" mean (i) one Class A partner interest in each of KKR Fund Holdings L.P., KKR Management Holdings L.P. and KKR International Holdings L.P., collectively, for periods prior to the Reorganization and (ii) one Class A partner interest in KKR Group Partnership for periods following the Reorganization. References to the "Series I Preferred Stockholder" are to KKR Management LLP, the holder of the sole share of our Series I preferred stock, which converted from a limited liability company named KKR Management LLC to a limited liability partnership in the Reorganization.

Contemporaneously with the Reorganization, KKR acquired KKR Capstone Americas LLC and its affiliates ("KKR Capstone") on January 1, 2020. References to "non-employee operating consultants" for periods prior to the acquisition include employees of KKR Capstone, who were not employees of KKR during such periods. Prior to the acquisition, KKR Capstone was owned and controlled by its senior management and was not a subsidiary or affiliate of KKR.

Unless otherwise indicated, references to equity interests in KKR's business, or to percentage interests in KKR's business, reflect the aggregate equity interests in KKR Group Partnership and are net of amounts that have been allocated to our principals and other employees in respect of the carried interest from KKR's business as part of our "carry pool" and certain minority interests. References to "principals" are to our senior employees who hold interests in KKR's business through KKR

Holdings L.P. ("KKR Holdings") or another KKR entity, and references to our "senior principals" are to our senior employees who hold interests in the Series I Preferred Stockholder.

In this report, the term "GAAP" refers to accounting principles generally accepted in the United States of America.

We disclose certain financial measures in this report that are calculated and presented using methodologies other than in accordance with GAAP, including after-tax distributable earnings, fee related earnings ("FRE") and book value. We believe that providing these performance measures on a supplemental basis to our GAAP results is helpful to stockholders in assessing the overall performance of KKR's businesses. These non-GAAP financial measures should not be considered as a substitute for, or superior to, similar financial measures calculated in accordance with GAAP. We caution readers that these non-GAAP financial measures may differ from the calculations of other investment managers, and as a result, may not be comparable to similar measures presented by other investment managers. Reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP, where applicable, are included under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Reconciliations to GAAP Measures." This report also uses the terms assets under management ("AUM"), fee paying assets under management ("FPAUM"), capital invested and syndicated capital. You should note that our calculations of these and other operating metrics may differ from the calculations of other investment managers and, as a result, may not be comparable to similar metrics presented by other investment managers. These non-GAAP and operating metrics are defined in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Non-GAAP and Other Operating and Performance Measures."

References to our "funds" or our "vehicles" refer to investment funds, vehicles and accounts advised, sponsored or managed by one or more subsidiaries of KKR, including collateralized loan obligations ("CLOs") and commercial real estate mortgage-backed securities ("CMBS") vehicles, unless the context requires otherwise. They do not include investment funds, vehicles or accounts of any hedge fund or other manager with which we have formed a strategic partnership where we have acquired an ownership interest.

Unless otherwise indicated, references in this report to our fully exchanged and diluted common stock outstanding, or to our common stock outstanding on a fully exchanged and diluted basis, reflect (i) actual shares of common stock outstanding and (ii) shares of common stock into which KKR Group Partnership Units held by KKR Holdings are exchangeable pursuant to the terms of the exchange agreement described in our Annual Report and (iii) shares of common stock issuable pursuant to any equity awards actually granted from the Amended and Restated KKR & Co. Inc. 2010 Equity Incentive Plan (the "2010 Equity Incentive Plan") or the KKR & Co. Inc. 2019 Equity Incentive Plan (the "2019 Equity Incentive Plan" and, together with the 2010 Equity Incentive Plan, our "Equity Incentive Plans"). Our fully exchanged and diluted common stock outstanding does not include shares of common stock available for issuance pursuant to the Equity Incentive Plans for which equity awards have not yet been granted.

The use of any defined term in this report to mean more than one entities, persons, securities or other items collectively is solely for convenience of reference and in no way implies that such entities, persons, securities or other items are one indistinguishable group. For example, notwithstanding the use of the defined terms "KKR," "we" and "our" in this report to refer to KKR & Co. Inc. and its subsidiaries, each subsidiary of KKR & Co. Inc. is a standalone legal entity that is separate and distinct from KKR & Co. Inc. and any of its other subsidiaries.

## PART I — FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

**KKR & CO. INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)**  
(Amounts in Thousands, Except Share and Per Share Data)

	March 31, 2020	December 31, 2019
<b>Assets</b>		
Cash and Cash Equivalents	\$ 1,982,292	\$ 2,346,713
Cash and Cash Equivalents Held at Consolidated Entities	1,171,245	816,441
Restricted Cash and Cash Equivalents	116,506	74,262
Investments	48,601,127	54,936,268
Due from Affiliates	852,484	717,399
Other Assets	2,877,421	2,008,236
<b>Total Assets</b>	<b>\$ 55,601,075</b>	<b>\$ 60,899,319</b>
<b>Liabilities and Equity</b>		
Debt Obligations	\$ 26,265,381	\$ 27,013,284
Due to Affiliates	261,720	286,098
Accounts Payable, Accrued Expenses and Other Liabilities	2,483,944	3,097,563
<b>Total Liabilities</b>	<b>29,011,045</b>	<b>30,396,945</b>
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity</b>		
Series A and B Preferred Stock, \$0.01 par value. 13,800,000 and 6,200,000 shares, respectively, issued and outstanding as of March 31, 2020 and December 31, 2019.	482,554	482,554
Class A Common Stock, \$0.01 par value. 3,500,000,000 shares authorized, 553,701,980 and 560,007,579 shares, issued and outstanding as of March 31, 2020 and December 31, 2019, respectively.	5,537	5,600
Class B Common Stock, \$0.01 par value. 1 share authorized, 1 share issued and outstanding as of March 31, 2020 and December 31, 2019.	—	—
Class C Common Stock, \$0.01 par value. 499,999,999 shares authorized, 286,477,271 and 290,381,345 shares, issued and outstanding as of March 31, 2020 and December 31, 2019, respectively.	2,865	2,904
Additional Paid-In Capital	8,456,154	8,565,919
Retained Earnings	433,546	1,792,152
Accumulated Other Comprehensive Income (Loss)	(54,694)	(41,639)
<b>Total KKR &amp; Co. Inc. Stockholders' Equity</b>	<b>9,325,962</b>	<b>10,807,490</b>
Noncontrolling Interests	17,264,068	19,694,884
<b>Total Equity</b>	<b>26,590,030</b>	<b>30,502,374</b>
<b>Total Liabilities and Equity</b>	<b>\$ 55,601,075</b>	<b>\$ 60,899,319</b>

See notes to financial statements.

**KKR & CO. INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED) (Continued)**  
**(Amounts in Thousands)**

The following presents the portion of the consolidated balances presented in the consolidated statements of financial condition attributable to consolidated variable interest entities ("VIEs"). KKR's consolidated VIEs consist primarily of (i) certain collateralized financing entities ("CFEs") holding collateralized loan obligations ("CLOs") and commercial real estate mortgage-backed securities ("CMBS") and (ii) certain investment funds. With respect to consolidated VIEs, the following assets may only be used to settle obligations of these consolidated VIEs and the following liabilities are only the obligations of these consolidated VIEs. The noteholders, limited partners and other creditors of these VIEs have no recourse to KKR's general assets. Additionally, KKR has no right to the benefits from, nor does KKR bear the risks associated with, the assets held by these VIEs beyond KKR's beneficial interest therein and any income generated from the VIEs. There are neither explicit arrangements nor does KKR hold implicit variable interests that would require KKR to provide any material ongoing financial support to the consolidated VIEs, beyond amounts previously committed, if any.

	<b>March 31, 2020</b>		
	<b>Consolidated CFEs</b>	<b>Consolidated KKR Funds and Other Entities</b>	<b>Total</b>
<b>Assets</b>			
Cash and Cash Equivalents Held at Consolidated Entities	\$ 539,573	\$ 258,537	\$ 798,110
Restricted Cash and Cash Equivalents	—	49,313	49,313
Investments	13,327,186	18,364,713	31,691,899
Other Assets	154,026	305,566	459,592
<b>Total Assets</b>	<b>\$ 14,020,785</b>	<b>\$ 18,978,129</b>	<b>\$ 32,998,914</b>
<b>Liabilities</b>			
Debt Obligations	\$ 13,130,703	\$ 2,078,750	\$ 15,209,453
Accounts Payable, Accrued Expenses and Other Liabilities	629,381	132,553	761,934
<b>Total Liabilities</b>	<b>\$ 13,760,084</b>	<b>\$ 2,211,303</b>	<b>\$ 15,971,387</b>
	<b>December 31, 2019</b>		
	<b>Consolidated CFEs</b>	<b>Consolidated KKR Funds and Other Entities</b>	<b>Total</b>
<b>Assets</b>			
Cash and Cash Equivalents Held at Consolidated Entities	\$ 634,029	\$ 112,122	\$ 746,151
Restricted Cash and Cash Equivalents	—	34,849	34,849
Investments	14,948,237	20,851,587	35,799,824
Due from Affiliates	—	9,678	9,678
Other Assets	100,221	178,892	279,113
<b>Total Assets</b>	<b>\$ 15,682,487</b>	<b>\$ 21,187,128</b>	<b>\$ 36,869,615</b>
<b>Liabilities</b>			
Debt Obligations	\$ 14,658,137	\$ 2,481,937	\$ 17,140,074
Accounts Payable, Accrued Expenses and Other Liabilities	513,057	109,575	622,632
<b>Total Liabilities</b>	<b>\$ 15,171,194</b>	<b>\$ 2,591,512</b>	<b>\$ 17,762,706</b>

See notes to financial statements.

**KKR & CO. INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**  
(Amounts in Thousands, Except Share and Per Share Data)

	Three Months Ended March 31,	
	2020	2019
<b>Revenues</b>		
Fees and Other	\$ 380,572	\$ 372,548
Capital Allocation-Based Income (Loss)	(1,382,077)	814,932
<b>Total Revenues</b>	<b>(1,001,505)</b>	<b>1,187,480</b>
<b>Expenses</b>		
Compensation and Benefits	(262,137)	544,562
Occupancy and Related Charges	16,322	14,690
General, Administrative and Other	149,123	169,515
<b>Total Expenses</b>	<b>(96,692)</b>	<b>728,767</b>
<b>Investment Income (Loss)</b>		
Net Gains (Losses) from Investment Activities	(3,944,504)	1,203,878
Dividend Income	168,699	22,625
Interest Income	353,455	358,511
Interest Expense	(261,469)	(249,088)
<b>Total Investment Income (Loss)</b>	<b>(3,683,819)</b>	<b>1,335,926</b>
<b>Income (Loss) Before Taxes</b>	<b>(4,588,632)</b>	<b>1,794,639</b>
<b>Income Tax Expense (Benefit)</b>	<b>(360,679)</b>	<b>167,593</b>
<b>Net Income (Loss)</b>	<b>(4,227,953)</b>	<b>1,627,046</b>
<b>Net Income (Loss) Attributable to Noncontrolling Interests</b>	<b>(2,947,429)</b>	<b>917,727</b>
<b>Net Income (Loss) Attributable to KKR &amp; Co. Inc.</b>	<b>(1,280,524)</b>	<b>709,319</b>
Series A Preferred Stock Dividends	5,822	5,822
Series B Preferred Stock Dividends	2,519	2,519
<b>Net Income (Loss) Attributable to KKR &amp; Co. Inc. Class A Common Stockholders</b>	<b>\$ (1,288,865)</b>	<b>\$ 700,978</b>
<b>Net Income (Loss) Attributable to KKR &amp; Co. Inc. Per Share of Class A Common Stock</b>		
Basic	\$ (2.31)	\$ 1.31
Diluted	\$ (2.31)	\$ 1.27
<b>Weighted Average Shares of Class A Common Stock Outstanding</b>		
Basic	559,149,821	533,892,474
Diluted	559,149,821	550,046,440

See notes to financial statements.



**KKR & CO. INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)**  
**(Amounts in Thousands)**

	Three Months Ended March 31,	
	2020	2019
<b>Net Income (Loss)</b>	\$ (4,227,953)	\$ 1,627,046
Other Comprehensive Income (Loss), Net of Tax:		
Foreign Currency Translation Adjustments	(26,732)	2,366
<b>Comprehensive Income (Loss)</b>	(4,254,685)	1,629,412
<b>Comprehensive Income (Loss) Attributable to Noncontrolling Interests</b>	(2,961,543)	920,359
<b>Comprehensive Income (Loss) Attributable to KKR &amp; Co. Inc.</b>	\$ (1,293,142)	\$ 709,053

See notes to financial statements.

**KKR & CO. INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)**  
(Amounts in Thousands, Except Share and Per Share Data)

	Three Months Ended March 31,			
	2020		2019	
	Amounts	Shares	Amounts	Shares
<b>Preferred Stock</b>				
Beginning of Period	482,554	20,000,000	482,554	20,000,000
End of Period	482,554	20,000,000	482,554	20,000,000
<b>Class A Common Stock</b>				
Beginning of Period	5,600	560,007,579	5,349	534,857,237
Exchange of KKR Holdings Units	39	3,904,074	4	435,954
Repurchases of Class A Common Stock	(102)	(10,209,673)	(14)	(1,370,289)
End of Period	5,537	553,701,980	5,339	533,922,902
<b>Class B Common Stock</b>				
Beginning of Period	—	1	—	1
End of Period	—	1	—	1
<b>Class C Common Stock</b>				
Beginning of Period	2,904	290,381,345	2,991	299,081,239
Cancellation of Class C Common Stock	(39)	(3,904,074)	(4)	(435,954)
End of Period	2,865	286,477,271	2,987	298,645,285
<b>Additional Paid-In Capital</b>				
Beginning of Period	8,565,919		8,106,408	
Exchange of KKR Holdings Units	72,331		7,137	
Tax Effects - Exchange of KKR Holdings Units and Other	(1,426)		5,255	
Repurchases of Class A Common Stock	(246,058)		(28,552)	
Equity-Based Compensation	51,003		54,885	
Transfer of Interests Under Common Control (See Note 1 "Organization")	14,385		—	
End of Period	8,456,154		8,145,133	
<b>Retained Earnings</b>				
Beginning of Period	1,792,152		91,953	
Net Income (Loss) Attributable to KKR & Co. Inc.	(1,280,524)		709,319	
Series A Preferred Stock Dividends (\$0.421875 per share)	(5,822)		(5,822)	
Series B Preferred Stock Dividends (\$0.406250 per share)	(2,519)		(2,519)	
Common Stock Dividends (\$0.125 per share)	(69,741)		(66,619)	
End of Period	433,546		726,312	
<b>Accumulated Other Comprehensive Income (Loss) (net of tax)</b>				
Beginning of Period	(41,639)		(39,645)	
Foreign Currency Translation	(12,618)		(266)	
Exchange of KKR Holdings Units	(437)		(43)	
End of Period	(54,694)		(39,954)	
<b>Total KKR &amp; Co. Inc. Stockholders' Equity</b>	<b>9,325,962</b>		<b>9,322,371</b>	
<b>Noncontrolling Interests (See Note 15 "Equity")</b>	<b>17,264,068</b>		<b>16,885,470</b>	
<b>Total Equity</b>	<b>\$ 26,590,030</b>		<b>\$ 26,207,841</b>	

See notes to financial statements.

**KKR & CO. INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
(Amounts in Thousands)

	Three Months Ended March 31,	
	2020	2019
<b>Operating Activities</b>		
Net Income (Loss)	\$ (4,227,953)	\$ 1,627,046
<b>Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Equity-Based and Other Non-Cash Compensation	71,379	78,268
Net Realized (Gains) Losses on Investments	(63,375)	(129,781)
Change in Unrealized (Gains) Losses on Investments	4,007,879	(1,074,097)
Capital Allocation-Based (Income) Loss	1,382,077	(814,932)
Other Non-Cash Amounts	(9,857)	(12,111)
<b>Cash Flows Due to Changes in Operating Assets and Liabilities:</b>		
Change in Consolidation and Other	—	(137,498)
Change in Due from / to Affiliates	(183,129)	(100,529)
Change in Other Assets	(323,040)	68,077
Change in Accounts Payable, Accrued Expenses and Other Liabilities	(766,087)	381,421
Investments Purchased	(8,312,849)	(5,301,227)
Proceeds from Investments	7,018,549	5,571,641
Net Cash Provided (Used) by Operating Activities	(1,406,406)	156,278
<b>Investing Activities</b>		
Purchases of Fixed Assets	(41,371)	(19,455)
Development of Oil and Natural Gas Properties	(4,073)	(451)
Net Cash Provided (Used) by Investing Activities	(45,444)	(19,906)
<b>Financing Activities</b>		
Preferred Stock Dividends	(8,341)	(8,341)
Common Stock Dividends	(69,741)	(66,619)
Distributions to Noncontrolling Interests	(524,656)	(856,086)
Contributions from Noncontrolling Interests	1,120,966	1,194,815
Repurchases of Class A Common Stock	(246,160)	(28,566)
Proceeds from Debt Obligations	3,792,041	1,581,043
Repayment of Debt Obligations	(2,543,694)	(1,806,203)
Financing Costs Paid	(10,198)	(2,795)
Net Cash Provided (Used) by Financing Activities	1,510,217	7,248
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(25,740)	1,636
<b>Net Increase/(Decrease) in Cash, Cash Equivalents and Restricted Cash</b>	<b>32,627</b>	<b>145,256</b>
Cash, Cash Equivalents and Restricted Cash, Beginning of Period	3,237,416	2,641,512
<b>Cash, Cash Equivalents and Restricted Cash, End of Period</b>	<b>\$ 3,270,043</b>	<b>\$ 2,786,768</b>

See notes to financial statements.

**KKR & CO. INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)**  
**(Amounts in Thousands)**

	Three Months Ended March 31,	
	2020	2019
<b>Supplemental Disclosures of Cash Flow Information</b>		
Payments for Interest	\$ 288,916	\$ 240,889
Payments for Income Taxes	\$ 24,836	\$ 8,901
Payments for Operating Lease Liabilities	\$ 13,243	\$ 12,291
<b>Supplemental Disclosures of Non-Cash Investing and Financing Activities</b>		
Equity-Based and Other Non-Cash Contributions	\$ 71,699	\$ 78,003
Debt Obligations - Net Gains (Losses), Translation and Other	\$ 1,989,846	\$ (148,312)
Tax Effects - Exchange of KKR Holdings L.P. Units and Other	\$ (1,426)	\$ 5,255
Right-of-Use Assets obtained in Exchange for new Operating Lease Liabilities	\$ 2,700	\$ —
<b>Change in Consolidation and Other</b>		
Investments	\$ —	\$ (1,014,813)
Due From Affiliates	\$ —	\$ 1,642
Other Assets	\$ —	\$ (19,703)
Accounts Payable, Accrued Expenses and Other Liabilities	\$ —	\$ (47,731)
Redeemable Noncontrolling Interests	\$ —	\$ (1,122,641)
	<b>March 31,</b>	<b>December 31,</b>
	<b>2020</b>	<b>2019</b>
<b>Reconciliation to the Condensed Consolidated Statements of Financial Condition</b>		
Cash and Cash Equivalents	\$ 1,982,292	\$ 2,346,713
Cash and Cash Equivalents Held at Consolidated Entities	1,171,245	816,441
Restricted Cash and Cash Equivalents	116,506	74,262
Cash, Cash Equivalents and Restricted Cash, End of Period	<u>\$ 3,270,043</u>	<u>\$ 3,237,416</u>

See notes to financial statements.

**KKR & CO. INC.**  
**NOTES TO FINANCIAL STATEMENTS (UNAUDITED)**  
**(All Amounts in Thousands, Except Share and Per Share Data, and Except Where Noted)**

**1. ORGANIZATION**

KKR & Co. Inc. (NYSE: KKR), through its subsidiaries (collectively, "KKR"), is a leading global investment firm that manages multiple alternative asset classes including private equity, energy, infrastructure, real estate and credit, with strategic partners that manage hedge funds. KKR aims to generate attractive investment returns for its fund investors by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation with KKR's portfolio companies. KKR invests its own capital alongside the capital it manages for fund investors and provides financing solutions and investment opportunities through its capital markets business.

KKR & Co. Inc. is the parent company of KKR Group Holdings Corp., which is the general partner of KKR Group Partnership L.P. ("KKR Group Partnership"). KKR & Co. Inc. both indirectly controls KKR Group Partnership and indirectly holds Class A partner units in KKR Group Partnership ("KKR Group Partnership Units") representing economic interests in KKR's business. The remaining KKR Group Partnership Units are held by KKR Holdings L.P. ("KKR Holdings"), which is not a subsidiary of KKR & Co. Inc. As of March 31, 2020, KKR & Co. Inc. held approximately 65.9% of the KKR Group Partnership Units and KKR Holdings held approximately 34.1% of the KKR Group Partnership Units. The percentage ownership in KKR Group Partnership will continue to change as KKR Holdings exchange its KKR Group Partnership Units for shares of Class A common stock of KKR & Co. Inc. or when KKR & Co. Inc. otherwise issues or repurchases shares of Class A common stock of KKR & Co. Inc. KKR Group Partnership also has outstanding limited partner interests that provide for a carry pool and preferred units with economic terms that mirror the Series A and Series B preferred stock issued by KKR & Co. Inc.

***Reorganization and Acquisition of KKR Capstone***

On January 1, 2020, KKR completed an internal reorganization (the "Reorganization"), in which (i) KKR Management Holdings L.P. ("Management Holdings") and KKR International Holdings L.P. ("International Holdings") were combined with KKR Fund Holdings L.P. ("Fund Holdings"), which changed its name to KKR Group Partnership L.P. and became the sole intermediate holding company for KKR's business, (ii) the issuers of each series of KKR's outstanding senior notes were contributed to KKR Group Partnership and the guarantees by International Holdings and Management Holdings under the senior notes were automatically and unconditionally released and discharged pursuant to the terms of the indentures governing such senior notes, with KKR Group Partnership remaining as a guarantor, and (iii) the ownership interests of certain operating subsidiaries of KKR Group Partnership were reorganized. References to "KKR Group Partnerships" for periods prior to the Reorganization mean Fund Holdings, Management Holdings and International Holdings, collectively, and references to "KKR Group Partnership" for periods following the Reorganization mean KKR Group Partnership L.P. References to a "KKR Group Partnership Unit" mean (i) one Class A partner interest in each of Fund Holdings, Management Holdings and International Holdings, collectively, for periods prior to the Reorganization and (ii) one Class A partner interest in KKR Group Partnership for periods following the Reorganization.

Contemporaneously with the Reorganization, KKR acquired KKR Capstone Americas LLC and its affiliates ("KKR Capstone") on January 1, 2020. KKR Capstone was consolidated prior to January 1, 2020 and consequently, this transaction was accounted for as an equity transaction. This transaction resulted in an increase to the KKR Group Partnership equity. Accordingly, both KKR's equity and noncontrolling interests held by KKR Holdings increased for their proportionate share of the KKR Capstone equity based on their ownership in KKR Group Partnership on January 1, 2020.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Basis of Presentation**

The accompanying unaudited financial statements of KKR & Co. Inc. have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and the instructions to Form 10-Q. The condensed consolidated financial statements (referred to hereafter as the "financial statements"), including these notes, are unaudited and exclude some of the disclosures required in annual financial statements. Management believes it has made all necessary adjustments (consisting of only normal recurring items) such that the financial statements are presented fairly and that estimates made in preparing the financial statements are reasonable and prudent. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. The consolidated balance sheet data as of December 31, 2019 was derived from audited financial statements included in KKR's Annual Report on Form 10-K for the year ended December 31, 2019, filed with the Securities and Exchange Commission (the "SEC") on February 18, 2020, and the financial statements should be read in conjunction with the audited financial statements included therein. Additionally, in the accompanying financial statements, the condensed consolidated statements of financial condition are referred to hereafter as the "consolidated statements of financial condition"; the condensed consolidated statements of operations are referred to hereafter as the "consolidated statements of operations"; the condensed consolidated statements of comprehensive income (loss) are referred to hereafter as the "consolidated statements of comprehensive income (loss)"; the condensed consolidated statements of changes in equity are referred to hereafter as the "consolidated statements of changes in equity"; and the condensed consolidated statements of cash flows are referred to hereafter as the "consolidated statements of cash flows."

KKR consolidates the financial results of KKR Group Partnership and its consolidated entities, which include the accounts of KKR's investment management and capital markets companies, the general partners of certain unconsolidated investment funds, general partners of consolidated investment funds and their respective consolidated investment funds and certain other entities including CFEs. References in the accompanying financial statements to "principals" are to KKR's senior employees who hold interests in KKR's business through KKR Holdings.

All intercompany transactions and balances have been eliminated.

**COVID-19 and Global Economic and Market Conditions**

The outbreak of a novel strain of coronavirus ("COVID-19") continues to impact the United States and other countries throughout the world. In March 2020, the World Health Organization declared COVID-19 to be a pandemic and the United States declared a national emergency due to the outbreak. In connection with these declarations, various governments around the world have instituted measures to slow the transmissions of COVID-19, which substantially restrict individual and business activities. These measures include, for example, closures of non-essential businesses, limitations of crowd size, stay-at-home orders, quarantines, heightened border controls and limitations on travel. Governments in the United States and around the world have responded with fiscal and monetary stimuli that aim to provide emergency assistance to individuals and businesses negatively impacted by COVID-19. The outbreak of COVID-19 and the actions taken in response have had far reaching impact on the U.S. and global economies, contributing to significant volatility in the financial markets, resulting in a general decline in equity prices (including our common stock) and lower interest rates, and causing furloughs and layoffs in the labor market.

Given the ongoing nature of the outbreak, at this time we cannot reasonably predict the magnitude of the ultimate impact that COVID-19 will have on KKR's business, financial performance and operating results. We believe COVID-19's adverse impact on KKR's business, financial performance and operating results will be significantly driven by a number of factors that we are unable to predict or control, including, for example: the severity and duration of the pandemic; the pandemic's impact on the U.S. and global economies; the timing, scope and effectiveness of additional governmental responses to the pandemic; the timing and speed of economic recovery, including the availability of a treatment or vaccination for COVID-19; and the negative impact on our fund investors, vendors and other business partners that may indirectly adversely affect KKR.

**Use of Estimates**

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and investment income (loss) during the reporting periods. Such estimates include but are not limited to (i) the determination of the income tax provision and (ii) the valuation of investments and financial instruments. Actual results could differ from those estimates, and such differences could be material to the financial statements.

**Principles of Consolidation**

The types of entities KKR assesses for consolidation include (i) subsidiaries, including management companies, broker-dealers and general partners of investment funds that KKR manages, (ii) entities that have all the attributes of an investment company, like investment funds, (iii) CFEs and (iv) other entities. Each of these entities is assessed for consolidation on a case by case basis depending on the specific facts and circumstances surrounding that entity.

Pursuant to its consolidation policy, KKR first considers whether an entity is considered a VIE and therefore whether to apply the consolidation guidance under the VIE model. Entities that do not qualify as VIEs are assessed for consolidation as voting interest entities ("VOEs") under the voting interest model.

KKR's funds are, for GAAP purposes, investment companies and therefore are not required to consolidate their investments in portfolio companies even if majority-owned and controlled. Rather, the consolidated funds and vehicles reflect their investments at fair value as described below in "Fair Value Measurements."

An entity in which KKR holds a variable interest is a VIE if any one of the following conditions exist: (a) the total equity investment at risk is not sufficient to permit the legal entity to finance its activities without additional subordinated financial support, (b) the holders of the equity investment at risk (as a group) lack either the direct or indirect ability through voting rights or similar rights to make decisions about a legal entity's activities that have a significant effect on the success of the legal entity or the obligation to absorb the expected losses or right to receive the expected residual returns, or (c) the voting rights of some investors are disproportionate to their obligation to absorb the expected losses of the legal entity, their rights to receive the expected residual returns of the legal entity, or both and substantially all of the legal entity's activities either involve or are conducted on behalf of an investor with disproportionately few voting rights. Limited partnerships and other similar entities where unaffiliated limited partners have not been granted (i) substantive participatory rights or (ii) substantive rights to either dissolve the partnership or remove the general partner ("kick-out rights") are VIEs under condition (b) above. KKR's investment funds that are not CFEs (i) are generally limited partnerships, (ii) generally provide KKR with operational discretion and control, and (iii) generally have fund investors with no substantive rights to impact ongoing governance and operating activities of the fund, including the ability to remove the general partner, and, as such, the limited partners do not hold kick-out rights. Accordingly, most of KKR's investment funds are categorized as VIEs.

KKR consolidates all VIEs in which it is the primary beneficiary. A reporting entity is determined to be the primary beneficiary if it holds a controlling financial interest in a VIE. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The consolidation guidance requires an analysis to determine (i) whether an entity in which KKR holds a variable interest is a VIE and (ii) whether KKR's involvement, through holding interests directly or indirectly in the entity or contractually through other variable interests (for example, management and performance related fees), would give it a controlling financial interest. Performance of that analysis requires the exercise of judgment. Fees earned by KKR that are customary and commensurate with the level of effort required to provide those services, and where KKR does not hold other economic interests in the entity that would absorb more than an insignificant amount of the expected losses or returns of the entity, would not be considered variable interests. KKR factors in all economic interests including interests held through related parties, to determine if it holds a variable interest. KKR determines whether it is the primary beneficiary of a VIE at the time it becomes involved with a VIE and reconsiders that conclusion when facts and circumstances change.

For entities that are determined not to be VIEs, these entities are generally considered VOEs and are evaluated under the voting interest model. KKR consolidates VOEs it controls through a majority voting interest or through other means.

The consolidation assessment, including the determination as to whether an entity qualifies as a VIE or VOE depends on the facts and circumstances surrounding each entity and therefore certain of KKR's investment funds may qualify as VIEs whereas others may qualify as VOEs.

With respect to CLOs (which are generally VIEs), in its role as collateral manager, KKR generally has the power to direct the activities of the CLO that most significantly impact the economic performance of the entity. In some, but not all cases, KKR, through its residual interest in the CLO may have variable interests that represent an obligation to absorb losses of, or a right to receive benefits from, the CLO that could potentially be significant to the CLO. In cases where KKR has both the power to direct the activities of the CLO that most significantly impact the CLO's economic performance and the obligation to absorb losses of the CLO or the right to receive benefits from the CLO that could potentially be significant to the CLO, KKR is deemed to be the primary beneficiary and consolidates the CLO.

**Notes to Financial Statements (Continued)**

With respect to CMBS vehicles (which are generally VIEs), KKR holds unrated and non-investment grade rated securities issued by the CMBS, which are the most subordinate tranche of the CMBS vehicle. The economic performance of the CMBS is most significantly impacted by the performance of the underlying assets. Thus, the activities that most significantly impact the CMBS economic performance are the activities that most significantly impact the performance of the underlying assets. The special servicer has the ability to manage the CMBS assets that are delinquent or in default to improve the economic performance of the CMBS. KKR generally has the right to unilaterally appoint and remove the special servicer for the CMBS and as such is considered the controlling class of the CMBS vehicle. These rights give KKR the ability to direct the activities that most significantly impact the economic performance of the CMBS. Additionally, as the holder of the most subordinate tranche, KKR is in a first loss position and has the right to receive benefits, including the actual residual returns of the CMBS, if any. In these cases, KKR is deemed to be the primary beneficiary and consolidates the CMBS vehicle.

**Investments**

Investments consist primarily of private equity, credit, investments of consolidated CFEs, real assets, equity method and other investments. Investments denominated in currencies other than the entity's functional currency are valued based on the spot rate of the respective currency at the end of the reporting period with changes related to exchange rate movements reflected in the consolidated statements of operations. Security and loan transactions are recorded on a trade date basis. Further disclosure on investments is presented in Note 4 "Investments."

The following describes the types of securities held within each investment class.

*Private Equity* - Consists primarily of equity investments in operating businesses, including growth equity investments.

*Credit* - Consists primarily of investments in below investment grade corporate debt securities (primarily high yield bonds and syndicated bank loans), originated, distressed and opportunistic credit, real estate mortgage loans, and interests in unconsolidated CLOs.

*Investments of Consolidated CFEs* - Consists primarily of (i) investments in below investment grade corporate debt securities (primarily high yield bonds and syndicated bank loans) held directly by the consolidated CLOs and (ii) investments in originated, fixed-rate real estate mortgage loans held directly by the consolidated CMBS vehicles.

*Real Assets* - Consists primarily of investments in (i) energy related assets, principally oil and natural gas properties, (ii) infrastructure assets, and (iii) real estate, principally residential and commercial real estate assets and businesses.

*Equity Method - Other* - Consists primarily of (i) certain direct interests in operating companies in which KKR is deemed to exert significant influence under GAAP and (ii) certain interests in partnerships and joint ventures that hold private equity and real assets investments.

*Equity Method - Capital Allocation-Based Income* - Consists primarily of (i) the capital interest KKR holds as the general partner in certain investment funds, which are not consolidated and (ii) the carried interest component of the general partner interest, which are accounted for as a single unit of account.

*Other* - Consists primarily of investments in common stock, preferred stock, warrants and options of companies that are not private equity, real assets, credit or investments of consolidated CFEs.

**Investments held by Consolidated Investment Funds**

The consolidated investment funds are, for GAAP purposes, investment companies and reflect their investments and other financial instruments, including portfolio companies that are majority-owned and controlled by KKR's investment funds, at fair value. KKR has retained this specialized accounting for the consolidated investment funds in consolidation. Accordingly, the unrealized gains and losses resulting from changes in fair value of the investments and other financial instruments held by the consolidated investment funds are reflected as a component of Net Gains (Losses) from Investment Activities in the consolidated statements of operations.

Certain energy investments are made through consolidated investment funds, including investments in working and royalty interests in oil and natural gas properties as well as investments in operating companies that operate in the energy industry. Since these investments are held through consolidated investment funds, such investments are reflected at fair value as of the end of the reporting period.



**Notes to Financial Statements (Continued)**

Investments in operating companies that are held through KKR's consolidated investment funds are generally classified within private equity investments and investments in working and royalty interests in oil and natural gas properties are generally classified as real asset investments.

**Energy Investments held by KKR**

KKR directly holds certain working and royalty interests in oil and natural gas properties that are not held through investment funds. Oil and natural gas activities are accounted for under the successful efforts method of accounting and such working interests are consolidated based on the proportion of the working interests held by KKR. Accordingly, KKR reflects its proportionate share of these interests on a gross basis and changes in the value of these interests are not reflected as unrealized gains and losses in the consolidated statements of operations.

Under the successful efforts method, exploration costs, other than the costs of drilling exploratory wells, are charged to expense as incurred. Costs that are associated with the drilling of successful exploration wells are capitalized if proved reserves are found. Lease acquisition costs are capitalized when incurred. Costs associated with the drilling of exploratory wells that do not find proved reserves, geological and geophysical costs and costs of certain nonproducing leasehold costs are charged to expense as incurred.

Expenditures for repairs and maintenance, including workovers, are charged to expense as incurred.

The capitalized costs of producing oil and natural gas properties are depleted on a field-by-field basis using the units-of production method based on the ratio of current production to estimated total net proved oil, natural gas and natural gas liquid reserves. Proved developed reserves are used in computing depletion rates for drilling and development costs and total proved reserves are used for depletion rates of leasehold costs.

Estimated dismantlement and abandonment costs for oil and natural gas properties, net of salvage value, are capitalized at their estimated net present value and amortized on a unit-of-production basis over the remaining life of the related proved developed reserves.

Whenever events or changes in circumstances indicate that the carrying amounts of oil and natural gas properties may not be recoverable, KKR evaluates oil and natural gas properties and related equipment and facilities for impairment on a field-by-field basis. The determination of recoverability is made based upon estimated undiscounted future net cash flows. The amount of impairment loss, if any, is determined by comparing the fair value, as determined by a discounted cash flow analysis, with the carrying value of the related asset. Any impairment in value is recognized when incurred and is recorded in General, Administrative, and Other expense in the consolidated statements of operations.

**Fair Value Option**

For certain investments and other financial instruments, KKR has elected the fair value option. Such election is irrevocable and is applied on a financial instrument by financial instrument basis at initial recognition. KKR has elected the fair value option for certain private equity, real assets, credit, investments of consolidated CFEs, equity method - other and other financial instruments not held through a consolidated investment fund. Accounting for these investments at fair value is consistent with how KKR accounts for its investments held through consolidated investment funds. Changes in the fair value of such instruments are recognized in Net Gains (Losses) from Investment Activities in the consolidated statements of operations. Interest income on interest bearing credit securities on which the fair value option has been elected is based on stated coupon rates adjusted for the accretion of purchase discounts and the amortization of purchase premiums. This interest income is recorded within Interest Income in the consolidated statements of operations.

**Equity Method**

For certain investments in entities over which KKR exercises significant influence but which do not meet the requirements for consolidation and for which KKR has not elected the fair value option, KKR uses the equity method of accounting. The carrying value of equity method investments, for which KKR has not elected the fair value option, is determined based on the amounts invested by KKR, adjusted for the equity in earnings or losses of the investee allocated based on KKR's respective ownership percentage, less distributions.

For equity method investments for which KKR has not elected the fair value option, KKR records its proportionate share of the investee's earnings or losses based on the most recently available financial information of the investee, which in certain

## Notes to Financial Statements (Continued)

cases may lag the date of KKR's financial statements by no more than three calendar months. As of March 31, 2020, equity method investees for which KKR reports financial results on a lag include Marshall Wace LLP ("Marshall Wace").

KKR evaluates its equity method investments for which KKR has not elected the fair value option for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable.

The carrying value of investments classified as Equity Method - Capital Allocation-Based Income approximates fair value, because the underlying investments of the unconsolidated investment funds are reported at fair value.

### Financial Instruments held by Consolidated CFEs

KKR measures both the financial assets and financial liabilities of the consolidated CFEs in its financial statements using the more observable of the fair value of the financial assets and the fair value of the financial liabilities which results in KKR's consolidated net income (loss) reflecting KKR's own economic interests in the consolidated CFEs including (i) changes in the fair value of the beneficial interests retained by KKR and (ii) beneficial interests that represent compensation for services rendered.

For the consolidated CLOs, KKR has determined that the fair value of the financial assets of the consolidated CLOs is more observable than the fair value of the financial liabilities of the consolidated CLOs. As a result, the financial assets of the consolidated CLOs are being measured at fair value and the financial liabilities are being measured in consolidation as: (1) the sum of the fair value of the financial assets and the carrying value of any nonfinancial assets that are incidental to the operations of the CLOs less (2) the sum of the fair value of any beneficial interests retained by KKR (other than those that represent compensation for services) and KKR's carrying value of any beneficial interests that represent compensation for services. The resulting amount is allocated to the individual financial liabilities (other than the beneficial interests retained by KKR).

For the consolidated CMBS vehicles, KKR has determined that the fair value of the financial liabilities of the consolidated CMBS vehicles is more observable than the fair value of the financial assets of the consolidated CMBS vehicles. As a result, the financial liabilities of the consolidated CMBS vehicles are being measured at fair value and the financial assets are being measured in consolidation as: (1) the sum of the fair value of the financial liabilities (other than the beneficial interests retained by KKR), the fair value of the beneficial interests retained by KKR and the carrying value of any nonfinancial liabilities that are incidental to the operations of the CMBS vehicles less (2) the carrying value of any nonfinancial assets that are incidental to the operations of the CMBS vehicles. The resulting amount is allocated to the individual financial assets.

### Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. Except for certain of KKR's equity method investments (see "Equity Method" above) and debt obligations (as described in Note 10 "Debt Obligations"), KKR's investments and other financial instruments are recorded at fair value or at amounts whose carrying values approximate fair value. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation techniques are applied. These valuation techniques involve varying levels of management estimation and judgment, the degree of which is dependent on a variety of factors.

GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments and financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

**Level I** - Pricing inputs are unadjusted, quoted prices in active markets for identical assets or liabilities as of the measurement date. The types of financial instruments included in this category are publicly-listed equities and securities sold short.

**Level II** - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies. The

**Notes to Financial Statements (Continued)**

types of financial instruments included in this category are credit investments, investments and debt obligations of consolidated CLO entities, convertible debt securities indexed to publicly-listed securities, less liquid and restricted equity securities and certain over-the-counter derivatives such as foreign currency option and forward contracts.

**Level III** - Pricing inputs are unobservable for the financial instruments and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. The types of financial instruments generally included in this category are private portfolio companies, real assets investments, credit investments, equity method investments for which the fair value option was elected and investments and debt obligations of consolidated CMBS entities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. KKR's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the asset.

A significant decrease in the volume and level of activity for the asset or liability is an indication that transactions or quoted prices may not be representative of fair value because in such market conditions there may be increased instances of transactions that are not orderly. In those circumstances, further analysis of transactions or quoted prices is needed, and a significant adjustment to the transactions or quoted prices may be necessary to estimate fair value.

The availability of observable inputs can vary depending on the financial asset or liability and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument has recently been issued, whether the instrument is traded on an active exchange or in the secondary market, and current market conditions. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by KKR in determining fair value is greatest for instruments categorized in Level III. The variability and availability of the observable inputs affected by the factors described above may cause transfers between Levels I, II, and III, which KKR recognizes at the beginning of the reporting period.

Investments and other financial instruments that have readily observable market prices (such as those traded on a securities exchange) are stated at the last quoted sales price as of the reporting date. KKR does not adjust the quoted price for these investments, even in situations where KKR holds a large position and a sale could reasonably affect the quoted price.

Management's determination of fair value is based upon the methodologies and processes described below and may incorporate assumptions that are management's best estimates after consideration of a variety of internal and external factors.

**Level II Valuation Methodologies**

**Credit Investments:** These financial instruments generally have bid and ask prices that can be observed in the marketplace. Bid prices reflect the highest price that KKR and others are willing to pay for an instrument. Ask prices represent the lowest price that KKR and others are willing to accept for an instrument. For financial instruments whose inputs are based on bid-ask prices obtained from third party pricing services, fair value may not always be a predetermined point in the bid-ask range. KKR's policy is generally to allow for mid-market pricing and adjusting to the point within the bid-ask range that meets KKR's best estimate of fair value.

**Investments and Debt Obligations of Consolidated CLO Vehicles:** Investments of consolidated CLO vehicles are reported within Investments of Consolidated CFEs and are valued using the same valuation methodology as described above for credit investments. Under ASU 2014-13, KKR measures CLO debt obligations on the basis of the fair value of the financial assets of the CLO.

**Securities Indexed to Publicly-Listed Securities:** These securities are typically valued using standard convertible security pricing models. The key inputs into these models that require some amount of judgment are the credit spreads utilized and the volatility assumed. To the extent the company being valued has other outstanding debt securities that are publicly-traded, the implied credit spread on the company's other outstanding debt securities would be utilized in the valuation. To the extent the company being valued does not have other outstanding debt securities that are publicly-traded, the credit spread will be estimated based on the implied credit spreads observed in comparable publicly-traded debt securities. In certain cases, an additional spread will be added to reflect an illiquidity discount due to the fact that the security being valued is not publicly-traded. The volatility assumption is based upon the historically observed volatility of the underlying equity security into which

the convertible debt security is convertible and/or the volatility implied by the prices of options on the underlying equity security.

*Equity Securities:* The valuation of certain equity securities is based on an observable price for an identical security adjusted for the effect of a restriction or leverage that collateralized the equity securities.

*Derivatives:* The valuation incorporates observable inputs comprising yield curves, foreign currency rates and credit spreads.

### ***Level III Valuation Methodologies***

*Private Equity Investments:* KKR generally employs two valuation methodologies when determining the fair value of a private equity investment. The first methodology is typically a market comparables analysis that considers key financial inputs and recent public and private transactions and other available measures. The second methodology utilized is typically a discounted cash flow analysis, which incorporates significant assumptions and judgments. Estimates of key inputs used in this methodology include the weighted average cost of capital for the investment and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. In certain cases the results of the discounted cash flow approach can be significantly impacted by these estimates. Other inputs are also used in both methodologies. In addition, when a definitive agreement has been executed to sell an investment, KKR generally considers a significant determinant of fair value to be the consideration to be received by KKR pursuant to the executed definitive agreement.

Upon completion of the valuations conducted using these methodologies, a weighting is ascribed to each method, and an illiquidity discount is typically applied where appropriate. The ultimate fair value recorded for a particular investment will generally be within a range suggested by the two methodologies, except that the value may be higher or lower than such range in the case of investments being sold pursuant to an executed definitive agreement.

When determining the weighting ascribed to each valuation methodology, KKR considers, among other factors, the availability of direct market comparables, the applicability of a discounted cash flow analysis, the expected hold period and manner of realization for the investment, and in the case of investments being sold pursuant to an executed definitive agreement, an estimated probability of such sale being completed. These factors can result in different weightings among investments in the portfolio and in certain instances may result in up to a 100% weighting to a single methodology.

When an illiquidity discount is to be applied, KKR seeks to take a uniform approach across its portfolio and generally applies a minimum 5% discount to all private equity investments. KKR then evaluates such private equity investments to determine if factors exist that could make it more challenging to monetize the investment and, therefore, justify applying a higher illiquidity discount. These factors generally include (i) whether KKR is unable to freely sell the portfolio company or conduct an initial public offering of the portfolio company due to the consent rights of a third party or similar factors, (ii) whether the portfolio company is undergoing significant restructuring activity or similar factors, and (iii) characteristics about the portfolio company regarding its size and/or whether the portfolio company is experiencing, or expected to experience, a significant decline in earnings. These factors generally make it less likely that a portfolio company would be sold or publicly offered in the near term at a price indicated by using just a market multiples and/or discounted cash flow analysis, and these factors tend to reduce the number of opportunities to sell an investment and/or increase the time horizon over which an investment may be monetized. Depending on the applicability of these factors, KKR determines the amount of any incremental illiquidity discount to be applied above the 5% minimum, and during the time KKR holds the investment, the illiquidity discount may be increased or decreased, from time to time, based on changes to these factors. The amount of illiquidity discount applied at any time requires considerable judgment about what a market participant would consider and is based on the facts and circumstances of each individual investment. Accordingly, the illiquidity discount ultimately considered by a market participant upon the realization of any investment may be higher or lower than that estimated by KKR in its valuations.

In the case of growth equity investments, enterprise values may be determined using the market comparables analysis and discounted cash flow analysis described above. A scenario analysis may also be conducted to subject the estimated enterprise values to a downside, base and upside case, which involves significant assumptions and judgments. A milestone analysis may also be conducted to assess the current level of progress towards value drivers that we have determined to be important, which involves significant assumptions and judgments. The enterprise value in each case may then be allocated across the investment's capital structure to reflect the terms of the security and subjected to probability weightings. In certain cases, the values of growth equity investments may be based on recent or expected financings.

**Notes to Financial Statements (Continued)**

*Real Asset Investments:* Real asset investments in infrastructure, energy and real estate are valued using one or a combination of the discounted cash flow analysis, market comparables analysis and direct income capitalization, which in each case incorporates significant assumptions and judgments.

Infrastructure investments are generally valued using the discounted cash flow analysis. Key inputs used in this methodology can include the weighted average cost of capital and assumed inputs used to calculate terminal values, such as exit EBITDA multiples.

Energy investments are generally valued using a discounted cash flow approach, and where applicable, a market approach using comparable companies and transactions. Key inputs used in our valuations include (i) the weighted average cost of capital, (ii) future commodity prices, as quoted on indices, and long-term commodity price forecasts, and (iii) the asset's future operating performance.

Real estate investments are generally valued using a combination of direct income capitalization and discounted cash flow analysis. Certain real estate investments are valued by KKR based on ranges of valuations determined by an independent valuation firm. Key inputs used in such methodologies that require estimates include an unlevered discount rate and current capitalization rate. The valuations of real assets investments also use other inputs.

*Credit Investments:* Credit investments are valued using values obtained from dealers or market makers, and where these values are not available, credit investments are generally valued by KKR based on ranges of valuations determined by an independent valuation firm. Valuation models are based on discounted cash flow analyses, for which the key inputs are determined based on market comparables, which incorporate similar instruments from similar issuers.

*Real Estate Mortgage Loans:* Real estate mortgage loans are illiquid, structured investments that are specific to the property and its operating performance. KKR engages an independent valuation firm to estimate the fair value of each loan. KKR reviews the quarterly loan valuation estimates provided by the independent valuation firm. These loans are generally valued using a discounted cash flow model using discount rates derived from observable market data applied to the capital structure of the respective sponsor and estimated property value. In the event that KKR's estimate of fair value differs from the fair value estimate provided by the independent valuation firm, KKR ultimately relies solely upon the valuation prepared by the investment personnel of KKR.

*Other Investments:* With respect to other investments including equity method investments for which the fair value election has been made, KKR generally employs the same valuation methodologies as described above for private equity and real assets investments when valuing these other investments.

*Investments and Debt Obligations of Consolidated CMBS Vehicles:* Under ASU 2014-13, KKR measures CMBS investments, which are reported within Investments of Consolidated CFEs on the basis of the fair value of the financial liabilities of the CMBS. Debt obligations of consolidated CMBS vehicles are valued based on discounted cash flow analyses. The key input is the expected yield of each CMBS security using both observable and unobservable factors, which may include recently offered or completed trades and published yields of similar securities, security-specific characteristics (e.g. securities ratings issued by nationally recognized statistical rating organizations, credit support by other subordinate securities issued by the CMBS and coupon type) and other characteristics.

Key unobservable inputs that have a significant impact on KKR's Level III investment valuations as described above are included in Note 5 "Fair Value Measurements." KKR utilizes several unobservable pricing inputs and assumptions in determining the fair value of its Level III investments. These unobservable pricing inputs and assumptions may differ by investment and in the application of KKR's valuation methodologies. KKR's reported fair value estimates could vary materially if KKR had chosen to incorporate different unobservable pricing inputs and other assumptions or, for applicable investments, if KKR only used either the discounted cash flow methodology or the market comparables methodology instead of assigning a weighting to both methodologies.

There is inherent uncertainty involved in the valuation of Level III investments and there is no assurance that, upon liquidation, KKR will realize the values reflected in our valuations. Our valuations may differ significantly from the values that would have been used had an active market for the investments existed, and it is reasonably possible that the difference could be material. Furthermore, the recent market volatility caused by COVID-19 and the uncertainty surrounding its full impact have amplified the possibility that our future valuations may materially change from those reflected as of March 31, 2020.

**Notes to Financial Statements (Continued)****Revenues**

For the three months ended March 31, 2020 and 2019, respectively, revenues consisted of the following:

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Management Fees	\$ 222,689	\$ 188,408
Fee Credits	(35,387)	(103,477)
Transaction Fees	98,996	188,203
Monitoring Fees	31,149	25,651
Incentive Fees	668	—
Expense Reimbursements	28,224	44,060
Oil and Gas Revenue	13,315	13,175
Consulting Fees	20,918	16,528
<b>Total Fees and Other</b>	<b>380,572</b>	<b>372,548</b>
Carried Interest	(1,210,925)	694,383
General Partner Capital Interest	(171,152)	120,549
<b>Total Capital Allocation-Based Income (Loss)</b>	<b>(1,382,077)</b>	<b>814,932</b>
<b>Total Revenues</b>	<b>\$ (1,001,505)</b>	<b>\$ 1,187,480</b>

**Fees and Other**

Fees and Other, as detailed above, are accounted for as contracts with customers. Under ASC 606, Revenue from Contracts with Customers ("ASC 606"), KKR is required to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) KKR satisfies its performance obligation. In determining the transaction price, KKR has included variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved.

**Notes to Financial Statements (Continued)**

The following table summarizes KKR's revenues from contracts with customers:

Revenue Type	Customer	Performance Obligation	Performance Obligation Satisfied Over Time or Point In Time <sup>(1)</sup>	Variable or Fixed Consideration	Payment Terms	Subject to Return Once Recognized	Classification of Uncollected Amounts <sup>(2)</sup>
Management Fees	Investment funds, CLOs and other vehicles	Investment management services	Over time as services are rendered	Variable consideration since varies based on fluctuations in the basis of the management fee over time	Typically quarterly or annually in arrears	No	Due from Affiliates
Transaction Fees	Portfolio companies and third party companies	Advisory services and debt and equity arranging and underwriting	Point in time when the transaction (e.g. underwriting) is completed	Fixed consideration	Typically paid on or shortly after transaction closes	No	Due from Affiliates (portfolio companies) Other Assets (third parties)
Monitoring Fees							
<i>Recurring Fees</i>	<i>Portfolio companies</i>	<i>Monitoring services</i>	<i>Over time as services are rendered</i>	<i>Variable consideration since varies based on fluctuations in the basis of the recurring fee</i>	<i>Typically quarterly in arrears</i>	<i>No</i>	<i>Due from Affiliates</i>
<i>Termination Fees</i>	<i>Portfolio companies</i>	<i>Monitoring services</i>	<i>Point in time when the termination is completed</i>	<i>Fixed consideration</i>	<i>Typically paid on or shortly after termination occurs</i>	<i>No</i>	<i>Due from Affiliates</i>
Incentive Fees	Investment funds and other vehicles	Investment management services that result in achievement of minimum investment return levels	Point in time at the end of the performance measurement period (quarterly or annually) if investment performance is achieved	Variable consideration since contingent upon the investment fund and other vehicles achieving more than stipulated investment return hurdles	Typically paid shortly after the end of the performance measurement period	No	Due from Affiliates
Expense Reimbursements	Investment funds and portfolio companies	Investment management and monitoring services	Point in time when the related expense is incurred	Fixed consideration	Typically shortly after expense is incurred	No	Due from Affiliates
Oil and Gas Revenues	Oil and gas wholesalers	Delivery of oil liquids and gas	Point in time when delivery has occurred and title has transferred	Fixed consideration	Typically shortly after delivery	No	Other Assets
Consulting Fees	Portfolio companies and other companies	Consulting and other services	Over time as services are rendered	Fixed consideration	Typically quarterly in arrears	No	Due from Affiliates

(1) For performance obligations satisfied at a point in time, there were no significant judgments made in evaluating when a customer obtains control of the promised service.

(2) For amounts classified in Other Assets, see Note 8 "Other Assets and Accounts Payable, Accrued Expenses and Other Liabilities." For amounts classified in Due from Affiliates, see Note 13 "Related Party Transactions."

**Management Fees**

KKR provides investment management services to investment funds, CLOs, and other vehicles in exchange for a management fee. Management fees are determined quarterly based on an annual rate and are generally based upon a percentage of the capital committed or capital invested during the investment period. Thereafter, management fees are generally based on a percentage of remaining invested capital, net asset value, gross assets or as otherwise defined in the respective contractual agreements. Since some of the factors that cause the fees to fluctuate are outside of KKR's control, management fees are considered to be constrained and are therefore not included in the transaction price. Additionally, after the contract is established there are no significant judgments made when determining the transaction price.

**Notes to Financial Statements (Continued)**

Management fees earned from KKR's consolidated investment funds, CLOs, and other vehicles are eliminated in consolidation. However, because these amounts are funded by, and earned from, noncontrolling interests, KKR's allocated share of the net income from the consolidated investment funds, CLOs, and other vehicles is increased by the amount of fees that are eliminated. Accordingly, the elimination of these fees does not impact the net income (loss) attributable to KKR or KKR stockholders' equity.

***Fee Credits***

Under the terms of the management agreements with certain of its investment funds, KKR is required to share with such funds an agreed upon percentage of certain fees, including monitoring and transaction fees earned from portfolio companies ("Fee Credits"). Investment funds earn Fee Credits only with respect to monitoring and transaction fees that are allocable to the fund's investment in the portfolio company and not, for example, any fees allocable to capital invested through co-investment vehicles. Fee Credits are calculated after deducting certain costs incurred in connection with pursuing potential investments that do not result in completed transactions ("broken-deal expenses") and generally amount to 80% for older funds, or 100% for newer funds, of allocable monitoring and transaction fees after broken-deal expenses are recovered, although the actual percentage may vary from fund to fund. Fee Credits are recognized and owed to investment funds concurrently with the recognition of monitoring fees, transaction fees and broken-deal expenses. Since Fee Credits are payable to investment funds, amounts owed are generally applied as a reduction of the management fee that is otherwise billed to the investment fund. Fee credits are recorded as a reduction of revenues in the consolidated statement of operations. Fee Credits owed to investment funds are recorded in Due to Affiliates on the consolidated statements of financial condition. See Note 13 "Related Party Transactions."

***Transaction Fees***

KKR (i) arranges debt and equity financing, places and underwrites securities offerings, and provides other types of capital markets services for companies seeking financing in its Capital Markets business line and (ii) provides advisory services in connection with successful Private Markets and Public Markets business line portfolio company investment transactions, in each case, in exchange for a transaction fee. Transaction fees are separately negotiated for each transaction and are generally based on (i) for Capital Markets business line transactions, a percentage of the overall transaction size and (ii) for Private Markets and Public Markets business line transactions, a percentage of either total enterprise value of an investment or a percentage of the aggregate price paid for an investment. After the contract is established, there are no significant judgments made when determining the transaction price.

***Monitoring Fees***

KKR provides services in connection with monitoring portfolio companies in exchange for a fee. Recurring monitoring fees are separately negotiated for each portfolio company. In addition, certain monitoring fee arrangements may provide for a termination payment following an initial public offering or change of control as defined in the contractual terms of the related agreement. These termination payments are recognized in the period when the related transaction closes. After the contract is established, there are no significant judgments made when determining the transaction price.

***Incentive Fees***

KKR provides investment management services to certain investment funds, CLOs and other vehicles in exchange for a management fee as discussed above and, in some cases an incentive fee when KKR is not entitled to a carried interest. Incentive fee rates generally range from 5% to 20% of investment gains. Incentive fees are considered a form of variable consideration as these fees are subject to reversal, and therefore the recognition of such fees is deferred until the end of each fund's measurement period when the performance-based incentive fees become fixed and determinable. Incentive fees are generally paid within 90 days of the end of the investment vehicles' measurement period. After the contract is established, there are no significant judgments made when determining the transaction price.

Incentive fees earned from KKR's consolidated investment funds, CLOs, and other vehicles are eliminated in consolidation. However, because these amounts are funded by, and earned from, noncontrolling interests, KKR's allocated share of the net income from the consolidated investment funds, CLOs, and other vehicles is increased by the amount of fees that are eliminated. Accordingly, the elimination of these fees does not impact the net income (loss) attributable to KKR or KKR stockholders' equity.



***Expense Reimbursements***

Providing investment management services to investment funds and monitoring KKR's portfolio companies require KKR to arrange for services on behalf of them. In those situations where KKR is acting as an agent on behalf of its investment funds or portfolio companies, it presents the cost of services on a net basis as a reduction of Revenues. In all other situations, KKR is primarily responsible for fulfilling the services and is therefore acting as a principal for those arrangements for accounting purposes. As a result, the expense and related reimbursement associated with those services is presented on a gross basis. Costs incurred are classified within Expenses and reimbursements of such costs are classified as Expense Reimbursements within Revenues on the consolidated statements of operations. After the contract is established, there are no significant judgments made when determining the transaction price.

***Oil and Gas Revenue***

KKR directly holds certain working and royalty interests in oil and natural gas properties that are not held through investment funds. Oil and gas revenue is recognized when the performance obligation is satisfied, which occurs at the point in time when control of the product transfers to the customer. Performance obligations are typically satisfied through the monthly delivery of production. Revenue is recognized based on KKR's proportionate share of production from non-operated properties as marketed by the operator. After the contract is established, there are no significant judgments made when determining the transaction price.

***Consulting Fees***

KKR provides consulting and other services to portfolio companies and other companies in exchange for a consulting fee. Consulting fees are separately negotiated with each portfolio company for which services are provided. After the contract is established, there are no significant judgments made when determining the transaction price.

***Capital Allocation-Based Income (Loss)***

Capital allocation-based income (loss) is earned from those arrangements where KKR has a general partner capital interest and is entitled to a disproportionate allocation of investment income (referred to hereafter as "carried interest"). KKR accounts for its general partner interests in capital allocation-based arrangements as financial instruments under ASC 323, Investments - Equity Method and Joint Ventures ("ASC 323") since the general partner has significant governance rights in the investment funds in which it invests, which demonstrates significant influence. In accordance with ASC 323, KKR records equity method income based on the proportionate share of the income of the investment fund, including carried interest, assuming the investment fund was liquidated as of each reporting date pursuant to each investment fund's governing agreements. Accordingly, these general partner interests are accounted for outside of the scope of ASC 606. Other arrangements surrounding contractual incentive fees through an advisory contract are separate and distinct and accounted for in accordance with ASC 606. In these incentive fee arrangements, accounted for in accordance with ASC 606, KKR's economics in the entity do not involve an allocation of capital. See "Incentive Fees" above.

Carried interest is allocated to the general partner based on cumulative fund performance to date, and where applicable, subject to a preferred return to the funds' limited partners. At the end of each reporting period, KKR calculates the carried interest that would be due to KKR for each investment fund, pursuant to the fund agreements, as if the fair value of the underlying investments were realized as of such date, irrespective of whether such amounts have been realized. As the fair value of underlying investments varies between reporting periods, it is necessary to make adjustments to amounts recorded as carried interest to reflect either (a) positive performance resulting in an increase in the carried interest allocated to the general partner or (b) negative performance that would cause the amount due to KKR to be less than the amount previously recognized, resulting in a negative adjustment to carried interest allocated to the general partner. In each case, it is necessary to calculate the carried interest on cumulative results compared to the carried interest recorded to date and to make the required positive or negative adjustments. KKR ceases to record negative carried interest allocations once previously recognized carried interest allocations for an investment fund have been fully reversed. KKR is not obligated to make payments for guaranteed returns or hurdles and, therefore, cannot have negative carried interest over the life of an investment fund. Accrued but unpaid carried interest as of the reporting date is reflected in Investments in the consolidated statements of financial condition.

**Compensation and Benefits**

Compensation and Benefits expense includes (i) cash compensation consisting of salaries, bonuses, and benefits, (ii) equity based compensation consisting of charges associated with the vesting of equity-based awards (see Note 12 "Equity Based Compensation") and (iii) carry pool allocations.

All KKR employees receive a base salary that is paid by KKR or its consolidated entities, and is accounted for as Compensation and Benefits expense in the consolidated statements of operations. These employees are also eligible to receive discretionary cash bonuses based on performance, overall profitability and other matters. While cash bonuses paid to most employees are borne by KKR and certain consolidated entities and result in customary compensation and benefits expense, certain cash bonuses that are paid to certain of KKR's principals can be borne by KKR Holdings. These bonuses are funded with distributions that KKR Holdings receives on KKR Group Partnership Units held by KKR Holdings but are not then passed on to holders of unvested units of KKR Holdings. Because KKR principals are not entitled to receive distributions on units that are unvested, any amounts allocated to principals in excess of a principal's vested equity interests are reflected as employee compensation and benefits expense. These compensation charges, if any, are currently recorded based on the amount of cash expected to be paid by KKR Holdings.

*Carry Pool Allocation*

With respect to KKR's funds that provide for carried interest, KKR allocates to its employees a portion of the carried interest earned in relation to these funds as part of its carry pool. KKR allocates 40% or 43%, depending on the fund's vintage, of the carry it earns from these funds and vehicles to its carry pool. These amounts are accounted for as compensatory profit-sharing arrangements in Accounts Payable, Accrued Expenses and Other Liabilities within the accompanying consolidated statements of financial condition in conjunction with the related carried interest income and recorded as compensation expense. Upon a reversal of carried interest income, the related carry pool allocation, if any, is also reversed. Accordingly, such compensation expense is subject to both positive and negative adjustments.

*Profit Sharing Plan*

KKR provides certain profit sharing programs for KKR employees. In particular, KKR provides a 401(k) plan for eligible employees in the United States. For certain professionals who are participants in the 401(k) plan, KKR may, in its discretion, contribute an amount after the end of the plan year.

**General, Administrative and Other**

General, administrative and other expense consists primarily of professional fees paid to legal advisors, accountants, advisors and consultants, insurance costs, travel and related expenses, communications and information services, depreciation and amortization charges, expenses (including impairment charges) incurred by oil and gas entities that are consolidated, broken-deal expenses, placement fees and other general operating expenses. A portion of these general administrative and other expenses, in particular broken-deal expenses, are borne by fund investors.

**Investment Income**

Investment income consists primarily of the net impact of:

- (i) Realized and unrealized gains and losses on investments, securities sold short, derivatives and debt obligations of consolidated CFEs which are recorded in Net Gains (Losses) from Investment Activities. Upon disposition of an investment, previously recognized unrealized gains or losses are reversed and a realized gain or loss is recognized.
- (ii) Foreign exchange gains and losses relating to mark-to-market activity on foreign exchange forward contracts, foreign currency options and foreign denominated debt which are recorded in Net Gains (Losses) from Investment Activities.
- (iii) Dividends, which are recognized on the ex-dividend date, or, in the absence of a formal declaration of a record date, on the date it is received.
- (iv) Interest income, which is recognized as earned.
- (v) Interest expense, which is recognized as incurred.

**Income Taxes**

KKR & Co. Inc. is a corporation for U.S. federal income tax purposes and thus is subject to U.S. federal, state and local corporate income taxes at the entity level on KKR's share of net taxable income. In addition, KKR Group Partnership and certain of its subsidiaries operate in the United States as partnerships for U.S. federal income tax purposes and as corporate entities in certain non-U.S. jurisdictions. These entities, in some cases, are subject to U.S. state or local income taxes or non-U.S. income taxes.

*Deferred Income Taxes*

Income taxes are accounted for using the asset and liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis, using tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred assets and liabilities of a change in tax rates is recognized in the consolidated statements of operations in the period when the change is enacted.

Deferred tax assets, which are recorded in Other Assets within the statement of financial condition, are reduced by a valuation allowance when, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. When evaluating the realizability of the deferred tax assets, all evidence, both positive and negative, is considered. Items considered when evaluating the need for a valuation allowance include the ability to carry back losses, future reversals of existing temporary differences, tax planning strategies, and expectations of future earnings.

For a particular tax-paying component of an entity and within a particular tax jurisdiction, deferred tax assets and liabilities are offset and presented as a single amount within Other Assets or Accounts Payable, Accrued and Other Liabilities, as applicable, in the accompanying statements of financial condition.

*Uncertain Tax Positions*

KKR analyzes its tax filing positions in all of the U.S. federal, state and local tax jurisdictions and foreign tax jurisdictions where it is required to file income tax returns, as well as for all open tax years in these jurisdictions. If, based on this analysis, KKR determines that uncertainties in tax positions exist, a reserve is established. The reserve for uncertain tax positions is recorded in Accounts Payable, Accrued and Other Liabilities in the accompanying statements of financial condition. KKR recognizes accrued interest and penalties related to uncertain tax positions within the provision for income taxes in the consolidated statements of operations.

KKR records uncertain tax positions on the basis of a two-step process: (a) determination is made whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position and (b) those tax positions that meet the more-likely-than-not threshold are recognized as the largest amount of tax benefit that is greater than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

**Cash and Cash Equivalents**

KKR considers all highly liquid short-term investments with original maturities of 90 days or less when purchased to be cash equivalents.

**Cash and Cash Equivalents Held at Consolidated Entities**

Cash and cash equivalents held at consolidated entities represents cash that, although not legally restricted, is not available to fund general liquidity needs of KKR as the use of such funds is generally limited to the investment activities of KKR's investment funds and CFEs.

**Restricted Cash and Cash Equivalents**

Restricted cash and cash equivalents primarily represent amounts that are held by third parties under certain of KKR's financing and derivative transactions. The duration of this restricted cash generally matches the duration of the related financing or derivative transaction.

**Due from and Due to Affiliates**

KKR considers its principals and their related entities, unconsolidated investment funds and the portfolio companies of its funds to be affiliates for accounting purposes. Receivables from and payables to affiliates are recorded at their current settlement amount.

**Fixed Assets, Depreciation and Amortization**

Fixed assets consist primarily of corporate real estate, leasehold improvements, furniture and computer hardware. Such amounts are recorded at cost less accumulated depreciation and amortization and are included in Other Assets within the accompanying consolidated statements of financial condition. Depreciation and amortization are calculated using the straight-line method over the assets' estimated economic useful lives, which for leasehold improvements are the lesser of the lease terms or the life of the asset, and three to seven years for other fixed assets.

**Freestanding Derivatives**

Freestanding derivatives are instruments that KKR and certain of its consolidated funds have entered into as part of their overall risk management and investment strategies. These derivative contracts are not designated as hedging instruments for accounting purposes. Such contracts may include forward, swap and option contracts related to foreign currencies and interest rates to manage foreign exchange risk and interest rate risk arising from certain assets and liabilities. All derivatives are recognized in Other Assets or Accounts Payable, Accrued Expenses and Other Liabilities and are presented on a gross basis in the consolidated statements of financial condition and measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. KKR's derivative financial instruments contain credit risk to the extent that its counterparties may be unable to meet the terms of the agreements. KKR attempts to reduce this risk by limiting its counterparties to major financial institutions with strong credit ratings.

**Goodwill**

Goodwill represents the excess of acquisition cost over the fair value of net tangible and intangible assets acquired in connection with an acquisition. Goodwill is assessed for impairment annually in the third quarter of each fiscal year or more frequently if circumstances indicate impairment may have occurred. Goodwill is recorded in Other Assets in the accompanying consolidated statements of financial condition.

**Securities Sold Short**

Whether part of a hedging transaction or a transaction in its own right, securities sold short represent obligations of KKR to deliver the specified security at the contracted price at a future point in time, and thereby create a liability to repurchase the security in the market at the prevailing prices. The liability for such securities sold short, which is recorded in Accounts Payable, Accrued Expenses and Other Liabilities in the statement of financial condition, is marked to market based on the current fair value of the underlying security at the reporting date with changes in fair value recorded as unrealized gains or losses in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. These transactions may involve market risk in excess of the amount currently reflected in the accompanying consolidated statements of financial condition.

**Comprehensive Income (Loss)**

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances, excluding those resulting from contributions from and distributions to owners. In the accompanying consolidated financial statements, comprehensive income is comprised of (i) Net Income (Loss), as presented in the consolidated statements of operations and (ii) net foreign currency translation.

**Foreign Currency**

Consolidated entities which have a functional currency that differs from KKR's reporting currency are primarily KKR's investment management and capital markets companies located outside the United States and certain CFEs. Foreign currency denominated assets and liabilities are translated using the exchange rates prevailing at the end of each reporting period. Results of foreign operations are translated at the weighted average exchange rate for each reporting period. Translation adjustments are included as a component of accumulated other comprehensive income (loss) until realized. Foreign currency income or expenses resulting from transactions outside of the functional currency of a consolidated entity are recorded as incurred in general, administrative and other expense in the consolidated statements of operations.

**Leases**

At contract inception, KKR determines if an arrangement contains a lease by evaluating whether (i) the identified asset has been deployed in the contract explicitly or implicitly and (ii) KKR obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. Additionally, at contract inception KKR will evaluate whether the lease is an operating or finance lease. Right-of-use ("ROU") assets represent KKR's right to use an underlying asset for the lease term and lease liabilities represent KKR's obligation to make lease payments arising from the lease.

ROU assets and the associated lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. The discount rate implicit in the lease is generally not readily determinable. Consequently, KKR uses its incremental borrowing rate based on the information available including, but not limited to, collateral assumptions, the term of the lease, and the economic environment in which the lease is denominated at the commencement date in determining the present value of the future lease payments. The ROU assets are recognized as the initial measurement of the lease liabilities plus any initial direct costs and any prepaid lease payments less lease incentives received, if any. The lease terms may include options to extend or terminate the lease which are accounted for when it is reasonably certain that KKR will exercise that option. Certain leases that include lease and non-lease components are accounted for as one single lease component. In addition to contractual rent payments, occupancy lease agreements generally include additional payments for certain costs incurred by the landlord, such as building expenses and utilities. To the extent these are fixed or determinable, they are included as part of the lease payments used to measure the Operating Lease Liability.

Operating lease expense is recognized on a straight-line basis over the lease term and is recorded within Occupancy and Related Charges in the accompanying consolidated statements of operations. The ROU assets are included in Other Assets and the lease liabilities are included in Accounts Payable, Accrued Expenses and Other Liabilities in the accompanying consolidated statements of financial condition. See Note 8 "Other Assets and Accounts Payable, Accrued Expenses and Other Liabilities."

**Recently Issued Accounting Pronouncements*****Adopted in 2020******Measurement of Credit Losses on Financial Instruments***

In June 2016, the Financial Accounting Standards Board (the "FASB") issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), which has subsequently been amended by ASU No. 2018-19, ASU No. 2019-04, ASU No. 2019-05, and ASU No. 2019-11. The amended guidance requires a company to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Prior to ASU 2016-13, GAAP required an "incurred loss" methodology that delayed recognition until it was probable a loss had been incurred. Under ASU 2016-13, the allowance for credit losses must be deducted from the amortized cost of the financial asset to present the net amount expected to be collected and the income statement will reflect the measurement of credit losses for newly recognized financial assets as well as the expected increases or decreases of expected credit losses that have taken place during the period.

This guidance has been adopted as of January 1, 2020. Financial instruments measured at fair value are not within the scope of this guidance. Consequently, the adoption of ASU 2016-13 did not result in a cumulative-effect adjustment in retained earnings and did not have a material impact to KKR.

***Goodwill***

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. This guidance simplifies the accounting for goodwill impairments by eliminating the second step from the goodwill impairment test. The ASU requires goodwill impairments to be measured on the basis of the fair value of a reporting unit relative to the reporting unit's carrying amount rather than on the basis of the implied amount of goodwill relative to the goodwill balance of the reporting unit. The ASU also (i) clarifies the requirements for excluding and allocating foreign currency translation adjustments to reporting units related to an entity's testing of reporting units for goodwill impairment and (ii) clarifies that an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. This guidance has been adopted as of January 1, 2020 and this guidance will impact KKR's accounting for any future goodwill impairments.

***Implementation Costs Incurred in a Cloud Computing Arrangement***

In August 2018, the FASB issued ASU No. 2018-15, which addresses a customer's accounting for implementation costs incurred in a cloud computing arrangement ("CCA") that is a service contract. The ASU aligns the accounting for costs incurred to implement a CCA that is a service arrangement with the guidance on capitalizing costs associated with developing or obtaining internal-use software. This guidance has been adopted as of January 1, 2020, on a prospective basis, and the impact to KKR was not material.

***Effective on January 1, 2021 and Thereafter******Simplifying the Accounting for Income Taxes***

On December 18, 2019, the FASB issued ASU No. 2019-12, which modifies ASC 740 to simplify the accounting for income taxes. The ASU, among other changes, (i) provides a policy election to not allocate consolidated income taxes when a member of a consolidated tax return is not subject to income tax and (ii) provides guidance to evaluate whether a step-up in tax basis of goodwill relates to a business combination in which book goodwill was recognized or a separate transaction. The guidance is effective for fiscal periods beginning after December 15, 2020. KKR is currently evaluating the impact of this guidance on the financial statements.

***Facilitation of the Effects of Reference Rate Reform on Financial Reporting***

On March 12, 2020, the FASB issued ASU No. 2020-04, which provides temporary optional expedients and exceptions to the guidance in GAAP on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. The temporary optional expedients and exceptions can be elected through December 31, 2022. For the quarter ended March 31, 2020, KKR has not elected to apply the temporary optional expedients and exceptions and will be reevaluating the application each quarter.

**Notes to Financial Statements (Continued)**
**3. NET GAINS (LOSSES) FROM INVESTMENT ACTIVITIES**

Net Gains (Losses) from Investment Activities in the consolidated statements of operations consist primarily of the realized and unrealized gains and losses on investments (including foreign exchange gains and losses attributable to foreign denominated investments and related activities) and other financial instruments, including those for which the fair value option has been elected. Unrealized gains or losses result from changes in the fair value of these investments and other financial instruments during a period. Upon disposition of an investment or financial instrument, previously recognized unrealized gains or losses are reversed and an offsetting realized gain or loss is recognized in the current period.

The following table summarizes total Net Gains (Losses) from Investment Activities:

	Three Months Ended March 31, 2020			Three Months Ended March 31, 2019		
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total
Private Equity <sup>(1)</sup>	\$ —	\$ (1,282,404)	\$ (1,282,404)	\$ 68,568	\$ 919,625	\$ 988,193
Credit <sup>(1)</sup>	(40,697)	(905,607)	(946,304)	(17,876)	8,669	(9,207)
Investments of Consolidated CFEs <sup>(1)</sup>	(40,852)	(2,112,541)	(2,153,393)	(10,530)	233,357	222,827
Real Assets <sup>(1)</sup>	53,363	(851,015)	(797,652)	29,547	89,581	119,128
Equity Method - Other <sup>(1)</sup>	4,405	(445,023)	(440,618)	20,133	156,906	177,039
Other Investments <sup>(1)</sup>	(11,453)	(667,719)	(679,172)	1,450	(30,361)	(28,911)
Foreign Exchange Forward Contracts and Options <sup>(2)</sup>	83,239	331,051	414,290	25,454	54,789	80,243
Securities Sold Short <sup>(2)</sup>	14,655	21,523	36,178	14,426	(80,772)	(66,346)
Other Derivatives <sup>(2)</sup>	(226)	811	585	1,465	(13,405)	(11,940)
Debt Obligations and Other <sup>(3)</sup>	941	1,903,045	1,903,986	(2,856)	(264,292)	(267,148)
<b>Net Gains (Losses) From Investment Activities</b>	<b>\$ 63,375</b>	<b>\$ (4,007,879)</b>	<b>\$ (3,944,504)</b>	<b>\$ 129,781</b>	<b>\$ 1,074,097</b>	<b>\$ 1,203,878</b>

(1) See Note 4 "Investments."

(2) See Note 8 "Other Assets and Accounts Payable, Accrued Expenses and Other Liabilities."

(3) See Note 10 "Debt Obligations."

**4. INVESTMENTS**

Investments consist of the following:

	March 31, 2020	December 31, 2019
Private Equity	\$ 11,790,896	\$ 12,923,600
Credit	10,616,260	10,538,139
Investments of Consolidated CFEs	13,327,186	14,948,237
Real Assets	2,727,991	3,567,944
Equity Method - Other	4,438,206	4,846,949
Equity Method - Capital Allocation-Based Income	3,608,812	5,329,368
Other Investments	2,091,776	2,782,031
<b>Total Investments</b>	<b>\$ 48,601,127</b>	<b>\$ 54,936,268</b>

As of March 31, 2020 and December 31, 2019, there were no investments which represented greater than 5% of total investments. The majority of the securities underlying private equity investments represent equity securities.

**Notes to Financial Statements (Continued)**
**5. FAIR VALUE MEASUREMENTS**

The following tables summarize the valuation of assets and liabilities measured and reported at fair value by the fair value hierarchy. Investments classified as Equity Method - Other, for which the fair value option has not been elected, and Equity Method - Capital Allocation-Based Income have been excluded from the tables below.

**Assets, at fair value:**

	March 31, 2020			
	Level I	Level II	Level III	Total
Private Equity	\$ 1,159,820	\$ 1,281,628	\$ 9,349,448	\$ 11,790,896
Credit	—	1,611,295	9,004,965	10,616,260
Investments of Consolidated CFEs	—	13,327,186	—	13,327,186
Real Assets	—	—	2,727,991	2,727,991
Equity Method - Other	134,562	47,784	1,352,346	1,534,692
Other Investments	210,971	203,188	1,677,617	2,091,776
<b>Total Investments</b>	<b>1,505,353</b>	<b>16,471,081</b>	<b>24,112,367</b>	<b>42,088,801</b>
Foreign Exchange Contracts and Options	—	518,901	—	518,901
Other Derivatives	—	3,243	44,368 <sup>(1)</sup>	47,611
<b>Total Assets</b>	<b>\$ 1,505,353</b>	<b>\$ 16,993,225</b>	<b>\$ 24,156,735</b>	<b>\$ 42,655,313</b>

	December 31, 2019			
	Level I	Level II	Level III	Total
Private Equity	\$ 1,393,654	\$ 1,658,264	\$ 9,871,682	\$ 12,923,600
Credit	—	1,320,380	9,217,759	10,538,139
Investments of Consolidated CFEs	—	14,948,237	—	14,948,237
Real Assets	—	—	3,567,944	3,567,944
Equity Method - Other	228,999	49,511	1,656,045	1,934,555
Other Investments	431,084	196,192	2,154,755	2,782,031
<b>Total Investments</b>	<b>2,053,737</b>	<b>18,172,584</b>	<b>26,468,185</b>	<b>46,694,506</b>
Foreign Exchange Contracts and Options	—	188,572	—	188,572
Other Derivatives	—	1,333	21,806 <sup>(1)</sup>	23,139
<b>Total Assets</b>	<b>\$ 2,053,737</b>	<b>\$ 18,362,489</b>	<b>\$ 26,489,991</b>	<b>\$ 46,906,217</b>

(1) Includes derivative assets that were valued using a third-party valuation firm. The approach used to estimate the fair value of these derivative assets was generally the discounted cash flow method, which includes consideration of the current portfolio, projected portfolio construction, projected portfolio realizations, portfolio volatility (based on the volatility, correlation, and size of each underlying asset class), and the discounting of future cash flows to the reporting date.



**Notes to Financial Statements (Continued)**
**Liabilities, at fair value:**

	March 31, 2020			
	Level I	Level II	Level III	Total
Securities Sold Short	\$ 115,984	\$ —	\$ —	\$ 115,984
Foreign Exchange Contracts and Options	—	20,258	—	20,258
Unfunded Revolver Commitments	—	—	70,597 <sup>(1)</sup>	70,597
Other Derivatives	—	60,460	—	60,460
Debt Obligations of Consolidated CFEs	—	13,130,703	—	13,130,703
<b>Total Liabilities</b>	<b>\$ 115,984</b>	<b>\$ 13,211,421</b>	<b>\$ 70,597</b>	<b>\$ 13,398,002</b>

	December 31, 2019			
	Level I	Level II	Level III	Total
Securities Sold Short	\$ 251,223	\$ —	\$ —	\$ 251,223
Foreign Exchange Contracts and Options	—	39,364	—	39,364
Unfunded Revolver Commitments	—	—	75,842 <sup>(1)</sup>	75,842
Other Derivatives	—	34,174	—	34,174
Debt Obligations of Consolidated CFEs	—	14,658,137	—	14,658,137
<b>Total Liabilities</b>	<b>\$ 251,223</b>	<b>\$ 14,731,675</b>	<b>\$ 75,842</b>	<b>\$ 15,058,740</b>

(1) These unfunded revolver commitments are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.

The following tables summarize changes in investments and debt obligations measured and reported at fair value for which Level III inputs have been used to determine fair value for the three months ended March 31, 2020 and 2019, respectively:

	Three Months Ended March 31, 2020					
	Level III Investments					
	Private Equity	Credit	Real Assets	Equity Method - Other	Other Investments	Total
Balance, Beg. of Period	\$ 9,871,682	\$ 9,217,759	\$ 3,567,944	\$ 1,656,045	\$ 2,154,755	\$ 26,468,185
Transfers In / (Out) Due to Changes in Consolidation	—	—	—	—	—	—
Transfers In	—	—	—	—	—	—
Transfers Out	—	—	—	—	—	—
Asset Purchases / Debt Issuances	114,099	1,227,138	168,640	2,098	87,224	1,599,199
Sales / Paydowns	—	(620,645)	(210,941)	—	(26,782)	(858,368)
Settlements	—	(39,473)	—	—	—	(39,473)
Net Realized Gains (Losses)	—	(20,450)	53,363	—	(9,057)	23,856
Net Unrealized Gains (Losses)	(636,333)	(737,333)	(851,015)	(305,797)	(528,523)	(3,059,001)
Change in Other Comprehensive Income	—	(22,031)	—	—	—	(22,031)
<b>Balance, End of Period</b>	<b>\$ 9,349,448</b>	<b>\$ 9,004,965</b>	<b>\$ 2,727,991</b>	<b>\$ 1,352,346</b>	<b>\$ 1,677,617</b>	<b>\$ 24,112,367</b>
Changes in Net Unrealized Gains (Losses) Included in Net Gains (Losses) from Investment Activities related to Level III Assets and Liabilities still held as of the Reporting Date	\$ (636,333)	\$ (750,837)	\$ (844,905)	\$ (305,797)	\$ (528,523)	\$ (3,066,395)

**Notes to Financial Statements (Continued)**
**Three Months Ended March 31, 2019**

	Level III Investments							Level III Debt Obligations
	Private Equity	Credit	Investments of Consolidated CFEs	Real Assets	Equity Method - Other	Other Investments	Total	Debt Obligations of Consolidated CFEs
Balance, Beg. of Period	\$ 6,128,583	\$ 6,764,730	\$ 2,082,545	\$ 3,157,954	\$ 1,503,022	\$ 2,116,586	\$ 21,753,420	\$ 1,876,783
Transfers In / (Out) Due to Changes in Consolidation	—	(1,598)	—	—	—	(42,864)	(44,462)	—
Transfers In	—	—	—	—	—	—	—	—
Transfers Out	(56,029)	—	—	—	—	—	(56,029)	—
Asset Purchases / Debt Issuances	409,621	811,957	—	67,302	137,909	95,135	1,521,924	—
Sales / Paydowns	(99,603)	(1,028,063)	(38,295)	(130,571)	(41,126)	(27,433)	(1,365,091)	—
Settlements	—	20,815	—	—	—	—	20,815	(2,731)
Net Realized Gains (Losses)	68,568	(15,198)	—	29,547	11,626	2,121	96,664	—
Net Unrealized Gains (Losses)	380,406	(24,806)	39,485	89,581	38,748	(79,595)	443,819	40,519
Change in Other Comprehensive Income	—	2,642	—	—	—	—	2,642	—
Balance, End of Period	<u>\$ 6,831,546</u>	<u>\$ 6,530,479</u>	<u>\$ 2,083,735</u>	<u>\$ 3,213,813</u>	<u>\$ 1,650,179</u>	<u>\$ 2,063,950</u>	<u>\$ 22,373,702</u>	<u>\$ 1,914,571</u>
Changes in Net Unrealized Gains (Losses) Included in Net Gains (Losses) from Investment Activities related to Level III Assets and Liabilities still held as of the Reporting Date	<u>\$ 442,672</u>	<u>\$ (31,282)</u>	<u>\$ 39,485</u>	<u>\$ 92,900</u>	<u>\$ 49,140</u>	<u>\$ (79,347)</u>	<u>\$ 513,568</u>	<u>\$ 40,519</u>

**Notes to Financial Statements (Continued)**

Total realized and unrealized gains and losses recorded for Level III assets and liabilities are reported in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations.

The following table presents additional information about valuation methodologies and significant unobservable inputs used for investments that are measured and reported at fair value and categorized within Level III as of March 31, 2020:

	Fair Value March 31, 2020	Valuation Methodologies	Unobservable Input(s) <sup>(1)</sup>	Weighted Average <sup>(2)</sup>	Range	Impact to Valuation from an Increase in Input <sup>(3)</sup>
<b>Private Equity</b>	<b>\$ 9,349,448</b>					
<i>Private Equity</i>	<i>\$ 7,190,415</i>	Inputs to market comparables, discounted cash flow and transaction price  Market comparables  Discounted cash flow	Illiquidity Discount	6.7%	5.0% - 15.0%	Decrease
			Weight Ascribed to Market Comparables	29.0%	0.0% - 100.0%	(4)
			Weight Ascribed to Discounted Cash Flow	68.8%	0.0% - 100.0%	(5)
			Weight Ascribed to Transaction Price	2.2%	0.0% - 100.0%	(6)
			Enterprise Value/LTM EBITDA Multiple	12.6x	5.5x - 20.6x	Increase
			Enterprise Value/Forward EBITDA Multiple	13.8x	5.0x - 23.4x	Increase
			Weighted Average Cost of Capital	9.7%	6.2% - 15.9%	Decrease
			Enterprise Value/LTM EBITDA Exit Multiple	12.6x	6.0x - 15.0x	Increase
<i>Growth Equity</i>	<i>\$ 2,159,033</i>	Inputs to market comparables, discounted cash flow and milestones  Scenario Weighting	Illiquidity Discount	14.0%	10.0% - 40.0%	Decrease
			Weight Ascribed to Market Comparables	39.3%	0.0% - 100.0%	(4)
			Weight Ascribed to Discounted Cash Flow	0.2%	0.0% - 50.0%	(5)
			Weight Ascribed to Milestones	60.5%	0.0% - 100.0%	(6)
			Base	60.6%	33.3% - 70.0%	Increase
			Downside	13.6%	5.0% - 45.0%	Decrease
			Upside	25.8%	5.0% - 45.0%	Increase
<b>Credit</b>	<b>\$ 9,004,965</b>	Yield Analysis	Yield	5.9%	4.8% - 32.5%	Decrease
			Net Leverage	5.5x	0.6x - 14.9x	Decrease
			EBITDA Multiple	9.6x	0.1x - 24.0x	Increase
<b>Real Assets</b>	<b>\$ 2,727,991 <sup>(9)</sup></b>					
<i>Energy</i>	<i>\$ 1,083,195</i>	Discounted cash flow	Weighted Average Cost of Capital	11.8%	9.3% - 15.3%	Decrease
			Average Price Per BOE (8)	\$33.66	\$21.08 - \$37.51	Increase
<i>Real Estate</i>	<i>\$ 1,477,470</i>	Inputs to direct income capitalization and discounted cash flow  Direct income capitalization  Discounted cash flow	Weight Ascribed to Direct Income Capitalization	30.1%	0.0% - 100.0%	(7)
			Weight Ascribed to Discounted Cash Flow	69.9%	0.0% - 100.0%	(5)
			Current Capitalization Rate	5.8%	4.3% - 7.9%	Decrease
			Unlevered Discount Rate	7.6%	4.9% - 18.0%	Decrease
<b>Equity Method - Other</b>	<b>\$ 1,352,346</b>	Inputs to market comparables, discounted cash flow and transaction price  Market comparables  Discounted cash flow	Illiquidity Discount	10.1%	5.0% - 15.0%	Decrease
			Weight Ascribed to Market Comparables	46.6%	0.0% - 100.0%	(4)
			Weight Ascribed to Discounted Cash Flow	45.0%	0.0% - 100.0%	(5)
			Weight Ascribed to Transaction Price	8.4%	0.0% - 100.0%	(6)
			Enterprise Value/LTM EBITDA Multiple	11.1x	5.5x - 18.8x	Increase
			Enterprise Value/Forward EBITDA Multiple	12.2x	5.0x - 23.4x	Increase
			Weighted Average Cost of Capital	8.7%	5.5% - 14.3%	Decrease
			Enterprise Value/LTM EBITDA Exit Multiple	10.9x	6.0x - 18.0x	Increase
<b>Other Investments</b>	<b>\$ 1,677,617 <sup>(10)</sup></b>	Inputs to market comparables, discounted cash flow and transaction price  Market comparables	Illiquidity Discount	7.6%	0.0% - 20.0%	Decrease
			Weight Ascribed to Market Comparables	30.8%	0.0% - 100.0%	(4)
			Weight Ascribed to Discounted Cash Flow	39.7%	0.0% - 100.0%	(5)
			Weight Ascribed to Transaction Price	29.5%	0.0% - 100.0%	(6)
			Enterprise Value/LTM EBITDA Multiple	9.2x	1.2x - 24.0x	Increase
			Enterprise Value/Forward EBITDA Multiple	9.2x	3.7x - 11.0x	Increase

Discounted cash flow	Weighted Average Cost of Capital	13.6%	7.8% - 37.0%	Decrease
	Enterprise Value/LTM EBITDA Exit Multiple	9.1x	7.1x - 11.0x	Increase

**Notes to Financial Statements (Continued)**

- (1) In determining certain of these inputs, management evaluates a variety of factors including economic conditions, industry and market developments, market valuations of comparable companies and company specific developments including exit strategies and realization opportunities. Management has determined that market participants would take these inputs into account when valuing the investments and debt obligations. LTM means last twelve months and EBITDA means earnings before interest, taxes, depreciation and amortization.
- (2) Inputs were weighted based on the fair value of the investments included in the range.
- (3) Unless otherwise noted, this column represents the directional change in the fair value of the Level III investments that would result from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect. Significant increases and decreases in these inputs in isolation could result in significantly higher or lower fair value measurements.
- (4) The directional change from an increase in the weight ascribed to the market comparables approach would increase the fair value of the Level III investments if the market comparables approach results in a higher valuation than the discounted cash flow approach and transaction price. The opposite would be true if the market comparables approach results in a lower valuation than the discounted cash flow approach and transaction price.
- (5) The directional change from an increase in the weight ascribed to the discounted cash flow approach would increase the fair value of the Level III investments if the discounted cash flow approach results in a higher valuation than the market comparables approach, transaction price and direct income capitalization approach. The opposite would be true if the discounted cash flow approach results in a lower valuation than the market comparables approach, transaction price and direct income capitalization approach.
- (6) The directional change from an increase in the weight ascribed to the transaction price or milestones would increase the fair value of the Level III investments if the transaction price or milestones results in a higher valuation than the market comparables and discounted cash flow approach. The opposite would be true if the transaction price or milestones results in a lower valuation than the market comparables approach and discounted cash flow approach.
- (7) The directional change from an increase in the weight ascribed to the direct income capitalization approach would increase the fair value of the Level III investments if the direct income capitalization approach results in a higher valuation than the discounted cash flow approach. The opposite would be true if the direct income capitalization approach results in a lower valuation than the discounted cash flow approach.
- (8) The total energy fair value amount includes multiple investments (in multiple locations throughout North America) that are held in multiple investment funds and produce varying quantities of oil, condensate, natural gas liquids, and natural gas. Commodity price may be measured using a common volumetric equivalent where one barrel of oil equivalent ("BOE"), is determined using the ratio of six thousand cubic feet of natural gas to one barrel of oil, condensate or natural gas liquids. The price per BOE is provided to show the aggregate of all price inputs for the various investments over a common volumetric equivalent although the valuations for specific investments may use price inputs specific to the asset for purposes of our valuations. The discounted cash flows include forecasted production of liquids (oil, condensate, and natural gas liquids) and natural gas with a forecasted revenue ratio of approximately 88% liquids and 12% natural gas.
- (9) Includes one Infrastructure investment for \$167.3 million that was valued using a market comparables and discounted cash flow analysis; weights ascribed were 25% and 75%, respectively. The significant inputs used in the market comparables approach included the Forward EBITDA multiple 9.9x. The significant inputs used in the discounted cash flow approach included the weighted average cost of capital 8.8% and the enterprise value/LTM EBITDA exit multiple 10.0x.
- (10) Consists primarily of investments in common stock, preferred stock, warrants and options of companies that are not private equity, real assets, credit, equity method - other or investments of consolidated CFEs.

In the table above, certain private equity investments may be valued at cost for a period of time after an acquisition as the best indicator of fair value. In addition, certain valuations of private equity investments may be entirely or partially derived by reference to observable valuation measures for a pending or consummated transaction.

The various unobservable inputs used to determine the Level III valuations may have similar or diverging impacts on valuation. Significant increases and decreases in these inputs in isolation and interrelationships between those inputs could result in significantly higher or lower fair value measurements as noted in the table above.

**Notes to Financial Statements (Continued)**
**6. FAIR VALUE OPTION**

The following table summarizes the financial instruments for which the fair value option has been elected:

	March 31, 2020	December 31, 2019
<b>Assets</b>		
Private Equity	\$ —	\$ —
Credit	6,951,370	6,451,765
Investments of Consolidated CFEs	13,327,186	14,948,237
Real Assets	181,257	222,488
Equity Method - Other	1,534,692	1,934,555
Other Investments	380,744	395,637
<b>Total</b>	<b>\$ 22,375,249</b>	<b>\$ 23,952,682</b>
<b>Liabilities</b>		
Debt Obligations of Consolidated CFEs	\$ 13,130,703	\$ 14,658,137
<b>Total</b>	<b>\$ 13,130,703</b>	<b>\$ 14,658,137</b>

The following table presents the net realized and unrealized gains (losses) on financial instruments for which the fair value option was elected:

	Three Months Ended March 31, 2020			Three Months Ended March 31, 2019		
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total
<b>Assets</b>						
Private Equity	\$ —	\$ —	\$ —	\$ —	\$ 194	\$ 194
Credit	(25,855)	(188,408)	(214,263)	(23,153)	20,942	(2,211)
Investments of Consolidated CFEs	(40,852)	(2,112,541)	(2,153,393)	(10,530)	233,357	222,827
Real Assets	—	(46,098)	(46,098)	703	2,436	3,139
Equity Method - Other	—	(412,218)	(412,218)	11,626	17,084	28,710
Other Investments	(5,934)	(6,117)	(12,051)	1,794	3,987	5,781
<b>Total</b>	<b>\$ (72,641)</b>	<b>\$ (2,765,382)</b>	<b>\$ (2,838,023)</b>	<b>\$ (19,560)</b>	<b>\$ 278,000</b>	<b>\$ 258,440</b>
<b>Liabilities</b>						
Debt Obligations of Consolidated CFEs	\$ —	\$ 1,904,492	\$ 1,904,492	\$ —	\$ (252,281)	\$ (252,281)
<b>Total</b>	<b>\$ —</b>	<b>\$ 1,904,492</b>	<b>\$ 1,904,492</b>	<b>\$ —</b>	<b>\$ (252,281)</b>	<b>\$ (252,281)</b>

## Notes to Financial Statements (Continued)

## 7. NET INCOME (LOSS) ATTRIBUTABLE TO KKR &amp; CO. INC. PER SHARE OF CLASS A COMMON STOCK

For the three months ended March 31, 2020 and 2019, basic and diluted Net Income (Loss) attributable to KKR & Co. Inc. per share of Class A common stock were calculated as follows:

	Three Months Ended March 31,	
	2020	2019
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	\$ (1,288,865)	\$ 700,978
<b>Basic Net Income (Loss) Per Share of Class A Common Stock</b>		
Weighted Average Shares of Class A Common Stock Outstanding - Basic	559,149,821	533,892,474
<b>Net Income (Loss) Attributable to KKR &amp; Co. Inc. Per Share of Class A Common Stock - Basic</b>	<b>\$ (2.31)</b>	<b>\$ 1.31</b>
<b>Diluted Net Income (Loss) Per Share of Class A Common Stock</b>		
Weighted Average Shares of Class A Common Stock Outstanding - Basic	559,149,821	533,892,474
Weighted Average Unvested Shares of Class A Common Stock	—	16,153,966
Weighted Average Shares of Class A Common Stock Outstanding - Diluted	559,149,821	550,046,440
<b>Net Income (Loss) Attributable to KKR &amp; Co. Inc. Per Share of Class A Common Stock - Diluted</b>	<b>\$ (2.31)</b>	<b>\$ 1.27</b>

Weighted Average Shares of Class A Common Stock Outstanding - Diluted primarily includes unvested equity awards that have been granted under the Amended and Restated KKR & Co. Inc. 2010 Equity Incentive Plan (the "2010 Equity Incentive Plan") and the KKR & Co. Inc. 2019 Equity Incentive Plan (the "2019 Equity Incentive Plan" and, together with the 2010 Equity Incentive Plan, the "Equity Incentive Plans"). Vesting of these equity interests dilute KKR & Co. Inc. and KKR Holdings pro rata in accordance with their respective ownership interests in KKR Group Partnership.

For the three months ended March 31, 2020, unvested shares of Class A common stock are excluded from the calculation of Diluted Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock because inclusion of such unvested shares of Class A common stock would be anti-dilutive having the effect of decreasing the loss per share of Class A common stock.

For the three months ended March 31, 2020 and 2019, KKR Holdings units have been excluded from the calculation of Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock - Diluted since the exchange of these units would not dilute KKR's respective ownership interests in KKR Group Partnership.

	Three Months Ended March 31,	
	2020	2019
Weighted Average KKR Holdings Units	288,322,053	298,858,418

Additionally, for the three months ended March 31, 2020 and 2019, 5.0 million shares of KKR Class A common stock subject to a market price-based vesting condition were excluded from the calculation of Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock - Diluted since the vesting conditions have not been satisfied. See Note 12 "Equity Based Compensation."

## Notes to Financial Statements (Continued)

## 8. OTHER ASSETS AND ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

Other Assets consist of the following:

	March 31, 2020	December 31, 2019
Unsettled Investment Sales <sup>(1)</sup>	\$ 116,886	\$ 86,033
Receivables	38,820	26,893
Due from Broker <sup>(2)</sup>	97,863	65,154
Oil & Gas Assets, net <sup>(3)</sup>	210,542	215,243
Deferred Tax Assets, net	582,039	158,574
Interest Receivable	152,369	156,026
Fixed Assets, net <sup>(4)</sup>	670,641	633,025
Foreign Exchange Contracts and Options <sup>(5)</sup>	518,901	188,572
Goodwill <sup>(6)</sup>	83,500	83,500
Derivative Assets	47,611	23,139
Prepaid Taxes	56,589	84,462
Prepaid Expenses	17,832	14,596
Operating Lease Right of Use Assets <sup>(7)</sup>	110,438	121,101
Deferred Financing Costs	14,506	12,374
Other	158,884	139,544
<b>Total</b>	<b>\$ 2,877,421</b>	<b>\$ 2,008,236</b>

(1) Represents amounts due from third parties for investments sold for which cash settlement has not occurred.

(2) Represents amounts held at clearing brokers resulting from securities transactions.

(3) Includes proved and unproved oil and natural gas properties under the successful efforts method of accounting, which is net of impairment write-downs, accumulated depreciation, depletion and amortization. Depreciation, depletion and amortization of \$6.9 million and \$13.8 million for the three months ended March 31, 2020 and 2019, respectively, are included in General, Administrative and Other in the accompanying consolidated statements of operations.

(4) Net of accumulated depreciation and amortization of \$137.0 million and \$132.7 million as of March 31, 2020 and December 31, 2019, respectively. Depreciation and amortization expense of \$4.8 million and \$4.4 million for the three months ended March 31, 2020 and 2019, respectively, are included in General, Administrative and Other in the accompanying consolidated statements of operations.

(5) Represents derivative financial instruments used to manage foreign exchange risk arising from certain foreign currency denominated investments. Such instruments are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. See Note 3 "Net Gains (Losses) from Investment Activities" for the net changes in fair value associated with these instruments.

(6) As of March 31, 2020, the carrying value of goodwill is recorded and assessed for impairment at the reporting unit.

(7) KKR's non-cancelable operating leases consist of leases for office space in North America, Europe, Asia and Australia. KKR is the lessee under the terms of the operating leases. For the three months ended March 31, 2020 and 2019, the operating lease cost was \$12.8 million and \$11.8 million, respectively.



**Notes to Financial Statements (Continued)**

Accounts Payable, Accrued Expenses and Other Liabilities consist of the following:

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Amounts Payable to Carry Pool <sup>(1)</sup>	\$ 773,151	\$ 1,448,879
Unsettled Investment Purchases <sup>(2)</sup>	659,361	481,337
Securities Sold Short <sup>(3)</sup>	115,984	251,223
Derivative Liabilities	60,460	34,174
Accrued Compensation and Benefits	210,294	131,719
Interest Payable	210,868	234,165
Foreign Exchange Contracts and Options <sup>(4)</sup>	20,258	39,364
Accounts Payable and Accrued Expenses	108,813	118,454
Taxes Payable	16,374	32,682
Uncertain Tax Positions	66,423	65,716
Unfunded Revolver Commitments	70,597	75,842
Operating Lease Liabilities <sup>(5)</sup>	113,680	125,086
Other Liabilities	57,681	58,922
<b>Total</b>	<b>\$ 2,483,944</b>	<b>\$ 3,097,563</b>

- (1) Represents the amount of carried interest payable to current and former KKR employees with respect to KKR's active funds and co-investment vehicles that provide for carried interest.
- (2) Represents amounts owed to third parties for investment purchases for which cash settlement has not occurred.
- (3) Represents the obligations of KKR to deliver a specified security at a future point in time. Such securities are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. See Note 3 "Net Gains (Losses) from Investment Activities" for the net changes in fair value associated with these instruments.
- (4) Represents derivative financial instruments used to manage foreign exchange risk arising from certain foreign currency denominated investments. Such instruments are measured at fair value with changes in fair value recorded in Net Gains (Losses) from Investment Activities in the accompanying consolidated statements of operations. See Note 3 "Net Gains (Losses) from Investment Activities" for the net changes in fair value associated with these instruments.
- (5) KKR's operating leases have remaining lease terms that range from approximately one year to 13 years, some of which include options to extend the leases for up to three years. The weighted average remaining lease terms were 4.61 years and 4.46 years as of March 31, 2020 and December 31, 2019, respectively. The weighted average discount rates were 2.50% and 2.53% as of March 31, 2020 and December 31, 2019, respectively.

**9. VARIABLE INTEREST ENTITIES*****Consolidated VIEs***

KKR consolidates certain VIEs in which it is determined that KKR is the primary beneficiary as described in Note 2 "Summary of Significant Accounting Policies". The consolidated VIEs are predominately CFEs and certain investment funds sponsored by KKR.

The primary purpose of these VIEs is to provide strategy specific investment opportunities to earn investment gains, current income or both in exchange for management and performance based fees or carried interest. KKR's investment strategies differ for these VIEs; however, the fundamental risks have similar characteristics, including loss of invested capital and loss of management and performance based fees or carried interest. KKR does not provide performance guarantees and has no other financial obligation to provide funding to these consolidated VIEs, beyond amounts previously committed, if any.

***Unconsolidated VIEs***

KKR holds variable interests in certain VIEs which are not consolidated as it has been determined that KKR is not the primary beneficiary. VIEs that are not consolidated predominantly include certain investment funds sponsored by KKR.

KKR's investment strategies differ by investment fund; however, the fundamental risks have similar characteristics, including loss of invested capital and loss of management and performance based fees or carried interest. KKR's maximum exposure to loss as a result of its investments in the unconsolidated investment funds is the carrying value of such investments, including KKR's capital interest and any unrealized carried interest. Accordingly, disaggregation of KKR's involvement by type of unconsolidated investment fund would not provide more useful information. For these unconsolidated investment funds in which KKR is the sponsor, KKR may have an obligation as general partner to provide commitments to such investment funds. As of March 31, 2020, KKR's commitments to these unconsolidated investment funds was \$3.9 billion. KKR has not provided any financial support other than its obligated amount as of March 31, 2020.

As of March 31, 2020 and December 31, 2019, the maximum exposure to loss, before allocations to the carry pool and noncontrolling interests, if any, for those VIEs in which KKR is determined not to be the primary beneficiary but in which it has a variable interest is as follows:

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Investments	\$ 3,608,812	\$ 5,329,368
Due from (to) Affiliates, net	615,316	439,374
Maximum Exposure to Loss	<b>\$ 4,224,128</b>	<b>\$ 5,768,742</b>

**Notes to Financial Statements (Continued)**
**10. DEBT OBLIGATIONS**

KKR enters into credit agreements and issues debt for its general operating and investment purposes.

KKR consolidates and reports debt obligations of KKR Financial Holdings LLC ("KFN"), which are non-recourse to KKR beyond the assets of KFN.

Certain of KKR's consolidated investment funds borrow to meet financing needs of their operating and investing activities. Fund financing facilities have been established for the benefit of certain investment funds. When an investment fund borrows from the facility in which it participates, the proceeds from the borrowings are limited for their intended use by the borrowing investment fund. KKR's obligations with respect to these financing arrangements are generally limited to KKR's pro rata equity interest in such investment funds.

In certain other cases, KKR has majority-owned consolidated investment vehicles that make investments and purchase other assets with borrowings that are collateralized only by the investments and assets they own.

In addition, consolidated CFE vehicles issue debt securities to third-party investors which are collateralized by assets held by the CFE vehicle. Debt securities issued by CFEs are supported solely by the assets held at the CFEs and are not collateralized by assets of any other KKR entity. CFEs also may have warehouse facilities with banks to provide liquidity to the CFE. The CFE's debt obligations are non-recourse to KKR beyond the assets of the CFE.

KKR's borrowings consisted of the following:

	March 31, 2020			December 31, 2019		
	Financing Available	Borrowing Outstanding	Fair Value	Financing Available	Borrowing Outstanding	Fair Value
<b>Revolving Credit Facilities:</b>						
Corporate Credit Agreement	\$ 1,000,000	\$ —	\$ —	\$ 1,000,000	\$ —	\$ —
KCM Credit Agreement	451,310	—	—	444,904	—	—
KCM 364-Day Revolving Credit Agreement	750,000	—	—	750,000	—	—
<b>Notes Issued:</b>						
KKR Issued 5.500% Notes Due 2043 <sup>(1)</sup>	—	492,259	547,315 <sup>(13)</sup>	—	492,175	613,415 <sup>(13)</sup>
KKR Issued 5.125% Notes Due 2044 <sup>(2)</sup>	—	991,197	1,062,850 <sup>(13)</sup>	—	991,106	1,186,670 <sup>(13)</sup>
KKR Issued 0.509% Notes Due 2023 <sup>(3)</sup>	—	230,856	230,765 <sup>(13)</sup>	—	228,280	228,026 <sup>(13)</sup>
KKR Issued 0.764% Notes Due 2025 <sup>(4)</sup>	—	45,783	46,467 <sup>(13)</sup>	—	45,255	45,856 <sup>(13)</sup>
KKR Issued 1.595% Notes Due 2038 <sup>(5)</sup>	—	94,371	101,174 <sup>(13)</sup>	—	93,325	98,524 <sup>(13)</sup>
KKR Issued 1.625% Notes Due 2029 <sup>(6)</sup>	—	709,563	684,035 <sup>(14)</sup>	—	718,478	758,903 <sup>(14)</sup>
KKR Issued 3.750% Notes Due 2029 <sup>(7)</sup>	—	494,121	507,705 <sup>(13)</sup>	—	493,962	533,505 <sup>(13)</sup>
KKR Issued 3.625% Notes Due 2050 <sup>(8)</sup>	—	491,921	414,935 <sup>(13)</sup>	—	—	—
KFN Issued 5.500% Notes Due 2032 <sup>(9)</sup>	—	494,175	489,490	—	494,054	504,807
KFN Issued 5.200% Notes Due 2033 <sup>(10)</sup>	—	118,442	114,100	—	118,411	117,834
KFN Issued 5.400% Notes Due 2033 <sup>(11)</sup>	—	68,797	67,791	—	68,774	70,059
KFN Issued Junior Subordinated Notes <sup>(12)</sup>	—	233,805	149,586	—	233,473	185,485
	2,201,310	4,465,290	4,416,213	2,194,904	3,977,293	4,343,084
Other Debt Obligations	3,925,654	21,800,091	21,765,582	3,865,495	23,035,991	23,035,991
	<u>\$ 6,126,964</u>	<u>\$ 26,265,381</u>	<u>\$ 26,181,795</u>	<u>\$ 6,060,399</u>	<u>\$ 27,013,284</u>	<u>\$ 27,379,075</u>

(1) \$500 million aggregate principal amount of 5.500% senior notes of KKR due 2043. Borrowing outstanding is presented net of (i) unamortized note discount and (ii) unamortized debt issuance costs of \$3.4 million and \$3.4 million as of March 31, 2020 and December 31, 2019, respectively.

(2) \$1.0 billion aggregate principal amount of 5.125% senior notes of KKR due 2044. Borrowing outstanding is presented net of (i) unamortized note discount (net of premium) and (ii) unamortized debt issuance costs of \$7.6 million and \$7.7 million as of March 31, 2020 and December 31, 2019, respectively.

(3) ¥25 billion (or \$231.8 million) aggregate principal amount of 0.509% senior notes of KKR due 2023. Borrowing outstanding is presented net of unamortized debt issuance costs of \$0.9 million and \$1.0 million as of March 31, 2020 and December 31, 2019, respectively. These senior notes are denominated in Japanese Yen ("JPY").

**Notes to Financial Statements (Continued)**

- (4) ¥5.0 billion (or \$46.4 million) aggregate principal amount of 0.764% senior notes of KKR due 2025. Borrowing outstanding is presented net of unamortized debt issuance costs of \$0.6 million and \$0.6 million as of March 31, 2020 and December 31, 2019, respectively. These senior notes are denominated in JPY.
- (5) ¥10.3 billion (or \$95.5 million) aggregate principal amount of 1.595% senior notes of KKR due 2038. Borrowing outstanding is presented net of unamortized debt issuance costs of \$1.1 million and \$1.1 million as of March 31, 2020 and December 31, 2019, respectively. These senior notes are denominated in JPY.
- (6) €650 million (or \$718.7 million) aggregate principal amount of 1.625% senior notes of KKR due 2029. Borrowing outstanding is presented net of (i) unamortized note discount and (ii) unamortized debt issuance costs of \$6.1 million and \$6.3 million as of March 31, 2020 and December 31, 2019, respectively. These senior notes are denominated in euro.
- (7) \$500 million aggregate principal amount of 3.750% senior notes of KKR due 2029. Borrowing outstanding is presented net of (i) unamortized note discount and (ii) unamortized debt issuance costs of \$4.6 million and \$4.7 million as of March 31, 2020 and December 31, 2019, respectively.
- (8) \$500 million aggregate principal amount of 3.625% senior notes of KKR due 2050. Borrowing outstanding is presented net of (i) unamortized note discount and (ii) unamortized debt issuance costs of \$5.5 million as of March 31, 2020.
- (9) KKR consolidates KFN and thus reports KFN's outstanding \$500.0 million aggregate principal amount of 5.500% senior notes due 2032. Borrowing outstanding is presented net of (i) unamortized note discount and (ii) unamortized debt issuance costs of \$4.0 million and \$4.0 million as of March 31, 2020 and December 31, 2019, respectively. These debt obligations are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.
- (10) KKR consolidates KFN and thus reports KFN's outstanding \$120.0 million aggregate principal amount of 5.200% senior notes due 2033. Borrowing outstanding is presented net of unamortized debt issuance costs of \$1.6 million and \$1.6 million as of March 31, 2020 and December 31, 2019, respectively. These debt obligations are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.
- (11) KKR consolidates KFN and thus reports KFN's outstanding \$70.0 million aggregate principal amount of 5.400% senior notes due 2033. Borrowing outstanding is presented net of unamortized debt issuance costs of \$1.2 million and \$1.2 million as of March 31, 2020 and December 31, 2019, respectively. These debt obligations are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.
- (12) KKR consolidates KFN and thus reports KFN's outstanding \$258.5 million aggregate principal amount of junior subordinated notes. The weighted average interest rate is 4.2% and 4.4% and the weighted average years to maturity is 16.5 years and 16.8 years as of March 31, 2020 and December 31, 2019, respectively. These debt obligations are classified as Level III within the fair value hierarchy and valued using the same valuation methodologies as KKR's Level III credit investments.
- (13) The notes are classified as Level II within the fair value hierarchy and fair value is determined by third party broker quotes.
- (14) The notes are classified as Level I within the fair value hierarchy and fair value is determined by quoted prices in active markets since the debt is publicly listed.

**Revolving Credit Facilities***KCM Credit Agreement*

On March 20, 2020, KKR Capital Markets Holdings L.P. and certain other capital market subsidiaries (collectively, the “KCM Borrowers”) of KKR & Co. Inc. entered into a third amended and restated 5-year revolving credit agreement (the “KCM Credit Agreement”) with a major financial institution, as administrative agent, and the lenders party thereto. The KCM Credit Agreement provides for revolving borrowings of up to \$500 million with a \$500 million sublimit for letters of credit, expires on March 20, 2025 and ranks pari passu with the existing \$750 million 364-day revolving credit facility provided by them for KKR’s capital markets business. The prior second amended and restated 5-year revolving credit agreement, dated as of March 30, 2016, between the KCM Borrowers, the administrative agent, and the lenders party thereto, was terminated according to its terms on March 20, 2020 and replaced by the KCM Credit Agreement.

If a borrowing is made on the KCM Credit Agreement, the interest rate will vary depending on the type of drawdown requested. If the loan is a Eurocurrency loan, it will be based on LIBOR plus the applicable margin which ranges initially between 1.75% and 3.00%, depending on the amount and nature of the loan. If the loan is an ABR Loan, it will be based on the prime rate plus the applicable margin which ranges initially between 0.75% and 2.00% depending on the amount and nature of the loan. Borrowings under this facility may only be used for KKR’s capital markets business, and its only obligors are entities involved in KKR’s capital markets business, and its liabilities are non-recourse to other parts of KKR.

As of March 31, 2020, no amounts were outstanding under the KCM Credit Agreement; however various letters of credit were outstanding in the amount of \$48.7 million, which reduce the overall borrowing capacity of the KCM Credit Agreement.

The KCM Credit Agreement contains customary representations and warranties, events of default, and affirmative and negative covenants, including a financial covenant providing for a maximum debt to equity ratio for the KCM Borrowers. The KCM Borrowers’ obligations under the KCM Credit Agreement are secured by certain assets of the KCM Borrowers, including a pledge of equity interests of certain subsidiaries of the KCM Borrowers.

**Notes to Financial Statements (Continued)***KCM Short-Term Credit Agreement*

On April 10, 2020, the KCM Borrowers entered into a 364-day revolving credit agreement (the "KCM Short-Term Credit Agreement") with a major financial institution, as administrative agent, and the lenders party thereto. The KCM Short-Term Credit Agreement provides for revolving borrowings of up to \$750 million, expires on April 9, 2021, and ranks pari passu with the existing KCM Credit Agreement provided by them for KKR's capital markets business. The prior 364-day revolving credit agreement, dated as of June 27, 2019, between the KCM Borrowers and a major financial institution, as administrative agent, and the lenders party thereto, was terminated according to its terms on April 10, 2020 and replaced by the KCM Revolver Agreement.

If a borrowing is made under the KCM Short-Term Credit Agreement, the interest rate will vary depending on the type of drawdown requested. If the borrowing is a Eurocurrency loan, it will be based on a LIBOR rate plus an applicable margin ranging between 1.50% and 2.75%, depending on the duration of the loan. If the borrowing is an ABR loan, it will be based on a base rate plus an applicable margin ranging between 0.50% and 1.75%, depending on the duration of the loan. Borrowings under the KCM Short-Term Credit Agreement may only be used to facilitate the settlement of debt transactions syndicated by KKR's capital markets business. Obligations under the KCM Short-Term Credit Agreement are limited to the KCM Borrowers, which are solely entities involved in KKR's capital markets business, and liabilities under the KCM Short-Term Credit Agreement are non-recourse to other parts of KKR.

The KCM Short-Term Credit Agreement contains customary representations and warranties, events of default, and affirmative and negative covenants, including a financial covenant providing for a maximum debt to equity ratio for the KCM Borrowers. The KCM Borrowers' obligations under the KCM Short-Term Credit Agreement are secured by certain assets of the KCM Borrowers, including a pledge of equity interests of certain subsidiaries of the KCM Borrowers.

**Notes Issuance***KKR Issued 3.625% Senior Notes Due 2050*

On February 25, 2020, KKR Group Finance Co. VII LLC, an indirect subsidiary of KKR & Co. Inc., issued \$500 million aggregate principal amount of its 3.625% Senior Notes due 2050 (the "2050 Senior Notes"). The 2050 Senior Notes are guaranteed by KKR & Co. Inc. and KKR Group Partnership.

The 2050 Senior Notes bear interest at a rate of 3.625% per annum and will mature on February 25, 2050, unless earlier redeemed. Interest on the 2050 Senior Notes accrues from February 25, 2020 and is payable semi-annually in arrears on February 25 and August 25 of each year, commencing on August 25, 2020 and ending on the applicable maturity date. The 2050 Senior Notes are unsecured and unsubordinated obligations of the issuer. The 2050 Senior Notes are fully and unconditionally guaranteed, jointly and severally, by each of the guarantors. The guarantees are unsecured and unsubordinated obligations of the guarantors.

The indenture, as supplemented by the first supplemental indenture, related to the 2050 Senior Notes includes covenants, including limitations on the issuer's and the guarantors' ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of their subsidiaries or merge, consolidate or sell, transfer or lease assets. The indenture, as supplemented, also provides for events of default and further provides that the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding 2050 Senior Notes may declare the 2050 Senior Notes immediately due and payable upon the occurrence and during the continuance of any event of default after expiration of any applicable grace period. In the case of specified events of bankruptcy, insolvency, receivership or reorganization, the principal amount of the 2050 Senior Notes and any accrued and unpaid interest on the 2050 Senior Notes automatically become due and payable. Prior to August 25, 2049, the issuer may redeem the 2050 Senior Notes at its option, in whole or in part, at any time and from time to time, prior to their stated maturity, at the make-whole redemption price set forth in the 2050 Senior Notes. On or after August 25, 2049, the issuer may redeem the 2050 Senior Notes at its option, in whole or in part, at any time and from time to time, at a redemption price equal to 100% of the principal amount of the 2050 Senior Notes to be redeemed, together with interest accrued and unpaid to, but excluding, the date of redemption. If a change of control repurchase event occurs, the 2050 Senior Notes are subject to repurchase by the issuer at a repurchase price in cash equal to 101% of the aggregate principal amount of the 2050 Senior Notes repurchased plus any accrued and unpaid interest on the 2050 Senior Notes repurchased to, but not including, the date of repurchase.

**Notes to Financial Statements (Continued)***KKR Issued additional 3.750% Senior Notes Due 2029*

On April 21, 2020, KKR Group Finance Co. VI LLC, an indirect subsidiary of KKR & Co. Inc., issued an additional \$250 million aggregate principal amount of its 3.750% Senior Notes due 2029 (the "New 3.750% Senior Notes"). The New 3.750% Senior Notes are guaranteed by KKR & Co. Inc. and KKR Group Partnership. The New 3.750% Senior Notes constitute an issuance of additional notes under the indenture governing the notes. The New 3.750% Senior Notes have substantially the same terms as, and are treated as a single series with, the existing \$500 million aggregate principal amount of 3.750% Senior Notes issued on July 1, 2019.

**Other Debt Obligations**

As of March 31, 2020, other debt obligations consisted of the following:

	Financing Available	Borrowing Outstanding	Fair Value	Weighted Average Interest Rate	Weighted Average Remaining Maturity in Years
Financing Facilities of Consolidated Funds and Other	\$ 3,925,654	\$ 8,669,388	\$ 8,634,879	3.3%	4.1
Debt Obligations of Consolidated CLOs	—	13,130,703	13,130,703	(1)	10.8
	<u>\$ 3,925,654</u>	<u>\$ 21,800,091</u>	<u>\$ 21,765,582</u>		

- (1) The senior notes of the consolidated CLOs had a weighted average interest rate of 2.8%. The subordinated notes of the consolidated CLOs do not have contractual interest rates but instead receive a pro rata amount of the net distributions from the excess cash flows of the respective CLO vehicle. Accordingly, weighted average borrowing rates for the subordinated notes are based on cash distributions during the period, if any.

Debt obligations of consolidated CFEs are collateralized by assets held by each respective CFE vehicle and assets of one CFE vehicle may not be used to satisfy the liabilities of another. As of March 31, 2020, the fair value of the consolidated CFE assets was \$14.0 billion. This collateral consisted of Cash and Cash Equivalents Held at Consolidated Entities, Investments, and Other Assets.

**Debt Covenants**

Borrowings of KKR contain various debt covenants. These covenants do not, in management's opinion, materially restrict KKR's operating business or investment strategies as of March 31, 2020. KKR is in compliance with its debt covenants in all material respects as of March 31, 2020.

**11. INCOME TAXES**

KKR & Co. Inc. is a corporation for U.S. federal income tax purposes and thus is subject to U.S. federal, state and local corporate income taxes at the entity level on KKR's share of net taxable income. In addition, KKR Group Partnership and certain of its subsidiaries operate in the United States as partnerships for U.S. federal income tax purposes and as corporate entities in certain non-U.S. jurisdictions. These entities, in some cases, are subject to U.S. state or local income taxes or non-U.S. income taxes.

The effective tax rates were 7.9% and 9.3% for the three months ended March 31, 2020 and 2019, respectively. The effective tax rate differs from the statutory rate primarily because a substantial portion of the reported net income (loss) before taxes is not attributable to KKR but rather is attributable to noncontrolling interests held in KKR's consolidated entities by KKR Holdings or by third parties.

During the three months ended March 31, 2020, there were no material changes to KKR's uncertain tax positions and KKR believes there will be no significant increase or decrease to the uncertain tax positions within 12 months of the reporting date.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. The CARES Act, among other things, includes certain income tax provisions for individuals and corporations; however, it did not have a material impact on KKR's tax provision for the current period.

**12. EQUITY BASED COMPENSATION**

The following table summarizes the expense associated with equity-based compensation for the three months ended March 31, 2020 and 2019, respectively.

	Three Months Ended March 31,	
	2020	2019
Equity Incentive Plans	\$ 51,003	\$ 54,885
KKR Holdings Principal Awards	20,576	23,666
<b>Total <sup>(1)</sup></b>	<b>\$ 71,579</b>	<b>\$ 78,551</b>

(1) Includes \$0.3 million and \$(0.3) million of equity based compensation for the three months ended March 31, 2020 and 2019, respectively, related to employees of equity method investees. Such amounts are included in Net Gains (Losses) from Investment Activities in the consolidated statements of operations.

**Equity Incentive Plans**

Under the 2019 Equity Incentive Plan, KKR is permitted to grant equity awards representing ownership interests in KKR & Co. Inc. Class A common stock. The total number of shares of Class A common stock that may be issued under the 2019 Equity Incentive Plan is equivalent to 15% of the aggregate number of the shares of Class A common stock and KKR Group Partnership Units (excluding KKR Group Partnership Units held by KKR & Co. Inc. or its wholly-owned subsidiaries), subject to annual adjustment. Vested awards under the Equity Incentive Plans dilute KKR & Co. Inc. common stockholders and KKR Holdings pro rata in accordance with their respective percentage interests in KKR Group Partnership.

Equity awards have been granted under the Equity Incentive Plans and are generally subject to service-based vesting, typically over a three to five year period from the date of grant. In certain cases, these awards are subject to transfer restrictions and/or minimum retained ownership requirements. The transfer restriction period, if applicable, lasts for (i) one year with respect to one-half of the interests vesting on any vesting date and (ii) two years with respect to the other one-half of the interests vesting on such vesting date. While providing services to KKR, if applicable, certain of these awards are also subject to minimum retained ownership rules requiring the award recipient to continuously hold shares of Class A common stock equivalents equal to at least 15% of their cumulatively vested awards that have the minimum retained ownership requirement.

Expense associated with the vesting of these awards is based on the closing price of the KKR & Co. Inc. Class A common stock on the date of grant, discounted for the lack of participation rights in the expected dividends on unvested shares.

The following table presents information regarding the discount for the lack of participation rights in the expected dividends by grant date:

Date of Grant	Discount per share <sup>(1)</sup>
January 1, 2016 to December 31, 2016	\$ 0.64
January 1, 2017 to December 31, 2017	\$ 0.68
January 1, 2018 to June 30, 2018	\$ 0.68
July 1, 2018 to December 31, 2019	\$ 0.50
January 1, 2020 to Present	\$ 0.54

(1) Represents the annual discount for the lack of participation rights on expected dividends. The total discount on any given tranche of unvested shares is calculated as the discount per share multiplied by the number of years in the applicable vesting period.

Expense is recognized on a straight line basis over the life of the award and assumes a forfeiture rate of up to 7% annually based upon expected turnover by class of recipient.

**Notes to Financial Statements (Continued)**
*Market Condition Awards*

On November 2, 2017, KKR's Co-Presidents and Co-Chief Operating Officers were each granted equity awards representing 2.5 million shares of KKR Class A common stock subject to a market price-based vesting condition ("Market Condition Awards"). These awards were granted under the 2010 Equity Incentive Plan. All of such awards will vest upon the market price of KKR Class A common stock reaching and maintaining a closing market price of \$40 per share for 10 consecutive trading days on or prior to December 31, 2022, subject to the employee's continued service to the time of such vesting. If the \$40 price target is not achieved by the close of business on December 31, 2022, the unvested Market Condition Awards will be automatically canceled and forfeited. These Market Condition Awards are subject to additional transfer restrictions and minimum retained ownership requirements after vesting. Due to the existence of the market condition, the vesting period for the Market Condition Awards is not explicit, and as such, compensation expense will be recognized over the period derived from the valuation technique used to estimate the grant-date fair value of the award (the "Derived Vesting Period"). The fair value of the Market Condition Awards at the date of grant was \$4.02 per share based on a Monte-Carlo simulation valuation model due to the existence of the market condition described above.

Below is a summary of the significant assumptions used to estimate the grant date fair value of the Market Condition Awards:

Closing KKR share price as of valuation date	\$19.90
Risk Free Rate	2.02%
Volatility	25.00%
Dividend Yield	3.42%
Expected Cost of Equity	11.02%

In addition, the grant date fair value assumes that holders of the Market Condition Awards will not participate in dividends until such awards have met their vesting requirements. Compensation expense is recognized over the Derived Vesting Period, which was estimated to be 3 years from the date of grant, on a straight-line basis. As of March 31, 2020, there was approximately \$4.0 million of estimated unrecognized compensation expense related to unvested Market Condition Awards and such awards did not meet their market-price based vesting condition.

As of March 31, 2020, there was approximately \$246.7 million of total estimated unrecognized expense related to unvested awards, including Market Condition Awards. That cost is expected to be recognized as follows:

Year	Unrecognized Expense (in millions)
Remainder of 2020	\$ 111.7
2021	86.3
2022	38.3
2023	8.4
2024	1.7
2025	0.3
<b>Total</b>	<b>\$ 246.7</b>

A summary of the status of unvested awards granted under the Equity Incentive Plans, excluding Market Condition Awards as described above, from January 1, 2020 through March 31, 2020 is presented below:

	Shares	Weighted Average Grant Date Fair Value
Balance, January 1, 2020	22,697,645	\$ 18.46
Granted	68,419	28.55
Vested	(23,187)	15.17
Forfeitures	(194,274)	17.81
Balance, March 31, 2020	<b>22,548,603</b>	<b>\$ 18.50</b>

The weighted average remaining vesting period over which unvested awards are expected to vest is 1.0 years.



**Notes to Financial Statements (Continued)**

A summary of the remaining vesting tranches of awards granted under the Equity Incentive Plans is presented below:

Vesting Date	Shares
April 1, 2020	6,790,406
October 1, 2020	4,135,013
April 1, 2021	4,728,893
October 1, 2021	2,625,837
April 1, 2022	1,659,089
October 1, 2022	1,325,461
April 1, 2023	838,826
October 1, 2023	130,649
April 1, 2024	182,585
October 1, 2024	5,133
April 1, 2025	126,711
	<b>22,548,603</b>

**KKR Holdings Awards**

KKR Holdings units are exchangeable for KKR Group Partnership Units and allow for their exchange into Class A common stock of KKR & Co. Inc. on a one-for-one basis. As of March 31, 2020 and 2019, KKR Holdings owned approximately 34.1% or 286,477,271 units and 35.9% or 298,645,285 units, respectively, of outstanding KKR Group Partnership Units. Awards for KKR Holdings units that have been granted are generally subject to service based vesting, typically over a three to five year period from the date of grant. They are also generally subject to transfer restrictions which last for (i) one year with respect to one-half of the interests vesting on any vesting date and (ii) two years with respect to the other one-half of the interests vesting on such vesting date. While providing services to KKR, the recipients are also subject to minimum retained ownership rules requiring them to continuously hold 25% of their vested interests. Upon separation from KKR, award recipients are subject to the terms of a confidentiality and restrictive covenants agreement that would require the forfeiture of certain vested and unvested units should the terms of the agreement be violated. Holders of KKR Holdings units are not entitled to participate in distributions made on KKR Group Partnership Units underlying their KKR Holdings units until such units are vested. All of the KKR Holdings units (except for less than 1.2% of the outstanding KKR Holdings units) have been granted as of March 31, 2020, and certain Holdings units remain subject to vesting.

The fair value of awards granted out of KKR Holdings is generally based on the closing price of KKR & Co. Inc. Class A common stock on the date of grant discounted for the lack of participation rights in the expected distributions on unvested units. KKR determined this to be the best evidence of fair value as KKR & Co. Inc. Class A common stock is traded in an active market and has an observable market price. Additionally, a KKR Holdings unit is an instrument with terms and conditions similar to those of KKR & Co. Inc. Class A common stock. Specifically, units in KKR Holdings and shares of KKR & Co. Inc. represent ownership interests in KKR Group Partnership Units and, subject to any vesting, minimum retained ownership requirements and transfer restrictions, each KKR Holdings unit is exchangeable into a KKR Group Partnership Unit and then into a share of KKR & Co. Inc. Class A common stock on a one-for-one basis.

In February 2016, approximately 28.9 million KKR Holdings units were granted that were originally subject to market condition and service-based vesting that were subsequently modified in November 2016 to eliminate the market condition vesting and instead require only service-based vesting in equal annual installments over a five year period. At the date of modification, total future compensation expense amounted to \$320.9 million, net of estimated forfeitures, to be recognized over the remaining vesting period of the modified awards.

The awards described above were granted from outstanding but previously unallocated units of KKR Holdings, and consequently these grants did not increase the number of KKR Holdings units outstanding or outstanding KKR & Co. Inc. Class A common stock on a fully-diluted basis. If and when vested, these awards will not dilute KKR's respective ownership interests in KKR Group Partnership.

KKR Holdings awards give rise to equity-based compensation in the consolidated statements of operations based on the grant-date fair value of the award discounted for the lack of participation rights in the expected distributions on unvested units. This discount is consistent with that noted above for shares issued under the Equity Incentive Plans.

**Notes to Financial Statements (Continued)**

Expense is recognized on a straight line basis over the life of the award and assumes a forfeiture rate of up to 7% annually based on expected turnover by class of recipient.

As of March 31, 2020, there was approximately \$129.3 million of estimated unrecognized expense related to unvested KKR Holdings awards. That cost is expected to be recognized as follows:

<b>Year</b>	<b>Unrecognized Expense (in millions)</b>	
Remainder of 2020	\$	58.5
2021		45.1
2022		25.7
<b>Total</b>	<b>\$</b>	<b>129.3</b>

A summary of the status of unvested awards granted under the KKR Holdings Plan from January 1, 2020 through March 31, 2020 is presented below:

	<b>Units</b>	<b>Weighted Average Grant Date Fair Value</b>
Balance, January 1, 2020	16,569,479	\$ 14.43
Granted	—	—
Vested	—	—
Forfeitures	(360,000)	11.19
Balance, March 31, 2020	<b>16,209,479</b>	<b>\$ 14.51</b>

The weighted average remaining vesting period over which unvested awards are expected to vest is 1.2 years.

A summary of the remaining vesting tranches of awards granted under the KKR Holdings Plan is presented below:

<b>Vesting Date</b>	<b>Units</b>
April 1, 2020	124,479
May 1, 2020	2,905,000
October 1, 2020	2,940,000
May 1, 2021	2,905,000
October 1, 2021	3,425,000
October 1, 2022	3,910,000
	<b>16,209,479</b>

**13. RELATED PARTY TRANSACTIONS****Due from Affiliates consists of:**

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Amounts due from portfolio companies	\$ 119,786	\$ 120,391
Amounts due from unconsolidated investment funds	731,965	594,184
Amounts due from related entities	733	2,824
<b>Due from Affiliates</b>	<b>\$ 852,484</b>	<b>\$ 717,399</b>

**Due to Affiliates consists of:**

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Amounts due to KKR Holdings - tax receivable agreement	\$ 145,071	\$ 131,288
Amounts due to unconsolidated investment funds	116,649	154,810
<b>Due to Affiliates</b>	<b>\$ 261,720</b>	<b>\$ 286,098</b>

**14. SEGMENT REPORTING**

KKR operates through one operating and reportable segment. This single reportable segment reflects how the chief operating decision makers allocate resources and assess performance under KKR's "one-firm approach," which includes operating collaboratively across business lines, with predominantly a single expense pool.

**15. EQUITY****Stockholders' Equity***Class A, Class B and Class C Common Stock*

Class A common stock is entitled to vote as provided by our certificate of incorporation, Delaware law and the rules of the NYSE. Class B common stock is entitled to vote on any other matter that is submitted to a vote of the stockholders. For matters on which our Class A common stock is entitled to vote, so long as the ratio at which KKR Group Partnership Units are exchangeable for Class A common stock remains on a one-for-one basis, Class C common stock will vote together with Class A common stock as a single class and on an equivalent basis unless required otherwise by Delaware law, except Class C common stock will vote separately as a class on any amendment to the certificate of incorporation that changes certain terms, rights or preferences of Class C common stock.

The holder of Class B common stock and holders of Class C common stock do not have any economic rights to receive dividends or receive distributions upon the dissolution, liquidation or winding up of KKR. Class A common stock, Class B common stock and Class C common stock are not entitled to preemptive rights, and, except in the case of impermissible transfers of the Class B common stock, which would result in KKR's redemption of such Class B common stock, are not subject to conversion, redemption or sinking fund provisions.

See Note 17. "Subsequent Events."

**Notes to Financial Statements (Continued)***Series A and Series B Preferred Stock*

The board of directors is authorized, subject to limitations prescribed by Delaware law, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series, and to fix the designation, powers (including voting powers), preferences and rights of the shares of each series and any of its qualifications, limitations or restrictions, in each case without further vote or action by the stockholders (except as may be required by the terms of any preferred stock then outstanding).

KKR & Co. Inc. has outstanding 13,800,000 shares of Series A Preferred Stock and 6,200,000 shares of Series B Preferred Stock. Series A Preferred Stock and Series B Preferred Stock trade on the NYSE under the symbols "KKR PR A" and "KKR PR B", respectively, and were originally issued on March 17, 2016 and June 20, 2016, respectively. The terms of the preferred stock are set forth in our certificate of incorporation.

If declared, dividends on the Series A Preferred Stock and Series B Preferred Stock are payable quarterly on March 15, June 15, September 15 and December 15 of each year, at a rate per annum equal to 6.75%, in the case of Series A Preferred Stock, and 6.50%, in the case of Series B Preferred Stock. Dividends on the Series A Preferred Stock and Series B Preferred Stock are discretionary and non-cumulative. Holders of the Series A Preferred Stock and Series B Preferred Stock will only receive dividends on such shares when, as and if declared by the board of directors. KKR has no obligation to declare or pay any dividends for any dividend period, whether or not dividends on any series of preferred stock are declared or paid for any other dividend period.

Unless dividends have been declared and paid (or declared and set apart for payment) on Series A Preferred Stock and Series B Preferred Stock for a quarterly distribution period, KKR & Co. Inc. may not declare or pay dividends on, or repurchase, any of its shares that are junior to Series A Preferred Stock and Series B Preferred Stock, including Class A common stock, during such dividend period. A dividend period begins on a dividend payment date and extends to, but excludes, the next dividend payment date.

If KKR & Co. Inc. dissolves, then the holders of the Series A Preferred Stock and Series B Preferred Stock are entitled to receive payment of a \$25.00 liquidation preference per share, plus declared and unpaid dividends, if any, to the extent that KKR has sufficient gross income (excluding any gross income attributable to the sale or exchange of capital assets) such that holders of such preferred stock have capital account balances equal to such liquidation preference, plus declared and unpaid dividends, if any.

The Series A Preferred Stock and Series B Preferred Stock do not have a maturity date. However, Series A Preferred Stock may be redeemed at KKR & Co. Inc.'s option, in whole or in part, at any time on or after June 15, 2021, at a price of \$25.00 per share, plus declared and unpaid dividends, if any. Series B Preferred Stock may be redeemed at KKR & Co. Inc.'s option, in whole or in part, at any time on or after September 15, 2021, at a price of \$25.00 per share, plus declared and unpaid dividends, if any. Holders of Series A Preferred Stock and Series B Preferred Stock have no right to require the redemption of such stock.

If a certain change of control event with a ratings downgrade occurs prior to June 15, 2021, in the case of Series A Preferred Stock, and September 15, 2021, in the case of Series B Preferred Stock, then Series A Preferred Stock or Series B Preferred Stock, as applicable, may be redeemed at KKR & Co. Inc.'s option, in whole but not in part, upon at least 30 days' notice, within 60 days of the occurrence of such change of control event, at a price of \$25.25 per share, plus declared and unpaid dividends, if any. If such a change of control event occurs (whether before, on or after June 15, 2021, in the case of the Series A Preferred Stock, or September 15, 2021, in the case of the Series B Preferred Stock) and we do not give such notice, the dividend rate per annum on the applicable series of preferred stock will increase by 5.00%, beginning on the 31st day following such change of control event.

Series A Preferred Stock and Series B Preferred Stock are not convertible into common stock of KKR & Co. Inc. and have no voting rights, except that holders of Series A Preferred Stock and Series B Preferred Stock have certain voting rights in limited circumstances relating to the election of directors following the failure to declare and pay dividends, certain amendments to the terms of the preferred stock, and the creation of preferred stock that are senior to the Series A Preferred Stock and Series B Preferred Stock.

In connection with the issuance of the Series A Preferred Stock and Series B Preferred Stock, KKR Group Partnership issued for the benefit of KKR & Co. Inc. corresponding series of preferred units with economic terms that mirror those of the Series A Preferred Stock and Series B Preferred Stock, as applicable.

**Share Repurchase Program**

KKR has increased the total available amount under its repurchase program to \$500 million, which may be used for the repurchase of shares of Class A common stock of KKR & Co. Inc. and retirement of equity awards granted pursuant to the Equity Incentive Plans. Under this repurchase program, shares of Class A common stock of KKR & Co. Inc. may be repurchased from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing, manner, price and amount of any repurchases will be determined by KKR in its discretion and will depend on a variety of factors, including legal requirements, price and economic and market conditions. In addition to the repurchases of Class A common stock, the repurchase program will be used for the retirement (by cash settlement or the payment of tax withholding amounts upon net settlement) of equity awards granted pursuant to our Equity Incentive Plans representing the right to receive Class A common stock. KKR expects that the program, which has no expiration date, will be in effect until the maximum approved dollar amount has been used. The program does not require KKR to repurchase or retire any specific number of shares of Class A common stock or equity awards, respectively, and the program may be suspended, extended, modified or discontinued at any time.

The following table presents KKR & Co. Inc. Class A common stock that has been repurchased or equity awards retired under the repurchase program:

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Shares of Class A common stock repurchased	10,209,673	1,370,289
Equity Awards for Class A common stock retired	—	—

**Noncontrolling Interests**

Noncontrolling interests represent (i) noncontrolling interests in consolidated entities and (ii) noncontrolling interests held by KKR Holdings.

**Noncontrolling Interests in Consolidated Entities**

Noncontrolling interests in consolidated entities represent the non-redeemable ownership interests in KKR that are held primarily by:

- (i) third party fund investors in KKR's consolidated funds and certain other entities;
- (ii) third parties entitled to up to 1% of the carried interest received by certain general partners of KKR's funds that have made investments on or prior to December 31, 2015;
- (iii) certain former principals and their designees representing a portion of the carried interest received by the general partners of KKR's private equity funds that was allocated to them with respect to private equity investments made during such former principals' tenure with KKR prior to October 1, 2009;
- (iv) certain principals and former principals representing all of the capital invested by or on behalf of the general partners of KKR's private equity funds prior to October 1, 2009 and any returns thereon; and
- (v) third parties in KKR's capital markets business line.

**Notes to Financial Statements (Continued)**
**Noncontrolling Interests held by KKR Holdings**

Noncontrolling interests held by KKR Holdings include economic interests held by principals indirectly in KKR Group Partnership Units. Such principals receive financial benefits from KKR's business in the form of distributions received from KKR Holdings and through their direct and indirect participation in the value of KKR Group Partnership Units held by KKR Holdings. These financial benefits are not paid by KKR & Co. Inc. and are borne by KKR Holdings.

The following tables present the calculation of total noncontrolling interests:

	<b>Three Months Ended March 31, 2020</b>		
	<b>Noncontrolling Interests in Consolidated Entities</b>	<b>Noncontrolling Interests Held by KKR Holdings</b>	<b>Total Noncontrolling Interests</b>
<b>Balance at the beginning of the period</b>	\$ 13,966,250	\$ 5,728,634	\$ 19,694,884
Net income (loss) attributable to noncontrolling interests <sup>(1)</sup>	(2,095,235)	(852,194)	(2,947,429)
Other comprehensive income (loss), net of tax <sup>(2)</sup>	(6,602)	(7,512)	(14,114)
Exchange of KKR Holdings Units to Class A Common Stock <sup>(3)</sup>	—	(71,894)	(71,894)
Equity-based and other non-cash compensation	—	20,696	20,696
Capital contributions	1,120,943	23	1,120,966
Capital distributions	(484,609)	(40,047)	(524,656)
Transfer of interests under common control <sup>(4)</sup>	(21,830)	7,445	(14,385)
<b>Balance at the end of the period</b>	<b>\$ 12,478,917</b>	<b>\$ 4,785,151</b>	<b>\$ 17,264,068</b>

	<b>Three Months Ended March 31, 2019</b>		
	<b>Noncontrolling Interests in Consolidated Entities</b>	<b>Noncontrolling Interests Held by KKR Holdings</b>	<b>Total Noncontrolling Interests</b>
<b>Balance at the beginning of the period</b>	\$ 10,984,910	\$ 4,625,448	\$ 15,610,358
Net income (loss) attributable to noncontrolling interests <sup>(1)</sup>	436,359	481,368	917,727
Other comprehensive income (loss), net of tax <sup>(2)</sup>	2,511	121	2,632
Exchange of KKR Holdings Units to Class A Common Stock <sup>(3)</sup>	—	(7,094)	(7,094)
Equity-based and other non-cash compensation	—	23,118	23,118
Capital contributions	1,194,792	23	1,194,815
Capital distributions	(812,144)	(43,942)	(856,086)
<b>Balance at the end of the period</b>	<b>\$ 11,806,428</b>	<b>\$ 5,079,042</b>	<b>\$ 16,885,470</b>

(1) Refer to the table below for calculation of net income (loss) attributable to noncontrolling interests held by KKR Holdings.

(2) With respect to noncontrolling interests held by KKR Holdings, calculated on a pro rata basis based on the weighted average KKR Group Partnership Units held by KKR Holdings during the reporting period.

(3) Calculated based on the proportion of KKR Holdings units exchanged for KKR & Co. Inc. Class A common stock. The exchange agreement with KKR Holdings provides for the exchange of KKR Group Partnership Units held by KKR Holdings for KKR & Co. Inc. Class A common stock.

(4) KKR acquired KKR Capstone on January 1, 2020. KKR Capstone was consolidated prior to January 1, 2020 and consequently, this transaction was accounted for as an equity transaction. This transaction resulted in an increase to the KKR Group Partnership equity. Accordingly, both KKR's equity and noncontrolling interests held by KKR Holdings increased for their proportionate share of the KKR Capstone equity based on their ownership in KKR Group Partnership on January 1, 2020.

Net income (loss) attributable to each of KKR & Co. Inc. Class A common stockholders and KKR Holdings, with the exception of certain tax assets and liabilities that are directly allocable to KKR & Co. Inc., is attributed based on the percentage of the weighted average KKR Group Partnership Units directly or indirectly held by KKR & Co. Inc. and KKR Holdings, each of which directly or indirectly holds equity of KKR Group Partnership. However, primarily because of the (i) contribution of certain expenses borne entirely by KKR Holdings, (ii) the periodic exchange of KKR Holdings units for KKR & Co. Inc. Class A common stock pursuant to the exchange agreement and (iii) the contribution of certain expenses borne entirely by KKR associated with the Equity Incentive Plans, equity allocations shown in the consolidated statement of changes in equity differ from their respective pro rata ownership interests in KKR's net assets.

**Notes to Financial Statements (Continued)**

The following table presents net income (loss) attributable to noncontrolling interests held by KKR Holdings:

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Net income (loss)</b>	\$ (4,227,953)	\$ 1,627,046
(-) Net income (loss) attributable to Noncontrolling Interests in consolidated entities	(2,095,235)	436,359
(-) Preferred Stock Dividends	8,341	8,341
(+) Income tax expense (benefit) attributable to KKR & Co. Inc.	(363,836)	158,962
<b>Net income (loss) attributable to KKR &amp; Co. Inc. Class A Common Stockholders and KKR Holdings</b>	<b>\$ (2,504,895)</b>	<b>\$ 1,341,308</b>
<b>Net income (loss) attributable to Noncontrolling Interests held by KKR Holdings</b>	<b>\$ (852,194)</b>	<b>\$ 481,368</b>

**16. COMMITMENTS AND CONTINGENCIES***Funding Commitments*

As of March 31, 2020, KKR had unfunded commitments consisting of \$6,235.5 million to its active investment vehicles. In addition to the uncalled commitments to KKR's investment funds, KKR has entered into contractual commitments with respect to (i) the purchase of investments and other assets in its Principal Activities business line and (ii) underwriting transactions, debt financing, and syndications in KKR's Capital Markets business line. As of March 31, 2020, these commitments amounted to \$200.0 million and \$570.8 million, respectively. Whether these amounts are actually funded, in whole or in part, depends on the contractual terms of such commitments, including the satisfaction or waiver of any conditions to closing or funding. KKR's capital markets business has an arrangement with a third party, which reduces its risk when underwriting certain debt transactions, and thus our unfunded commitments as of March 31, 2020 have been reduced to reflect the amount to be funded by such third party. In the case of purchases of investments or assets in KKR's Principal Activities business line, the amount to be funded includes amounts that are intended to be syndicated to third parties, and the actual amounts to be funded may be less than shown.

*Non-cancelable Operating Leases*

KKR's non-cancelable operating leases consist of leases of office space around the world. There are no material rent holidays, contingent rent, rent concessions or leasehold improvement incentives associated with any of these property leases. In addition to base rentals, certain lease agreements are subject to escalation provisions and rent expense is recognized on a straight-line basis over the term of the lease agreement.

*Contingent Repayment Guarantees*

The partnership documents governing KKR's carry-paying investment funds and vehicles generally include a "clawback" provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. Under a clawback obligation, upon the liquidation of a fund, the general partner is required to return, typically on an after-tax basis, previously distributed carry to the extent that, due to the diminished performance of later investments, the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, including the effects of any performance thresholds. As of March 31, 2020, approximately \$155 million of carried interest was subject to this clawback obligation, assuming that all applicable carry-paying funds were liquidated at their March 31, 2020 fair values. Of this amount, approximately \$62 million is the obligation of certain current and former KKR employees, and approximately \$93 million is the obligation of KKR. If the investments in all of our funds were to be liquidated at zero value, the clawback obligation would be approximately \$2.4 billion. Of this amount, approximately \$1.0 billion would be the obligation of certain current and former KKR employees, and approximately \$1.4 billion would be the obligation of KKR. Carried interest is recognized in the consolidated statements of operations based on the contractual conditions set forth in the agreements governing the fund as if the fund were terminated and liquidated at the reporting date and the fund's investments were realized at the then estimated fair

values. Amounts earned pursuant to carried interest are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment amounts earned decrease or turn negative in subsequent periods, recognized carried interest will be reversed and to the extent that the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, a clawback obligation would be recorded. For funds that are consolidated, this clawback obligation, if any, is reflected as an increase in noncontrolling interests in the consolidated statements of financial condition. For funds that are not consolidated, this clawback obligation, if any, is reflected as a reduction of KKR's investment balance as this is where carried interest is initially recorded.

### ***Indemnifications and Other Guarantees***

KKR may incur contingent liabilities for claims that may be made against it in the future. KKR enters into contracts that contain a variety of representations, warranties and covenants, including indemnifications. For example, KKR, certain of KKR's investment funds and KFN have provided certain indemnities relating to environmental and other matters and have provided non-recourse carve-out guarantees for fraud, willful misconduct and other customary wrongful acts, each in connection with the financing of KKR's corporate real estate and certain real estate investments and for certain investment vehicles that KKR manages. In addition, KKR has also provided credit support to certain of its subsidiaries' obligations in connection with a limited number of investment vehicles that KKR manages. For example, KKR has guaranteed the obligations of a general partner to post collateral on behalf of its investment vehicle in connection with such vehicle's derivative transactions, and KKR has also agreed to be liable for certain investment losses and/or for providing liquidity in the events specified in the governing documents of other investment vehicles. However, KKR is not a guarantor for any borrowings, credit facilities or debt securities of its Indian debt financing company. KKR has also provided credit support regarding repayment obligations to third-party lenders to certain of its employees, excluding its executive officers, in connection with their personal investments in KKR investment funds and to a hedge fund partnership regarding the ownership of its business. KKR also may become liable for certain fees payable to sellers of businesses or assets if a transaction does not close, subject to certain conditions, if any, specified in the acquisition agreements for such businesses or assets. KKR's maximum exposure under these arrangements is currently unknown and KKR's liabilities for these matters would require a claim to be made against KKR in the future.

### ***Litigation***

From time to time, KKR is involved in various legal proceedings, lawsuits and claims incidental to the conduct of KKR's business. KKR's business is also subject to extensive regulation, which may result in regulatory proceedings against it.

In December 2017, KKR & Co. L.P. and its Co-Chief Executive Officers were named as defendants in a lawsuit pending in Kentucky state court alleging, among other things, the violation of fiduciary and other duties in connection with certain separately managed accounts that Prisma Capital Partners LP, a former subsidiary of KKR, manages for the Kentucky Retirement Systems. Also named as defendants in the lawsuit are certain current and former trustees and officers of the Kentucky Retirement Systems, Prisma Capital Partners LP, and various other service providers to the Kentucky Retirement Systems and their related persons. KKR and other defendants' motions to dismiss were denied by the trial court in November 2018, but in April 2019 the Kentucky Court of Appeals vacated the trial court's opinion and order denying the motions to dismiss the case for lack of standing. The decision of the Court of Appeals has been appealed by plaintiffs to the Supreme Court of Kentucky, whose decision is pending.

KKR currently is and expects to continue to become, from time to time, subject to examinations, inquiries and investigations by various U.S. and non-U.S. governmental and regulatory agencies, including but not limited to the SEC, Department of Justice, state attorney generals, Financial Industry Regulatory Authority, or FINRA, and the U.K. Financial Conduct Authority. Such examinations, inquiries and investigations may result in the commencement of civil, criminal or administrative proceedings or fines against KKR or its personnel.

Moreover, in the ordinary course of business, KKR is and can be both the defendant and the plaintiff in numerous lawsuits with respect to acquisitions, bankruptcy, insolvency and other types of proceedings. Such lawsuits may involve claims that adversely affect the value of certain investments owned by KKR's funds.

KKR establishes an accrued liability for legal proceedings only when those matters present loss contingencies that are both probable and reasonably estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. No loss contingency is recorded for matters where such losses are either not probable or reasonably estimable (or both) at the time of determination. Such matters may be subject to many uncertainties, including among others: (i) the proceedings may be in early stages; (ii) damages sought may be unspecified, unsupported, unexplained or uncertain; (iii) discovery may not have been



started or is incomplete; (iv) there may be uncertainty as to the outcome of pending appeals or motions; (v) there may be significant factual issues to be resolved or (vi) there may be novel legal issues or unsettled legal theories to be presented or a large number of parties. Consequently, management is unable to estimate a range of potential loss, if any, related to these matters. In addition, loss contingencies may be, in part or in whole, subject to insurance or other payments such as contributions and/or indemnity, which may reduce any ultimate loss.

It is not possible to predict the ultimate outcome of all pending legal proceedings, and some of the matters discussed above seek or may seek potentially large and/or indeterminate amounts. As of such date, based on information known by management, management has not concluded that the final resolutions of the matters above will have a material effect upon the financial statements. However, given the potentially large and/or indeterminate amounts sought or may be sought in certain of these matters and the inherent unpredictability of investigations and litigations, it is possible that an adverse outcome in certain matters could, from time to time, have a material effect on KKR's financial results in any particular period.

## **17. SUBSEQUENT EVENTS**

### ***Common Stock Dividend***

A dividend of \$0.135 per share of Class A common stock of KKR & Co. Inc. was announced on May 6, 2020, and will be paid on June 2, 2020 to Class A common stockholders of record as of the close of business on May 18, 2020. KKR Holdings will receive its pro rata share of the distribution from KKR Group Partnership.

### ***Preferred Stock Dividend***

A dividend of \$0.421875 per share of Series A Preferred Stock has been declared as announced on May 6, 2020 and set aside for payment on June 15, 2020 to holders of record of Series A Preferred Stock as of the close of business on June 1, 2020.

A dividend of \$0.406250 per share of Series B Preferred Stock has been declared as announced on May 6, 2020 and set aside for payment on June 15, 2020 to holders of record of Series B Preferred Stock as of the close of business on June 1, 2020.

### ***Amendment and Restatement of Certificate of Incorporation***

Effective May 8, 2020 (the "Effective Date"), KKR & Co. Inc. amended and restated its Certificate of Incorporation to, among other changes, rename its Class A common stock as common stock and reclassify its Class B common stock and Class C common stock into Series I preferred stock and Series II preferred stock, respectively. Common stock, Series I preferred stock and Series II preferred stock have the same rights and powers that Class A common stock, Class B common stock and Class C common stock had, respectively, prior to the Effective Date.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements of KKR & Co. Inc., together with its consolidated subsidiaries, and the related notes included elsewhere in this report and our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed with the SEC on February 18, 2020 (our "Annual Report"), including the audited consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained therein. In addition, this discussion and analysis contains forward-looking statements and involves numerous risks and uncertainties, including those described under "Cautionary Note Regarding Forward-looking Statements," "Business Environment" and "Risk Factors" in this report, our Annual Report, and our other filings with the SEC. Actual results may differ materially from those contained in any forward-looking statements.*

*The unaudited condensed consolidated financial statements and the related notes included elsewhere in this report are hereafter referred to as the "financial statements." Additionally, the condensed consolidated statements of financial condition are referred to herein as the "consolidated statements of financial condition"; the condensed consolidated statements of operations are referred to herein as the "consolidated statements of operations"; the condensed consolidated statements of comprehensive income (loss) are referred to herein as the "consolidated statements of comprehensive income (loss)"; the condensed consolidated statements of changes in equity are referred to herein as the "consolidated statements of changes in equity"; and the condensed consolidated statements of cash flows are referred to herein as the "consolidated statements of cash flows."*

### Overview

We are a leading global investment firm that manages multiple alternative asset classes including private equity, energy, infrastructure, real estate and credit, with strategic partners that manage hedge funds. We aim to generate attractive investment returns for our fund investors by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation with our portfolio companies. We invest our own capital alongside the capital we manage for fund investors and provide financing solutions and investment opportunities through our capital markets business.

Our business offers a broad range of investment management services to our fund investors and provides capital markets services to our firm, our portfolio companies and third parties. Throughout our history, we have consistently been a leader in the private equity industry, having completed more than 360 private equity investments in portfolio companies with a total transaction value in excess of \$630 billion as of March 31, 2020. We have grown our firm by expanding our geographical presence and building businesses in areas such as leveraged credit, alternative credit, capital markets, infrastructure, energy, real estate, growth equity and core investments. Our balance sheet has provided a significant source of capital in the growth and expansion of our business, and has allowed us to further align our interests with those of our fund investors. Building on these efforts and leveraging our industry expertise and intellectual capital have allowed us to capitalize on a broader range of the opportunities we source. Additionally, we have increased our focus on meeting the needs of our existing fund investors and in developing relationships with new investors in our funds.

We seek to work proactively and collaboratively as one-firm across business lines, departments, and geographies, as appropriate, to achieve what we believe are the best results for our funds and the firm. Through our offices around the world, we have a pre-eminent global integrated platform for sourcing transactions, raising capital and carrying out capital markets activities. Our growth has been driven by value that we have created through our operationally focused investment approach, the expansion of our existing businesses, our entry into new lines of business, innovation in the products that we offer investors in our funds, an increased focus on providing tailored solutions to our clients and the integration of capital markets distribution activities.

As a global investment firm, we earn management, monitoring, transaction and incentive fees and carried interest for providing investment management, monitoring and other services to our funds, vehicles, CLOs, managed accounts and portfolio companies, and we generate transaction-specific income from capital markets transactions. We earn additional investment income by investing our own capital alongside that of our fund investors, from other assets on our balance sheet and from the carried interest we receive from our funds and certain of our other investment vehicles. A carried interest entitles the sponsor of a fund to a specified percentage of investment gains that are generated on third-party capital that is invested.

Our investment teams have deep industry knowledge and are supported by a substantial and diversified capital base; an integrated global investment platform; the expertise of operating professionals, senior advisors and other advisors; and a worldwide network of business relationships that provide a significant source of investment opportunities, specialized

knowledge during due diligence and substantial resources for creating and realizing value for stakeholders. These teams invest capital, a substantial portion of which is of a long duration and not subject to redemption. As of March 31, 2020, approximately 77% of our capital is committed for an average of 8 years or more, providing us with significant flexibility to increase the value of the investments and select exit opportunities. We believe that these aspects of our business will help us continue to expand and grow our business and deliver strong investment performance in a variety of economic and financial conditions.

## **Our Business Lines**

### ***Private Markets***

Through our Private Markets business line, we manage and sponsor a group of private equity funds that invest capital for long-term appreciation, either through controlling ownership of a company or strategic minority positions. In addition to our traditional private equity funds, we sponsor investment funds that invest in growth equity and core investments. We also manage and sponsor investment funds that invest capital in real assets, such as infrastructure, energy and real estate. Our Private Markets business line includes separately managed accounts that invest in multiple strategies, which may include our credit strategies as well as our private equity and real assets strategies. These funds and accounts are managed by Kohlberg Kravis Roberts & Co. L.P., an SEC-registered investment adviser. As of March 31, 2020, our Private Markets business line had \$114.1 billion of AUM, consisting of \$73.5 billion in private equity (including growth equity, core, and impact investments), \$28.4 billion in real assets (including infrastructure, energy, and real estate) and \$12.2 billion in other related strategies.

The table below presents information as of March 31, 2020, relating to our current private equity, growth equity, core investment and real asset funds and other investment vehicles in our Private Markets business line for which we have the ability to earn carried interest. This data does not reflect additional capital raised, acquisitions or disposals of investments, changes in investment values, or distributions occurring after March 31, 2020.

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	Investment Period <sup>(1)</sup>		Amount (\$ in millions)									
	Start Date	End Date	Commitment <sup>(2)</sup>	Uncalled Commitments	Percentage Committed by General Partner	Invested	Realized	Remaining Cost <sup>(3)</sup>	Remaining Fair Value	Gross Accrued Carried Interest		
<b>Private Equity and Growth Equity Funds</b>												
Americas Fund XII	1/2017	1/2023	\$ 13,500.0	\$ 7,061.9	5.8%	\$ 6,461.8	\$ 89.0	\$ 6,373.6	\$ 7,066.4	\$ 0.5		
North America Fund XI	9/2012	1/2017	8,718.4	576.3	2.9%	9,579.6	11,299.6	5,303.6	7,470.0	407.9		
2006 Fund <sup>(4)</sup>	9/2006	9/2012	17,642.2	247.4	2.1%	17,304.5	31,003.8	3,285.8	4,643.9	269.1		
Millennium Fund <sup>(4)</sup>	12/2002	12/2008	6,000.0	—	2.5%	6,000.0	14,123.1	—	6.1	1.3		
European Fund V	3/2019	7/2025	6,030.3	5,584.6	1.9%	717.9	—	717.9	465.4	—		
European Fund IV	12/2014	3/2019	3,508.6	241.3	5.7%	3,372.9	1,968.6	2,472.7	3,658.4	218.4		
European Fund III <sup>(4)</sup>	3/2008	3/2014	5,508.0	148.2	5.2%	5,359.8	10,463.6	396.9	235.3	(29.1)		
European Fund II <sup>(4)</sup>	11/2005	10/2008	5,750.8	—	2.1%	5,750.8	8,507.4	—	34.3	(0.2)		
Asian Fund III	4/2017	4/2023	9,000.0	4,928.2	5.6%	4,292.3	985.4	3,996.8	5,051.8	183.5		
Asian Fund II	4/2013	4/2017	5,825.0	315.8	1.3%	6,522.4	4,051.2	4,345.1	5,466.4	228.2		
Asian Fund <sup>(4)</sup>	7/2007	4/2013	3,983.3	—	2.5%	3,945.9	8,535.4	173.5	190.4	4.5		
China Growth Fund <sup>(4)</sup>	11/2010	11/2016	1,010.0	—	1.0%	1,010.0	805.5	549.1	450.8	(16.2)		
Next Generation Technology Growth Fund II	12/2019	12/2025	2,088.3	2,088.3	7.2%	—	—	—	—	—		
Next Generation Technology Growth Fund	3/2016	12/2019	658.9	10.5	22.5%	653.9	45.9	603.3	979.7	34.9		
Health Care Strategic Growth Fund	12/2016	12/2021	1,331.0	906.2	11.3%	503.9	82.4	415.3	692.6	28.7		
Global Impact Fund	2/2019	2/2025	1,242.2	1,156.5	8.1%	85.7	—	85.7	62.5	—		
<b>Private Equity and Growth Equity Funds</b>			<b>91,797.0</b>	<b>23,265.2</b>		<b>71,561.4</b>	<b>91,960.9</b>	<b>28,719.3</b>	<b>36,474.0</b>	<b>1,331.5</b>		
Co-Investment Vehicles and Other	Various	Various	11,760.1	5,134.1	Various	6,802.5	4,852.1	4,455.6	5,414.8	298.0		
<b>Total Private Equity and Growth Equity Funds</b>			<b>103,557.1</b>	<b>28,399.3</b>		<b>78,363.9</b>	<b>96,813.0</b>	<b>33,174.9</b>	<b>41,888.8</b>	<b>1,629.5</b>		
<b>Core Investment Vehicles</b>	Various	Various	<b>9,745.0</b>	<b>5,045.1</b>	<b>35.9%</b>	<b>4,699.9</b>	<b>—</b>	<b>4,699.9</b>	<b>6,271.2</b>	<b>43.3</b>		
<b>Real Assets</b>												
Energy Income and Growth Fund II	6/2018	6/2021	994.2	587.6	20.1%	416.3	9.6	407.1	356.1	—		
Energy Income and Growth Fund	9/2013	6/2018	1,974.2	59.3	12.9%	1,963.4	781.9	1,287.7	726.1	—		
Natural Resources Fund <sup>(4)</sup>	Various	Various	887.4	0.9	Various	886.5	123.2	194.2	41.1	—		
Global Energy Opportunities	Various	Various	914.1	188.4	Various	501.3	128.2	338.0	193.8	—		
Global Infrastructure Investors III	6/2018	6/2024	7,148.7	4,576.9	3.8%	2,623.4	51.5	2,584.8	2,501.7	—		
Global Infrastructure Investors II	10/2014	6/2018	3,039.8	158.2	4.1%	3,117.7	847.1	2,554.9	3,979.6	139.8		
Global Infrastructure Investors	9/2011	10/2014	1,040.2	25.4	4.8%	1,047.6	1,364.9	319.9	824.2	55.2		
Asia Pacific Infrastructure Investors	1/2020	1/2026	1,759.5	1,759.5	14.2%	—	—	—	—	—		
Real Estate Partners Americas II	5/2017	12/2020	1,921.2	915.5	7.8%	1,164.7	342.5	993.7	1,116.7	31.5		
Real Estate Partners Americas	5/2013	5/2017	1,229.1	148.2	16.3%	1,010.7	1,351.4	222.1	127.6	5.0		
Real Estate Partners Europe	9/2015	12/2019	707.9	231.8	9.3%	548.0	146.1	475.3	543.2	10.6		
Real Estate Credit Opportunity Partners	2/2017	4/2019	1,130.0	122.2	4.4%	1,007.8	161.9	1,007.8	964.3	—		
Property Partners Americas	12/2019	(5)	1,512.5	1,317.2	33.1%	195.3	—	195.3	196.8	—		
Co-Investment Vehicles and Other	Various	Various	4,893.7	3,268.8	Various	1,624.9	831.3	1,621.2	1,838.8	0.7		
<b>Real Assets</b>			<b>29,152.5</b>	<b>13,359.9</b>		<b>16,107.6</b>	<b>6,139.6</b>	<b>12,202.0</b>	<b>13,410.0</b>	<b>242.8</b>		
<b>Other</b>												
Unallocated Commitments <sup>(6)</sup>			1,985.8	1,985.8	Various	—	—	—	—	—		
<b>Private Markets Total</b>			<b>\$ 144,440.4</b>	<b>\$ 48,790.1</b>		<b>\$ 99,171.4</b>	<b>\$ 102,952.6</b>	<b>\$ 50,076.8</b>	<b>\$ 61,570.0</b>	<b>\$ 1,915.6</b>		

- (1) The start date represents the date on which the general partner of the applicable fund commenced investment of the fund's capital or the date of the first closing. The end date represents the earlier of (i) the date on which the general partner of the applicable fund was or will be required by the fund's governing agreement to cease making investments on behalf of the fund, unless extended by a vote of the fund investors, and (ii) the date on which the last investment was made.
- (2) The commitment represents the aggregate capital commitments to the fund, including capital commitments by third-party fund investors and the general partner. Foreign currency commitments have been converted into U.S. dollars based on (i) the foreign exchange rate at the date of purchase for each investment and (ii) the exchange rate that prevailed on March 31, 2020, in the case of uncalled commitments.
- (3) The remaining cost represents the initial investment of the general partner and limited partners, reduced for returns of capital, with the limited partners' investment further reduced for any realized gains from which the general partner did not receive a carried interest.
- (4) The "Invested" and "Realized" columns do not include the amounts of any realized investments that restored the unused capital commitments of the fund investors, if any.
- (5) Open ended fund.
- (6) "Unallocated Commitments" represent unallocated commitments from our strategic investor partnerships.

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The table below presents information as of March 31, 2020, relating to the historical performance of certain of our Private Markets investment vehicles since inception, which we believe illustrates the benefits of our investment approach. This data does not reflect additional capital raised since March 31, 2020, or acquisitions or disposals of investments, changes in investment values or distributions occurring after that date. However, the information presented below is not intended to be representative of any past or future performance for any particular period other than the period presented below. Past performance is no guarantee of future results.

Private Markets Investment Funds	Amount		Fair Value of Investments			Total Value	Gross IRR <sup>(5)</sup>	Net IRR <sup>(5)</sup>	Gross Multiple of Invested Capital <sup>(5)</sup>
	Commitment	Invested	Realized <sup>(4)</sup>	Unrealized					
(\$ in millions)									
<i>Legacy Funds <sup>(1)</sup></i>									
1976 Fund	\$ 31.4	\$ 31.4	\$ 537.2	\$ —	\$ 537.2	39.5 %	35.5 %	17.1	
1980 Fund	356.8	356.8	1,827.8	—	1,827.8	29.0 %	25.8 %	5.1	
1982 Fund	327.6	327.6	1,290.7	—	1,290.7	48.1 %	39.2 %	3.9	
1984 Fund	1,000.0	1,000.0	5,963.5	—	5,963.5	34.5 %	28.9 %	6.0	
1986 Fund	671.8	671.8	9,080.7	—	9,080.7	34.4 %	28.9 %	13.5	
1987 Fund	6,129.6	6,129.6	14,949.2	—	14,949.2	12.1 %	8.9 %	2.4	
1993 Fund	1,945.7	1,945.7	4,143.3	—	4,143.3	23.6 %	16.8 %	2.1	
1996 Fund	6,011.6	6,011.6	12,476.9	—	12,476.9	18.0 %	13.3 %	2.1	
Subtotal - Legacy Funds	16,474.5	16,474.5	50,269.3	—	50,269.3	26.1 %	19.9 %	3.1	
<i>Included Funds</i>									
European Fund (1999) <sup>(2)</sup>	3,085.4	3,085.4	8,757.7	—	8,757.7	26.9 %	20.2 %	2.8	
Millennium Fund (2002)	6,000.0	6,000.0	14,123.1	6.1	14,129.2	22.0 %	16.1 %	2.4	
European Fund II (2005) <sup>(2)</sup>	5,750.8	5,750.8	8,507.4	34.3	8,541.7	6.1 %	4.5 %	1.5	
2006 Fund (2006)	17,642.2	17,304.5	31,003.8	4,643.9	35,647.7	11.7 %	9.1 %	2.1	
Asian Fund (2007)	3,983.3	3,945.9	8,535.4	190.4	8,725.8	18.9 %	13.7 %	2.2	
European Fund III (2008) <sup>(2)</sup>	5,508.0	5,359.8	10,463.6	235.3	10,698.9	16.5 %	11.4 %	2.0	
E2 Investors (Annex Fund) (2009) <sup>(2)</sup>	195.8	195.8	199.6	—	199.6	0.6 %	0.5 %	1.0	
China Growth Fund (2010)	1,010.0	1,010.0	805.5	450.8	1,256.3	6.2 %	2.0 %	1.2	
Natural Resources Fund (2010)	887.4	886.5	123.2	41.1	164.3	(33.8)%	(36.4)%	0.2	
Global Infrastructure Investors (2011) <sup>(2)</sup>	1,040.2	1,047.6	1,364.9	824.2	2,189.1	17.5 %	15.5 %	2.1	
North America Fund XI (2012)	8,718.4	9,579.6	11,299.6	7,470.0	18,769.6	21.5 %	16.9 %	2.0	
Asian Fund II (2013)	5,825.0	6,522.4	4,051.2	5,466.4	9,517.6	13.2 %	9.4 %	1.5	
Real Estate Partners Americas (2013)	1,229.1	1,010.7	1,351.4	127.6	1,479.0	17.4 %	12.6 %	1.5	
Energy Income and Growth Fund (2013)	1,974.2	1,963.4	781.9	726.1	1,508.0	(9.5)%	(12.4)%	0.8	
Global Infrastructure Investors II (2014) <sup>(2)</sup>	3,039.8	3,117.7	847.1	3,979.6	4,826.7	18.3 %	15.6 %	1.5	
European Fund IV (2015) <sup>(2)</sup>	3,508.6	3,372.9	1,968.6	3,658.4	5,627.0	23.0 %	17.5 %	1.7	
Real Estate Partners Europe (2015) <sup>(2)</sup>	707.9	548.0	146.1	543.2	689.3	13.6 %	8.8 %	1.3	
Next Generation Technology Growth Fund (2016)	658.9	653.9	45.9	979.7	1,025.6	26.4 %	20.6 %	1.6	
Health Care Strategic Growth Fund (2016)	1,331.0	503.9	82.4	692.6	775.0	64.8 %	34.5 %	1.5	
Americas Fund XII (2017)	13,500.0	6,461.8	89.0	7,066.4	7,155.4	7.3 %	3.2 %	1.1	
Real Estate Credit Opportunity Partners (2017)	1,130.0	1,007.8	161.9	964.3	1,126.2	6.6 %	5.4 %	1.1	
Core Investment Vehicles (2017)	9,745.0	4,699.9	—	6,271.2	6,271.2	18.0 %	16.9 %	1.3	
Asian Fund III (2017)	9,000.0	4,292.3	985.4	5,051.8	6,037.2	34.5 %	23.7 %	1.4	
Real Estate Partners Americas II (2017)	1,921.2	1,164.7	342.5	1,116.7	1,459.2	25.4 %	19.1 %	1.3	
Global Infrastructure Investors III (2018) <sup>(2)(3)</sup>	7,148.7	2,623.4	—	2,501.7	2,501.7	—	—	—	
European Fund V (2019) <sup>(2)(3)</sup>	6,030.3	717.9	—	465.4	465.4	—	—	—	
Energy Income and Growth Fund II (2019) <sup>(3)</sup>	994.2	416.3	—	356.1	356.1	—	—	—	
Next Generation Technology Growth Fund II (2019) <sup>(3)</sup>	2,088.3	—	—	—	—	—	—	—	
Global Impact Fund (2019) <sup>(3)</sup>	1,242.2	85.7	—	62.5	62.5	—	—	—	
Asia Pacific Infrastructure Investors (2019) <sup>(3)</sup>	1,759.5	—	—	—	—	—	—	—	
Property Partners Americas (2019) <sup>(3)</sup>	1,512.5	195.3	—	196.8	196.8	—	—	—	
Subtotal - Included Funds	128,167.9	93,523.9	106,037.2	54,122.6	160,159.8	15.4 %	11.4 %	1.7	

<i>All Funds</i>	\$	144,642.4	\$	109,998.4	\$	156,306.5	\$	54,122.6	\$	210,429.1	25.6%	18.7%	2.0
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- (1) These funds were not contributed to KKR as part of the acquisition of the assets and liabilities of KKR & Co. (Guernsey) L.P. (formerly known as KKR Private Equity Investors, L.P.) on October 1, 2009 (the "KPE Transaction").
- (2) The following table presents information regarding investment funds with euro-denominated commitments. Such amounts have been converted into U.S. dollars based on (i) the foreign exchange rate at the date of purchase for each investment and (ii) the exchange rate prevailing on March 31, 2020, in the case of unfunded commitments.

Private Markets Investment Funds	Commitment (€ in millions)	
European Fund	€	196.5
European Fund II	€	2,597.5
European Fund III	€	2,882.8
E2 Investors (Annex Fund)	€	55.5
Global Infrastructure Investors	€	30.0
Global Infrastructure Investors II	€	243.8
European Fund IV	€	1,626.1
Real Estate Partners Europe	€	276.6
Global Infrastructure Investors III	€	987.0
European Fund V	€	2,144.2

- (3) The gross IRR, net IRR and gross multiple of invested capital are calculated for our investment funds that made their first investment at least 24 months prior to March 31, 2020. None of the Global Infrastructure Investors III, European Fund V, Energy Income and Growth Fund II, Next Generation Technology Growth Fund II, Global Impact Fund, Asia Pacific Infrastructure Investors, or Property Partners Americas has invested for at least 24 months as of March 31, 2020. We therefore have not calculated gross IRRs, net IRRs and gross multiples of invested capital with respect to those funds.
- (4) An investment is considered realized when it has been disposed of or has otherwise generated disposition proceeds or current income that has been distributed by the relevant fund. In periods prior to the three months ended September 30, 2015, realized proceeds excluded current income such as dividends and interest. Realizations have not been shown for those investment funds that have either made their first investment more recently than 24 months prior to March 31, 2020 or have not had any realizations.
- (5) IRRs measure the aggregate annual compounded returns generated by a fund's investments over a holding period. Net IRRs are calculated after giving effect to the allocation of realized and unrealized carried interest and the payment of any applicable management fees and organizational expenses. Gross IRRs are calculated before giving effect to the allocation of realized and unrealized carried interest and the payment of any applicable management fees and organizational expenses.

The gross multiples of invested capital measure the aggregate value generated by a fund's investments in absolute terms. Each multiple of invested capital is calculated by adding together the total realized and unrealized values of a fund's investments and dividing by the total amount of capital invested by the fund. Such amounts do not give effect to the allocation of realized and unrealized carried interest or the payment of any applicable management fees or organizational expenses.

KKR's Private Markets funds may utilize third-party financing facilities to provide liquidity to such funds. The above net and gross IRRs are calculated from the time capital contributions are due from fund investors to the time fund investors receive a related distribution from the fund, and the use of such financing facilities generally decreases the amount of time that would otherwise be used to calculate IRRs, which tends to increase IRRs when fair value grows over time and decrease IRRs when fair value decreases over time. KKR's Private Markets funds also generally provide in certain circumstances, which vary depending on the relevant fund documents, for a portion of capital returned to investors to be restored to unused commitments as recycled capital. For KKR's Private Markets funds that have a preferred return, we take into account recycled capital in the calculation of IRRs and multiples of invested capital because the calculation of the preferred return includes the effect of recycled capital. For KKR's Private Markets funds that do not have a preferred return, we do not take recycled capital into account in the calculation of IRRs and multiples of invested capital. The inclusion of recycled capital generally causes invested and realized amounts to be higher and IRRs and multiples of invested capital to be lower than had recycled capital not been included. The inclusion of recycled capital would reduce the composite net IRR of all Included Funds by 0.1% and the composite net IRR of all Legacy Funds by 0.5% and would reduce the composite multiple of invested capital of Included Funds by less than 0.1 and the composite multiple of invested capital of Legacy Funds by 0.4.

## **Public Markets**

Through our Public Markets business line, we operate our combined credit and hedge funds platforms. Our credit business invests capital in (i) leveraged credit strategies, including leveraged loans, high-yield bonds, opportunistic credit and revolving credit strategies, and (ii) alternative credit strategies, including special situations and private credit strategies such as direct lending and private opportunistic credit (or mezzanine) investment strategies. The funds, CLOs, separately managed accounts, investment companies registered under the Investment Company Act of 1940 (the "Investment Company Act") and alternative investment funds ("AIFs") in our leveraged credit and alternative credit strategies are managed by KKR Credit Advisors (US) LLC, which is an SEC-registered investment adviser, and KKR Credit Advisors (Ireland) Unlimited Company, which is regulated by the Central Bank of Ireland ("CBI"). Our business development company ("BDC") platform consists of BDCs advised by FS/KKR Advisor, LLC ("FS/KKR Advisor"), which is an investment adviser jointly owned by KKR and Franklin Square Holdings, L.P. ("FS Investments") following the completion of our strategic partnership with FS Investments on April 9, 2018. Our Public Markets business line also includes our hedge funds platform, which consists of strategic partnerships with third-party hedge fund managers in which KKR owns a minority stake (which we refer to as "hedge fund partnerships"). Our

hedge fund partnerships offer a variety of investment strategies, including hedge fund-of-funds, equity hedge funds and credit hedge funds.

We intend to continue to grow the Public Markets business line by leveraging our global investment platform, experienced investment professionals and the ability to adapt our investment strategies to different market conditions to capitalize on investment opportunities that may arise at various levels of the capital structure and across market cycles.

As of March 31, 2020, our Public Markets business line had \$93.0 billion of AUM, comprised of \$37.9 billion of assets managed in our leveraged credit strategies (which include \$4.3 billion of assets managed in our opportunistic credit strategy and \$1.8 billion of assets managed in our revolving credit strategy), \$5.1 billion of assets managed in our special situations strategy, \$23.9 billion of assets managed in our private credit strategies, \$25.3 billion of assets managed through our hedge fund platform, and \$0.8 billion of assets managed in other strategies. Our private credit strategies include \$17.5 billion of assets managed in our direct lending strategy and \$6.4 billion of assets managed in our private opportunistic credit strategy. Our BDC platform has approximately \$15.3 billion in combined assets under management, which are reflected in the AUM of our leveraged credit strategies and alternative credit strategies above. We report all of the assets under management of the BDCs in our BDC platform. We report only a pro rata portion of the AUM in our strategic partnership with third-party hedge fund managers based on KKR's percentage ownership in them.

**Credit**

*Performance*

We generally review our performance in our credit business by investment strategy.

Our leveraged credit strategies principally invest through separately managed accounts, BDCs, CLOs and investment funds. In certain cases, these strategies have meaningful track records and may be compared to widely-known indices. The following table presents information regarding larger leveraged credit strategies managed by KKR from inception to March 31, 2020. However, the information presented below is not intended to be representative of any past or future performance for any particular period other than the period presented below. Past performance is no guarantee of any future result.

*Leveraged Credit Strategies: Inception-to-Date Annualized Gross Performance vs. Benchmark by Strategy*

Leveraged Credit Strategy	Inception Date	Gross Returns	Net Returns	Benchmark <sup>(1)</sup>	Benchmark Gross Returns
Bank Loans Plus High Yield	Jul 2008	6.38%	5.77%	65% S&P/LSTA Loan Index, 35% BoAML HY Master II Index <sup>(2)</sup>	4.74%
Opportunistic Credit <sup>(3)</sup>	May 2008	10.00%	8.15%	50% S&P/LSTA Loan Index, 50% BoAML HY Master II Index <sup>(3)</sup>	5.04%
Bank Loans	Apr 2011	3.50%	2.92%	S&P/LSTA Loan Index <sup>(4)</sup>	2.57%
High-Yield	Apr 2011	5.68%	5.10%	BoAML HY Master II Index <sup>(5)</sup>	4.57%
Bank Loans Conservative	Apr 2011	3.15%	2.57%	S&P/LSTA BB-B Loan Index <sup>(6)</sup>	2.63%
European Leveraged Loans <sup>(7)</sup>	Sep 2009	3.47%	2.96%	CS Inst West European Leveraged Loan Index <sup>(8)</sup>	2.82%
High-Yield Conservative	Apr 2011	5.32%	4.75%	BoAML HY BB-B Constrained <sup>(9)</sup>	4.62%
European Credit Opportunities <sup>(7)</sup>	Sept 2007	2.45%	1.53%	S&P European Leveraged Loans (All Loans) <sup>(10)</sup>	2.80%
Revolving Credit <sup>(11)</sup>	May 2015	N/A	N/A	N/A	N/A

(1) The benchmarks referred to herein include the S&P/LSTA Leveraged Loan Index (the "S&P/LSTA Loan Index"), S&P/LSTA U.S. B/BB Ratings Loan Index (the "S&P/LSTA BB-B Loan Index"), the Bank of America Merrill Lynch High Yield Master II Index (the "BoAML HY Master II Index"), the BofA Merrill Lynch BB-B US High Yield Index (the "BoAML HY BB-B Constrained"), the Credit Suisse Institutional Western European Leveraged Loan Index (the "CS Inst West European Leveraged Loan Index"), and S&P European Leveraged Loans (All Loans). The S&P/LSTA Loan Index is a daily tradable index for the U.S. loan market that seeks to mirror the market-weighted performance of the largest institutional loans that meet certain criteria. The S&P/LSTA BB-B Loan Index is comprised of loans in the S&P/LSTA Loan Index, whose rating is BB+, BB, BB-, B+, B or B-. The BoAML HY Master II Index is an index for high-yield corporate bonds. It is designed to measure the broad high-yield market, including lower-rated securities. The BoAML HY BB-B Constrained is a subset of the BoAML HY Master II Index including all securities rated BB1 through B3, inclusive. The CS Inst West European Leveraged Loan Index contains only institutional loan facilities priced above 90, excluding TL and TLa facilities and loans rated CC, C or are in default. The S&P European Leveraged Loan Index reflects the market-weighted performance of institutional leveraged loan portfolios investing in European credits. While the returns of our leveraged credit strategies reflect the reinvestment of income and dividends, none of the indices presented in the chart above reflect such reinvestment, which has the effect of increasing the reported relative performance of these strategies as compared to the indices. Furthermore, these indices are not subject to management fees, incentive allocations, or expenses.

(2) Performance is based on a blended composite of Bank Loans Plus High Yield strategy accounts. The benchmark used for purposes of comparison for the Bank Loans Plus High Yield strategy is based on 65% S&P/LSTA Loan Index and 35% BoAML HY Master II Index.



- (3) The Opportunistic Credit strategy invests in high-yield securities and corporate loans with no preset allocation. The benchmark used for purposes of comparison for the Opportunistic Credit strategy presented herein is based on 50% S&P/LSTA Loan Index and 50% BoAML HY Master II Index. Funds within this strategy may utilize third-party financing facilities to enhance investment returns. In cases where financing facilities are used, the amounts drawn on the facility are deducted from the assets of the fund in the calculation of net asset value, which tends to increase returns when net asset value grows over time and decrease returns when net asset value decreases over time.
- (4) Performance is based on a composite of portfolios that primarily invest in leveraged loans. The benchmark used for purposes of comparison for the Bank Loans strategy is based on the S&P/LSTA Loan Index.
- (5) Performance is based on a composite of portfolios that primarily invest in high-yield securities. The benchmark used for purposes of comparison for the High Yield strategy is based on the BoAML HY Master II Index.
- (6) Performance is based on a composite of portfolios that primarily invest in leveraged loans rated B-/Baa3 or higher. The benchmark used for purposes of comparison for the Bank Loans Conservative strategy is based on the S&P/LSTA BB-B Loan Index.
- (7) The returns presented are calculated based on local currency.
- (8) Performance is based on a composite of portfolios that primarily invest in higher quality leveraged loans. The benchmark used for purposes of comparison for the European Leveraged Loans strategy is based on the CS Inst West European Leveraged Loan Index.
- (9) Performance is based on a composite of portfolios that primarily invest in high-yield securities rated B or higher. The benchmark used for purposes of comparison for the High-Yield Conservative strategy is based on the BoAML HY BB-B Constrained Index.
- (10) Performance is based on a composite of portfolios that primarily invest in European institutional leveraged loans. The benchmark used for purposes of comparison for the European Credit Opportunities strategy is based on the S&P European Leveraged Loans (All Loans) Index.
- (11) This strategy has not called any capital as of March 31, 2020. As a result, the gross and net return performance measures are not meaningful and are not included above.

Our alternative credit strategies primarily invest in more illiquid instruments through private investment funds, BDCs and separately managed accounts. The following table presents information regarding our Public Markets alternative credit commingled funds where investors are subject to capital commitments from inception to March 31, 2020. Some of these funds have been investing for less than 24 months, and thus their performance is less meaningful and not included below. In addition, the information presented below is not intended to be representative of any past or future performance for any particular period other than the period presented below. Past performance is no guarantee of any future result.

*Alternative Credit Strategies: Fund Performance*

Public Markets Investment Funds	Inception Date	Amount		Fair Value of Investments		Total Value	Gross IRR <sup>(2)</sup>	Net IRR <sup>(2)</sup>	Multiple of Invested Capital <sup>(3)</sup>	Gross Accrued Carried Interest
		Commitment	Invested <sup>(1)</sup>	Realized <sup>(1)</sup>	Unrealized					
(\$ in Millions)										
Special Situations Fund II	Dec 2014	\$ 3,524.7	\$ 2,746.3	\$ 588.8	\$ 1,872.8	\$ 2,461.6	(4.3)%	(6.6)%	0.9	\$ —
Special Situations Fund	Dec 2012	2,274.3	2,273.0	1,552.4	619.8	2,172.2	(1.2)%	(3.4)%	1.0	—
Mezzanine Partners	Mar 2010	1,022.8	920.1	1,081.8	194.4	1,276.2	10.7 %	7.5 %	1.4	(20.0)
Private Credit Opportunities Partners II	Dec 2015	2,245.1	1,590.8	118.5	1,540.9	1,659.4	3.7 %	2.0 %	1.0	—
Lending Partners III	Apr 2017	1,497.8	657.0	108.9	641.8	750.7	11.9 %	9.5 %	1.1	7.1
Lending Partners II	Jun 2014	1,335.9	1,179.1	1,100.7	258.1	1,358.8	5.8 %	4.7 %	1.2	—
Lending Partners	Dec 2011	460.2	405.3	450.7	24.2	474.9	4.7 %	3.0 %	1.2	—
Lending Partners Europe	Mar 2015	847.6	604.9	178.6	387.5	566.1	(2.0)%	(5.0)%	0.9	—
Other Alternative Credit Vehicles	Various	10,571.2	5,189.0	3,282.5	3,011.5	6,294.0	N/A	N/A	N/A	17.8
Unallocated Commitments <sup>(4)</sup>	Various	285.6	—	—	—	—	N/A	N/A	N/A	—
<b>All Funds</b>		<b>\$ 24,065.2</b>	<b>\$ 15,565.5</b>	<b>\$ 8,462.9</b>	<b>\$ 8,551.0</b>	<b>\$ 17,013.9</b>				<b>\$ 4.9</b>

- (1) Recycled capital is excluded from the amounts invested and realized.
- (2) These credit funds utilize third-party financing facilities to provide liquidity to such funds, and in such event, IRRs are calculated from the time capital contributions are due from fund investors to the time fund investors receive a related distribution from the fund. The use of such financing facilities generally decreases the amount of invested capital that would otherwise be used to calculate IRRs, which tends to increase IRRs when fair value grows over time and decrease IRRs when fair value decreases over time. IRRs measure the aggregate annual compounded returns generated by a fund's investments over a holding period and are calculated taking into account recycled capital. Net IRRs presented are calculated after giving effect to the allocation of realized and unrealized carried interest and the payment of any applicable management fees. Gross IRRs are calculated before giving effect to the allocation of carried interest and the payment of any applicable management fees.
- (3) The multiples of invested capital measure the aggregate value generated by a fund's investments in absolute terms. Each multiple of invested capital is calculated by adding together the total realized and unrealized values of a fund's investments and dividing by the total amount of capital invested by the investors. The use of financing facilities generally decreases the amount of invested capital that would otherwise be used to calculate multiples of invested capital, which tends to increase multiples when fair value grows over time and decrease multiples when fair value decreases over time. Such amounts do not give effect to the allocation of any realized and unrealized returns on a fund's investments to the fund's general partner pursuant to a carried interest or the payment of any applicable management fees and are calculated without taking into account recycled capital.

(4) "Unallocated Commitments" represent unallocated commitments from our strategic investor partnerships.

### Public Markets AUM and Vehicle Structures

The table below presents information as of March 31, 2020, based on the investment funds, vehicles or accounts offered by our Public Markets business line. Our funds, vehicles and accounts have been sorted based upon their primary investment strategies. However, the AUM and FPAUM presented for each line in the table includes certain investments from non-primary investment strategies, which are permitted by their investment mandates, for purposes of presenting the fees and other terms for such funds, vehicles and accounts.

(\$ in millions)	AUM	FPAUM	Typical Management Fee Rate	Incentive Fee / Carried Interest	Preferred Return	Duration of Capital
<b>Leveraged Credit:</b>						
Leveraged Credit SMAs/Funds	\$ 20,764	\$ 19,576	0.10% - 1.10%	Various <sup>(1)</sup>	Various <sup>(1)</sup>	Subject to redemptions
CLOs	15,618	15,618	0.40% - 0.50%	Various <sup>(1)</sup>	Various <sup>(1)</sup>	10-14 Years <sup>(2)</sup>
<b>Total Leveraged Credit</b>	<b>36,382</b>	<b>35,194</b>				
<b>Alternative Credit: <sup>(3)</sup></b>						
Special Situations	5,381	4,737	0.90% - 1.75% <sup>(4)</sup>	10.00 - 20.00%	7.00 - 12.00%	8-15 Years <sup>(2)</sup>
Private Credit	10,568	5,997	0.50% - 1.50%	10.00 - 20.00%	5.00 - 8.00%	8-15 Years <sup>(2)</sup>
<b>Total Alternative Credit</b>	<b>15,949</b>	<b>10,734</b>				
Hedge Funds <sup>(5)</sup>	25,347	20,276	0.50% - 2.00%	Various <sup>(1)</sup>	Various <sup>(1)</sup>	Subject to redemptions
BDCs <sup>(6)</sup>	15,286	15,286	0.60%	8.00%	7.00%	Indefinite
<b>Total</b>	<b>\$ 92,964</b>	<b>\$ 81,490</b>				

(1) Certain funds and CLOs are subject to a performance fee in which the manager or general partner of the funds share up to 20% of the net profits earned by investors in excess of performance hurdles (generally tied to a benchmark or index) and subject to a provision requiring the funds and vehicles to regain prior losses before any performance fee is earned.

(2) Duration of capital is measured from inception. Inception dates for CLOs were between 2013 and 2020 and for separately managed accounts and funds investing in alternative credit strategies from 2009 through 2020.

(3) Our alternative credit funds generally have investment periods of three to five years and our newer alternative credit funds generally earn fees on invested capital during the investment period.

(4) Lower fees on uninvested capital in certain vehicles.

(5) Hedge Funds represent KKR's pro rata portion of AUM and FPAUM of our hedge fund partnerships.

(6) Consists of our BDC platform advised by FS/KKR Advisor. We report all of the AUM of the BDCs in our AUM and FPAUM.

***Capital Markets***

Our Capital Markets business line is comprised of our global capital markets business, which is integrated with KKR's other business lines, and serves our firm, our portfolio companies and third-party clients by developing and implementing both traditional and non-traditional capital solutions for investments or companies seeking financing. These services include arranging debt and equity financing, placing and underwriting securities offerings, and providing other types of capital markets services that may result in the firm receiving fees, including underwriting, placement, transaction and syndication fees, commissions, underwriting discounts, interest payments and other compensation, which may be payable in cash or securities, in respect of the activities described above.

Our capital markets business underwrites credit facilities and arranges loan syndications and participations. When we are sole arrangers of a credit facility, we may advance amounts to the borrower on behalf of other lenders, subject to repayment. When we underwrite an offering of securities on a firm commitment basis, we commit to buy and sell an issue of securities and generate revenue by purchasing the securities at a discount or for a fee. When we act in an agency capacity or best efforts basis, we generate revenue for arranging financing or placing securities with capital markets investors. We may also provide issuers with capital markets advice on security selection, access to markets, marketing considerations, securities pricing, and other aspects of capital markets transactions in exchange for a fee. Our capital markets business also provides syndication services in respect of co-investments in transactions participated in by KKR funds or third-party clients, which may entitle the firm to receive syndication fees, management fees and/or a carried interest.

The capital markets business has a global footprint, with local presence and licenses to carry out certain broker-dealer activities in various countries in North America, Europe, Asia-Pacific and the Middle East. Our flagship capital markets subsidiary is KKR Capital Markets LLC, an SEC-registered broker-dealer and a member of the Financial Industry Regulation Authority ("FINRA").

### **Principal Activities**

Through our Principal Activities business line, we manage the firm's own assets on our balance sheet and deploy capital to support and grow our business lines. Typically, the funds in our Private Markets and Public Markets business lines contractually require us, as general partner of the funds, to make sizable capital commitments from time to time. We believe making general partner commitments assists us in raising new funds from limited partners by demonstrating our conviction in a given fund's strategy. We also use our balance sheet to acquire investments in order to help establish a track record for fundraising purposes in new strategies. We may also use our own capital to seed investments for new funds, to bridge capital selectively for our funds' investments or finance strategic acquisitions and partnerships, although the financial results of an acquired business or hedge fund partnership may be reported in our other business lines.

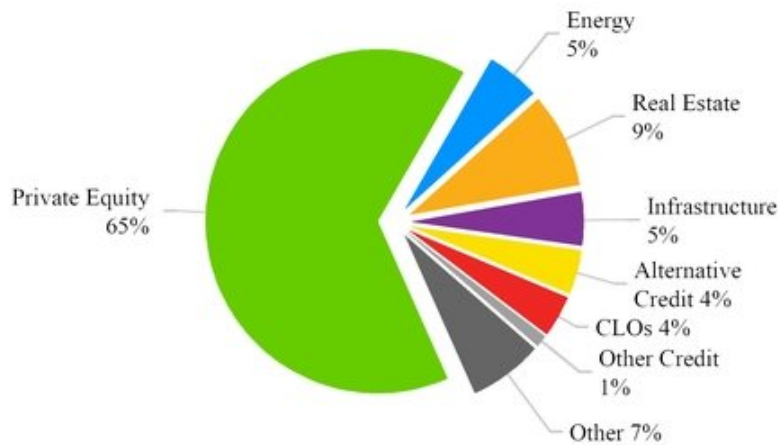
Our Principal Activities business line also provides the required capital to fund the various commitments of our Capital Markets business line when underwriting or syndicating securities, or when providing term loan commitments for transactions involving our portfolio companies and for third parties. Our Principal Activities business line also holds assets that may be utilized to satisfy regulatory requirements for our Capital Markets business line and risk retention requirements for our CLOs.

We also make opportunistic investments through our Principal Activities business line, which include co-investments alongside our Private Markets and Public Markets funds as well as Principal Activities investments that do not involve our Private Markets or Public Markets funds.

We endeavor to use our balance sheet strategically and opportunistically to generate an attractive risk-adjusted return on equity in a manner that is consistent with our fiduciary duties, in compliance with applicable laws, and consistent with our one-firm approach.

The chart below presents the holdings of our Principal Activities business line by asset class as of March 31, 2020:

### **Holdings by Asset Class <sup>(1)</sup>**



(1) General partner commitments in our funds are included in the various asset classes shown above. Assets and revenues of other asset managers with which KKR has formed strategic partnerships where KKR does not hold more than 50% ownership interest are not included in our Principal Activities business line but are reported in the financial results of our other business lines. Private Equity includes KKR private equity funds, co-investments alongside such KKR-sponsored private equity funds, certain core equity investments, and other opportunistic investments. Equity investments in other asset classes, such as real estate, special situations and energy appear in these other asset classes. Other Credit consists of certain leveraged credit and specialty finance strategies.

## **Business Environment**

### *Economic and Market Conditions*

#### ***Impact of COVID-19***

The outbreak of a novel strain of coronavirus ("COVID-19") continues to impact the United States and other countries throughout the world. In March 2020, the World Health Organization declared COVID-19 to be a pandemic and the United States declared a national emergency due to the outbreak. In connection with these declarations, various governments around the world have instituted measures to slow the transmissions of COVID-19, which substantially restrict individual and business activities. These measures include, for example, closures of non-essential businesses, limitations of crowd size, stay-at-home orders, quarantines, heightened border controls and limitations on travel. Governments in the United States and around the world have responded with fiscal and monetary stimuli that aim to provide emergency assistance to individuals and businesses negatively impacted by COVID-19. The outbreak of COVID-19 and the actions taken in response have had far reaching impact on the U.S. and global economies, contributing to significant volatility in the financial markets, resulting in a general decline in equity prices (including our common stock) and lower interest rates, and causing furloughs and layoffs in the labor market.

We are monitoring developments relating to the global spread of COVID-19 and continuing to assess the potential for adverse impact on our business, including the investment funds we manage and the portfolio companies owned by us and our funds. In addition, we have implemented various initiatives intended to reduce the impact of COVID-19, such as employees working remotely from home, while also seeking to maintain business continuity.

The scale and scope of the COVID-19 pandemic may heighten the potential adverse effects on our business, financial performance and operating results for the quarterly periods and full fiscal year of 2020 and possibly beyond, and may be material and affect us in ways that we cannot foresee at this time. Many of the adverse ways in which COVID-19 may impact us have already materialized and adversely affected (or started to materialize and to adversely affect) our stock price, our portfolio valuations, and the operations of our business and the businesses of our portfolio companies, as well as the businesses of entities of which we or our funds are creditors, and our and their other counterparties, including suppliers and customers. These risks may, in the future, become even more significant than is currently the case or than is currently anticipated. Although it is impossible to predict with certainty the potential full magnitude of the business and economic ramifications, COVID-19 has impacted, and may further impact, our business in various ways, including but not limited to:

- Difficult market and economic conditions may adversely impact the valuations of our and our funds' investments, particularly if the value of an investment is determined in whole or in part by reference to public equity markets. As points of reference, the S&P 500 Index declined 20% and MSCI World, Europe and Asia Pacific indices declined 21%, 24% and 19%, respectively, in the first quarter of 2020. With respect to credit markets, the S&P/LSTA Leveraged Loan Index and BAML US High Yield Index were each down 13% in the first quarter of 2020. Valuations of our and our funds' investments are generally correlated to the performance of the relevant equity and debt markets.

Valuations of many of our investments as of March 31, 2020 were lower compared to December 31, 2019, driven primarily by actual and expected revenue declines and decreases in value of our publicly traded portfolio companies and of comparable companies in the case of our privately held portfolio companies, in each case, primarily arising out of the COVID-19 pandemic. These valuation declines had an adverse impact on the overall value of our investment portfolio as of March 31, 2020, as well as a corresponding impact on our book value per share, accrued carried interest and assets under management. Some of the factors that drove these declines, particularly period over period revenue declines, are continuing in the second quarter and may continue for substantially longer periods of time;

- COVID-19 significantly increases the challenges associated with business planning, strategy, execution, portfolio management, fundraising, and other aspects of our business operations, the operation of our portfolio companies' businesses, and the operation of entities to whom we or our funds have loaned money or otherwise do business through supply or customer relationships. None of us, our portfolio companies or our and their respective counterparties, vendors, or advisors have previously faced a situation that we view as comparable to the current COVID-19 crisis, which, among other factors, involves a major simultaneous supply and demand shock to global, regional and national economies and significant outsize effects on particular business sectors. The future trajectory of the COVID-19 crisis is subject to a complex interplay of epidemiological, technological, social, psychological, economic and political factors that are generally beyond our ability to forecast or control. In this environment, historical comparisons may be of little or no value, while the risk and uncertainty associated with a large number of business decisions is materially increased.

- Limitation on travel and social distancing requirements implemented in response to COVID-19 challenge our ability to market new or successor funds as anticipated prior to COVID-19, potentially resulting in reduced or delayed revenues. In addition, fund investors may become restricted by their asset allocation policies to invest in new or successor funds that we provide, because these policies often restrict the amount that they are permitted to invest in alternative assets like the strategies of our investment funds in light of the recent decline in public equity markets. Further, the COVID-19 crisis may cause fund investors to change their investment strategies in manners that we cannot now foresee, and that may additionally and negatively affect our ability to raise funds from traditional or other sources;
- While the market dislocation caused by COVID-19 would expect to present attractive investment opportunities, due to increased volatility in the financial markets, we may not be able to complete those investments;
- If the impact of COVID-19 continues, we and our funds may have more limited opportunities to successfully exit existing investments, due to, among other reasons, lower valuations, decreased revenues and earnings, lack of potential buyers with financial resources to pursue an acquisition, or limited or no ability to conduct initial public offerings in equity capital markets, resulting in a reduced ability to realize value from such investments;
- Our portfolio companies are facing or may face in the future increased credit and liquidity risk due to volatility in financial markets, reduced revenue streams, and limited or higher cost of access to preferred sources of funding, which may result in potential impairment of our or our funds' equity investments. Changes in the debt financing markets are impacting, or, if the volatility in financial market continues, may in the future impact, the ability of our portfolio companies to meet their respective financial obligations. We and our funds may experience similar difficulties, and certain funds have been subject to margin calls when the value of securities that collateralize their margin loan decreased substantially;
- Borrowers of loans, notes and other credit instruments in our credit funds' portfolio are more likely to be unable to meet their principal or interest payment obligations or satisfy financial covenants, and tenants leasing real estate properties owned by our funds are more likely not to be able to pay rents in a timely manner or at all, resulting in a decrease in value of our funds' credit and real estate investments and lower than expected return. In addition, for variable interest instruments, lower reference rates resulting from government stimulus programs in response to COVID-19 could lead to lower interest income for our credit funds;
- Many of our portfolio companies operate in industries that are materially impacted by COVID-19, including but not limited to healthcare, travel, entertainment, hospitality, senior living, energy and retail industries. Many of these companies are facing operational and financial hardships resulting from the spread of COVID-19 and related governmental measures, such as the closure of stores, restrictions on travel, quarantines or stay-at-home orders. If the disruptions caused by COVID-19 continue and the restrictions put in place are not lifted, the businesses of these portfolio companies could suffer materially or become insolvent, which would decrease the value of our funds' investments. For a discussion of the pandemic's impact on our energy investments, see "—Commodity Markets";
- COVID-19 may generate workplace, consumer, insurance, contract and other forms of litigation that exposes us, our portfolio companies, suppliers, customers, debtors and other counterparties to risks and claims of a magnitude and nature that we cannot now anticipate;
- An extended period of remote working by our employees could strain our technology resources and introduce operational risks, including heightened cybersecurity risk. Remote working environments are less secure and more susceptible to hacking attacks, including phishing and social engineering attempts that seek to exploit the COVID-19 pandemic; and
- COVID-19 presents a significant threat to our employees' well-being and morale. While we have implemented a business continuity plan to protect the health of our employees and have contingency plans in place for key employees or executive officers who may become sick or otherwise unable to perform their duties for an extended period of time, such plans cannot anticipate all scenarios, and we may experience potential loss of productivity or a delay in the roll out of certain strategic plans.

Given the ongoing nature of the outbreak, at this time we cannot reasonably predict the magnitude of the ultimate impact that COVID-19 will have on our business, financial performance and operating results. Economic downturn caused by COVID-19 may be prolonged and extend beyond the timeframe of the pandemic itself. We believe COVID-19's adverse impact on our business, financial performance and operating results will be significantly driven by a number of factors that we are unable to predict or control, including, for example: the severity and duration of the pandemic; the pandemic's impact on the

U.S. and global economies; the timing, scope and effectiveness of additional governmental responses to the pandemic; the timing and speed of economic recovery, including the availability of a treatment or vaccination for COVID-19; and the negative impact on our fund investors, vendors and other business partners that may indirectly adversely affect us.

See "Item 1A. Risk Factors—Risks Related to the Assets We Manage—Our investments are impacted by various economic conditions and events outside of our control that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our results of operations and financial condition." in our Annual Report. The impact of COVID-19 may also exacerbate the other risks discussed in our Annual Report.

**Economic Conditions.** As a global investment firm, we are affected by financial and economic conditions globally. Global and regional economic conditions, including those caused by the COVID-19 pandemic, have substantial impact on our financial condition and results of operations, impacting the values of the investments we make, our ability to exit these investments profitably, our ability to raise capital from investors, and our ability to make new investments. Financial and economic conditions in the United States, European Union, Japan, China, and other major economies are significant contributors to the global economy.

As of March 31, 2020, the U.S. economy experienced a sudden, significant downturn as a result of COVID-19, with key economic indicators reflecting its adverse impact. The U.S. Federal Reserve, in response to the pandemic, cut its benchmark interest rate to near zero, and deployed lending programs, bond purchasing programs and other measures to provide liquidity and support to markets and businesses. In the United States, the government's first estimate of real GDP contracted 4.8%, on a seasonally adjusted annualized basis, for the quarter ended March 31, 2020, compared to growth of 2.1% for the quarter ended December 31, 2019; the U.S. unemployment rate was 4.4% as of March 31, 2020, up from 3.5% as of December 31, 2019; the U.S. core consumer price index was 2.1% on a year-over-year basis as of March 31, 2020, down from 2.3% on a year-over-year basis as of December 31, 2019; and the effective federal funds rate set by the U.S. Federal Reserve was 0.1% as of March 31, 2020, down from 1.6% as of December 31, 2019. The first U.S. real GDP estimate was an advance estimate based on available survey results, and could be revised lower based on more complete data later in May 2020. Similarly, the size and speed of the U.S. unemployment rate due to COVID-19 are likely not fully depicted in the March 31, 2020 data; in April, the unemployment rate rose to 14.7%.

As of March 31, 2020, the European Union's economy suffered a sharp downturn due to COVID-19, as several of its largest member states were severely affected by the pandemic. In response to COVID-19, the European Central Bank announced an emergency asset purchase program, collateral easing measures and other temporary measures to support the European economy. In the Euro Area, real GDP contracted 3.8%, on a seasonally adjusted quarter-over-quarter basis, for the quarter ended March 31, 2020, compared to a growth of 0.1%, on a seasonally adjusted quarter-over-quarter basis, for the quarter ended December 31, 2019; the Euro Area unemployment rate was 7.4% as of March 31, 2020, up from 7.3% as of December 31, 2019; Euro Area core inflation was 1.0% on a year-over-year basis as of March 31, 2020, down from 1.3% on a year-over-year basis as of December 31, 2019; and the short-term benchmark interest rate set by the European Central Bank was 0.0% as of March 31, 2020, unchanged from December 31, 2019.

As of March 31, 2020, Japan appeared to have avoided the worst of the COVID-19 pandemic in the Asian region, but since then, the reported number of cases started to climb significantly, leading to a declaration of national emergency on April 7, 2020. The Japanese economy contracted by 7.1% on a seasonally adjusted annualized basis in the three months ended December 2019, and COVID-19 is expected to induce further contraction in Japan's economy. In China, the negative impact of COVID-19 was significant in the quarter ended March 31, 2020, with China's GDP contracting in the quarter and the government expected to lower its official economic growth target for 2020. In Japan, the short-term benchmark interest rate set by the Bank of Japan was -0.1% as of March 31, 2020, unchanged from December 31, 2019; and in China, reported real GDP was -9.8%, on a seasonally adjusted quarter-over-quarter basis, for the quarter ended March 31, 2020, compared to 1.5% in the quarter ended December 31, 2019.

These and other key issues could have repercussions across regional and global financial markets, which could adversely affect the valuations of our investments. Other key issues include (i) political uncertainty caused by, among other things, populist political parties, economic nationalist sentiments, anti-government protests and the 2020 U.S. Presidential election, as well as geopolitical uncertainty such as U.S.-China relations, (ii) regulatory changes regarding, for example, taxation, international trade, cross-border investments, immigration, and austerity programs, (iii) volatility or downturn in stock and credit markets, (iv) any unexpected shift in the central banks' monetary policies and their impact on the markets, (v) technological advancements and innovations that may disrupt marketplaces and businesses, and (vi) further developments regarding COVID-19 as discussed above. For a further discussion of how market conditions may affect our businesses, see "Risk Factors—Risks Related to Our Business—Difficult market and economic conditions can adversely affect our business in

many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial condition" in our Annual Report.

**Equity and Credit Markets.** Global equity and credit markets have a substantial effect on our financial condition and results of operations. In general, a climate of reasonable interest rates and high levels of liquidity in the debt and equity capital markets provide a positive environment for us to generate attractive investment returns, which also impacts our ability to generate incentive fees and carried interest. Periods of volatility and dislocation in the capital markets, such as the present, raise substantial risks, but also can present us with opportunities to invest at reduced valuations that position us for future growth and investment returns. Low interest rates related to monetary stimulus and economic stagnation may negatively impact expected returns on all types of investments. Higher interest rates in conjunction with slower growth or weaker currencies in some emerging market economies have caused, and may further cause, the default risk of these countries to increase, and this could impact the operations or value of our investments that operate in these regions. Areas that have ongoing central bank quantitative easing campaigns and comparatively low interest rates relative to the United States could potentially experience further currency volatility and weakness relative to the U.S. dollar.

Many of our investments are in equities, so a change in global equity prices or in market volatility directly impacts the value of our investments and our profitability as well as our ability to realize investment gains and the receptiveness of fund investors to our investment products. For the quarter ended March 31, 2020, global equity markets were negative, with the S&P 500 Index down 20% and the MSCI World Index down 21% on a total return basis including dividends. Equity market volatility as evidenced by the Chicago Board Options Exchange Market Volatility Index (the "VIX"), a measure of volatility, ended at 53.5 as of March 31, 2020, increasing from 13.8 as of December 31, 2019. For a discussion of our valuation methods, see "Risk Factors—Risks Related to the Assets We Manage—Our investments are impacted by various economic conditions that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our results of operations and financial condition" in our Annual Report and see also "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Fair Value Measurements—Level III Valuation Methodologies" in our Annual Report.

Many of our investments are also in non-investment grade credit instruments, and our funds and our portfolio companies also rely on credit financing and the ability to refinance existing debt. Consequently, any decrease in the value of credit instruments that we have invested in or any increase in the cost of credit financing reduces our returns and decreases our net income. In particular due in part to holdings of credit instruments such as CLOs on our balance sheet, the performance of the credit markets has had an amplified impact on our financial results, as we directly bear the full extent of losses from credit instruments on our balance sheet. Credit markets can also impact valuations because a discounted cash flow analysis is generally used as one of the methodologies to ascertain the fair value of our investments that do not have readily observable market prices. In addition, with respect to our credit instruments, tightening credit spreads are generally expected to lead to an increase, and widening credit spreads are generally expected to lead to a decrease, in the value of these credit investments, if not offset by hedging or other factors. In addition, the significant widening of credit spreads is also typically expected to negatively impact equity markets, which in turn would negatively impact our portfolio and us as noted above.

During the quarter ended March 31, 2020, U.S. investment grade corporate bond spreads (BofA Merrill Lynch US Corporate Index) widened by 204 basis points and U.S. high-yield corporate bond spreads (BofAML HY Master II Index) widened by 517 basis points. The non-investment grade credit indices were down during the quarter ended March 31, 2020, with the S&P/LSTA Leveraged Loan Index and the BAML US High Yield Index both down 13%. During the quarter ended March 31, 2020, 10-year government bond yields fell 125 basis points in the United States, fell 47 basis points in the United Kingdom, fell 29 basis points in Germany, fell 56 basis points in China, and rose 3 basis point in Japan. For a further discussion of how market conditions may affect our businesses, see "Risk Factors—Risks Related to Our Business—Difficult market and economic conditions can adversely affect our business in many ways, including by reducing the value or performance of the investments that we manage or by reducing the ability of our funds to raise or deploy capital, each of which could negatively impact our net income and cash flow and adversely affect our financial condition" and "Risk Factors—Risks Related to the Assets We Manage—Our investments are impacted by various economic conditions that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our results of operations and financial condition" in our Annual Report.

For further discussion of the impact of global credit markets on our financial condition and results of operations, see "Risk Factors—Risks Related to the Assets We Manage—Changes in the debt financing markets may negatively impact the ability of our investment funds, their portfolio companies and strategies pursued with our balance sheet assets to obtain attractive financing for their investments or to refinance existing debt and may increase the cost of such financing or refinancing if it is obtained, which could lead to lower-yielding investments and potentially decrease our net income," "Risk Factors—Risks



Related to the Assets We Manage—Our investments are impacted by various economic conditions that are difficult to quantify or predict, which may have a significant impact on the valuation of our investments and, therefore, on the investment income we realize and our results of operations and financial condition" and "Risk Factors—Risks Related to the Assets We Manage—Our funds and our firm through our balance sheet may make a limited number of investments, or investments that are concentrated in certain issuers, geographic regions or asset types, which could negatively affect our performance or the performance of our funds to the extent those concentrated assets perform poorly" in our Annual Report. For a further discussion of our valuation methods, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Fair Value Measurements—Level III Valuation Methodologies" in our Annual Report.

**Foreign Exchange Rates.** Foreign exchange rates have a substantial impact on the valuations of our investments that are denominated in currencies other than the U.S. dollar. Currency volatility can also affect our businesses and investments that deal in cross-border trade. The appreciation or depreciation of the U.S. dollar is expected to contribute to a decrease or increase, respectively, in the U.S. dollar value of our non-U.S. investments to the extent unhedged. In addition, an appreciating U.S. dollar would be expected to make the exports of U.S. based companies less competitive, which may lead to a decline in their export revenues, if any, while a depreciating U.S. dollar would be expected to have the opposite effect. Moreover, when selecting investments for our investment funds that are denominated in U.S. dollars, an appreciating U.S. dollar may create opportunities to invest at more attractive U.S. dollar prices in certain countries outside of the United States, while a depreciating U.S. dollar would be expected to have the opposite effect. For our investments denominated in currencies other than the U.S. dollar, the depreciation in such currencies will generally contribute to the decrease in the valuation of such investments, to the extent unhedged, and adversely affect the U.S. dollar equivalent revenues of portfolio companies with substantial revenues denominated in such currencies, while the appreciation in such currencies would be expected to have the opposite effect. For the quarter ended March 31, 2020, the euro fell 1.6%, the British pound fell 6.3%, the Japanese yen rose 1.0%, and the Chinese renminbi fell 1.7%, respectively, relative to the U.S. dollar. For additional information regarding our foreign exchange rate risk, see "Quantitative and Qualitative Disclosure About Market Risk—Exchange Rate Risk" in our Annual Report.

**Commodity Markets.** Our Private Markets portfolio contains energy real asset investments, and certain of our other Private Markets and Public Markets strategies and products, including private equity, direct lending, special situations and CLOs, also have meaningful investments in the energy sector. The value of these investments is heavily influenced by the price of natural gas and oil. During the quarter ended March 31, 2020, the 3-year forward price of WTI crude oil decreased approximately 20%, and the 3-year forward price of natural gas decreased approximately 0.4%. The 3-year forward price of WTI crude oil decreased from approximately \$52 per barrel to \$41 per barrel, and the 3-year forward price of natural gas decreased from approximately \$2.42 per mcf to \$2.41 per mcf as of December 31, 2019 and March 31, 2020, respectively. When commodity prices decline or if a decline is not offset by other factors, we would expect the value of our energy real asset investments to be adversely impacted, to the extent unhedged. In addition, because we hold certain energy real asset investments, which had a fair value of \$0.5 billion as of March 31, 2020 on our balance sheet, these price movements would have an amplified impact on our financial results, to the extent unhedged, as we would directly bear the full extent of such gains or losses. For additional information regarding our energy real assets, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Fair Value Measurements—Level III Valuation Methodologies—Real Asset Investments" in our Annual Report and see also "Risk Factors—Risks Related to the Assets We Manage—Our funds and our firm through our balance sheet may make a limited number of investments, or investments that are concentrated in certain issuers, geographic regions or asset types, which could negatively affect our performance or the performance of our funds to the extent those concentrated assets perform poorly" in our Annual Report.

Due in large part to the COVID-19 pandemic, oil prices significantly declined after March 31, 2020, with the price of certain short-dated WTI futures contracts dropping below zero in late April. Although certain oil producers are taking measures to decrease output, if demand stays depressed and the shortage of storage capabilities continue, significant volatility in oil prices is expected to continue. While the impact to longer-term prices of crude oil and natural gas has been less pronounced, we expect negative price movements to have a negative impact on the fair value of our energy portfolio, all other things being equal, given those commodity prices are an input in our valuation models. However, we expect the impact of the decline will be mitigated by the existence of our near-term commodity price hedges, which make long-term oil and natural gas prices a more significant driver of the valuation of our energy investments than spot prices. As of March 31, 2020, energy strategies make up approximately 1% of our assets under management, 2% of our total GAAP assets and 3% of our operating assets.

#### *Business Conditions*

Our operating revenues consist of fees, performance income and investment income. Our ability to grow our revenues depends in part on our ability to attract new capital and investors, our successful deployment of capital including from our balance sheet and our ability to realize investments at a profit.

**Our ability to attract new capital and investors.** Our ability to attract new capital and investors in our funds is driven, in part, by the extent to which they continue to see the alternative asset management industry generally, and our investment products specifically, as an attractive vehicle for capital appreciation or income. Since 2010, we have expanded into strategies such as real assets, credit, core, impact and, through hedge fund partnerships, hedge funds. In several of these strategies, our first time funds have begun raising successor funds, and we expect the cost of raising such successor funds to be lower. We have also reached out to new fund investors, including retail and high net worth investors. However, fundraising continues to be competitive. While our Americas Fund XII, Asian Fund III, European Fund V, Real Estate Partners Americas II, Global Infrastructure Investors III and Next Generation Technology Growth Fund II exceeded the size of their respective predecessor funds, there is no assurance that fundraises for our other flagship private equity funds or for our newer strategies and their successor funds will experience similar success. If we are unable to successfully raise comparably sized or larger funds, our AUM, FPAUM, and associated fees attributable to new capital raised in future periods may be lower than in prior years. See "Risk Factors—Risks Related to Our Business—Our inability to raise additional or successor funds (or raise successor funds of a comparable size as our predecessor funds) could have a material adverse impact on our business" in our Annual Report

**Our ability to successfully deploy capital.** Our ability to maintain and grow our revenue base is dependent upon our ability to successfully deploy the capital available to us and participate in capital markets transactions. Greater competition, high valuations, increased overall cost of credit and other general market conditions may impact our ability to identify and execute attractive investments. Additionally, because we seek to make investments that have an ability to achieve our targeted returns while taking on a reasonable level of risk, we may experience periods of reduced investment activity. We have a long-term investment horizon and the capital deployed in any one quarter may vary significantly from the capital deployed in any other quarter or the quarterly average of capital deployed in any given year. Reduced levels of transaction activity also tends to result in reduced potential future investment gains, lower transaction fees and lower fees for our Capital Markets business line, which may earn fees in the syndication of equity or debt.

**Our ability to realize investments.** Challenging market and economic conditions may adversely affect our ability to exit and realize value from our investments and result in lower-than-expected returns. Although the equity markets are not the only means by which we exit investments, the strength and liquidity of the U.S. and relevant global equity markets generally, and the initial public offering market specifically, affect the valuation of, and our ability to successfully exit, our equity positions in our private equity portfolio companies in a timely manner. We may also realize investments through strategic sales. When financing is not available or becomes too costly, it may be more difficult to find a buyer that can successfully raise sufficient capital to purchase our investments.

### **Basis of Accounting**

We consolidate the financial results of KKR Group Partnership and their consolidated entities, which include the accounts of our investment management and capital markets companies, the general partners of unconsolidated funds and vehicles, general partners of certain funds that are consolidated and their respective consolidated funds and certain other entities including certain CLOs and CMBS. We refer to CLOs and CMBS as collateralized financing entities ("CFEs").

When an entity is consolidated, we reflect the accounts of the consolidated entity, including its assets, liabilities, revenues, expenses, investment income, cash flows and other amounts, on a gross basis. While the consolidation of a consolidated fund or entity does not have an effect on the amounts of Net Income Attributable to KKR or KKR's stockholders' capital that KKR reports, the consolidation does significantly impact the financial statement presentation under GAAP. This is due to the fact that the accounts of the consolidated entities are reflected on a gross basis while the allocable share of those amounts that are attributable to third parties are reflected as single line items. The single line items in which the accounts attributable to third parties are recorded are presented as noncontrolling interests on the consolidated statements of financial condition and net income (loss) attributable to noncontrolling interests on the consolidated statements of operations.

For a further discussion of our consolidation policies, see Note 2 "Summary of Significant Accounting Policies" to the financial statements included elsewhere in this report.

## Key Financial Measures Under GAAP

### Revenues

#### *Fees and Other*

Fees and other consist primarily of (i) management and incentive fees from providing investment management services to unconsolidated funds, CLOs, other vehicles, and separately managed accounts; (ii) transaction fees earned in connection with successful investment transactions and from capital markets activities; (iii) monitoring fees from providing services to portfolio companies; (iv) expense reimbursements from certain investment funds and portfolio companies; (v) revenue earned by oil and gas entities that are consolidated; and (vi) consulting fees. These fees are based on the contractual terms of the governing agreements and are recognized when earned, which coincides with the period during which the related services are performed and in the case of transaction fees, upon closing of the transaction. Monitoring fees may provide for a termination payment following an initial public offering or change of control. These termination payments are recognized in the period when the related transaction closes.

#### *Capital Allocation-Based Income (Loss)*

Capital allocation-based income (loss) is earned from those arrangements whereby KKR serves as general partner and includes income from KKR's capital interest as well as "carried interest" which entitles KKR to a disproportionate allocation of investment income from investment funds' limited partners.

For a further discussion of our revenue policies, see Note 2 "Summary of Significant Accounting Policies" to the financial statements included elsewhere in this report.

### Expenses

#### *Compensation and Benefits*

Compensation and benefits expense includes (i) cash compensation consisting of salaries, bonuses, and benefits, (ii) equity-based compensation consisting of charges associated with the vesting of equity-based awards and (iii) carry pool allocations. The amounts allocated to the carry pool are accounted for as compensatory profit-sharing arrangements and recorded as compensation and benefits expenses.

All employees receive a base salary that is paid by KKR or its consolidated entities, and is accounted for as compensation and benefits expense. These employees are also eligible to receive discretionary cash bonuses based on performance, overall profitability, and other matters. While cash bonuses paid to most employees are borne by KKR and certain consolidated entities and result in customary compensation and benefits expense, in the past cash bonuses that are paid to certain employees have been borne by KKR Holdings. These bonuses have historically been funded with distributions that KKR Holdings receives on KKR Group Partnership Units held by KKR Holdings but are not then passed on to holders of unvested units of KKR Holdings. Because employees are not entitled to receive distributions on units that are unvested, any amounts allocated to employees in excess of an employee's vested equity interests are reflected as employee compensation and benefits expense. These compensation charges are currently recorded based on the amount of cash expected to be paid by KKR Holdings. Because KKR makes only fixed quarterly dividends, the distributions made on KKR Group Partnership Units underlying any unvested KKR Holdings units are generally insufficient to fund annual cash bonus compensation to the same extent as in periods prior to the fourth quarter of 2015. In addition, substantially all remaining units in KKR Holdings have been allocated and, while subject to a 5 year vesting period, will become fully vested by 2021, thus decreasing the amount of distributions received by KKR Holdings that are available for annual cash bonus compensation. We, therefore, expect to pay all or substantially all of the cash bonus payments from KKR's cash from operations and the carry pool, although, from time to time, KKR Holdings may contribute to the cash bonus payments in the future. See "Risk Factors—Risks Related to Our Business—If we cannot retain and motivate our principals and other key personnel and recruit, retain and motivate new principals and other key personnel, our business, results and financial condition could be adversely affected" in our Annual Report regarding the adequacy of such distributions to fund future discretionary cash bonuses.

KKR uses several methods, which are designed to yield comparable results, to allocate carried interest. With respect to KKR's funds that provide for carried interest, KKR allocates 40% or 43%, depending on the fund's vintage, of the carry it earns from these funds and vehicles to its carry pool. Upon a reversal of carried interest income, the related carry pool allocation, if any, is also reversed. Accordingly, such compensation expense is subject to both positive and negative adjustments. The percentage of carried interest allocable to the carry pool is subject to change from time to time. See "—Fair Value

Measurements—Recognition of Carried Interest in the Statement of Operations" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Financial Measures Under GAAP—Expenses—Compensation and Benefits" in our Annual Report.

*General, Administrative and Other*

General, administrative and other expense consists primarily of professional fees paid to legal advisors, accountants, advisors and consultants, insurance costs, travel and related expenses, communications and information services, depreciation and amortization charges, expenses (including impairment charges) incurred by oil and gas entities that are consolidated, costs incurred in connection with pursuing potential investments that do not result in completed transactions ("broken-deal expenses"), and other general operating expenses. A portion of these general administrative and other expenses, in particular broken-deal expenses, are borne by fund investors.

***Investment Income (Loss)***

*Net Gains (Losses) from Investment Activities*

Net gains (losses) from investment activities consist of realized and unrealized gains and losses arising from our investment activities as well as income earned from certain equity method investments. Fluctuations in net gains (losses) from investment activities between reporting periods is driven primarily by changes in the fair value of our investment portfolio as well as the realization of investments. The fair value of, as well as the ability to recognize gains from, our investments is significantly impacted by the global financial markets, which, in turn, affects the net gains (losses) from investment activities recognized in any given period. Upon the disposition of an investment, previously recognized unrealized gains and losses are reversed and an offsetting realized gain or loss is recognized in the current period. Since our investments are carried at fair value, fluctuations between periods could be significant due to changes to the inputs to our valuation process over time. For a further discussion of our fair value measurements and fair value of investments, see "—Critical Accounting Policies—Fair Value Measurements."

*Dividend Income*

Dividend income consists primarily of distributions that we and our consolidated investment funds receive from portfolio companies in which they invest. Dividend income is recognized primarily in connection with (i) dispositions of operations by portfolio companies, (ii) distributions of cash generated from operations from portfolio investments, and (iii) other significant refinancings undertaken by portfolio investments.

*Interest Income*

Interest income consists primarily of interest that is received on our credit instruments in which we and our consolidated funds and other entities invest as well as interest on our cash and other investments.

*Interest Expense*

Interest expense is incurred from debt issued by KKR, including debt issued by KFN, credit facilities entered into by KKR, debt securities issued by consolidated CFEs, and financing arrangements at our consolidated funds entered into primarily with the objective of managing cash flow. KFN's debt obligations are non-recourse to KKR beyond the assets of KFN. Debt securities issued by consolidated CFEs are supported solely by the investments held at the CFE and are not collateralized by assets of any other KKR entity. Our obligations under financing arrangements at our consolidated funds are generally limited to our pro rata equity interest in such funds. However, in some circumstances, we may provide limited guarantees of the obligations of our general partners in an amount equal to its pro rata equity interest in such funds. Our management companies bear no obligations with respect to financing arrangements at our consolidated funds. We also may provide other kinds of guarantees. See "—Liquidity."

***Income Taxes***

KKR & Co. Inc. is a corporation for U.S. federal income tax purposes and thus is subject to U.S. federal, state and local corporate income taxes at the entity level on KKR's share of net taxable income. In addition, KKR Group Partnership and certain of its subsidiaries operate in the United States as partnerships for U.S. federal income tax purposes and as corporate entities in certain non-U.S. jurisdictions. These entities, in some cases, are subject to U.S. state or local income taxes or non-U.S. income taxes.

Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining tax expense and in evaluating tax positions including evaluating uncertainties. We review our tax positions quarterly and adjust our tax balances as new information becomes available.

For a further discussion of our income tax policies, see Note 2 "Summary of Significant Accounting Policies" and Note 11 "Income Taxes" to the financial statements included elsewhere in this report.

#### ***Net Income (Loss) Attributable to Noncontrolling Interests***

Net income (loss) attributable to noncontrolling interests primarily represents the ownership interests that certain third parties hold in entities that are consolidated in the financial statements as well as the ownership interests in KKR Group Partnership that are held by KKR Holdings. The allocable share of income and expense attributable to these interests is accounted for as net income (loss) attributable to noncontrolling interests. Given the consolidation of certain of our investment funds and the significant ownership interests in KKR Group Partnership held by KKR Holdings, we expect a portion of net income (loss) will continue to be attributed to noncontrolling interests in our business.

For a further discussion of our noncontrolling interests policies, see Note 2 "Summary of Significant Accounting Policies" to the financial statements included elsewhere in this report.

#### **Key Non-GAAP and Other Operating and Performance Measures**

The key non-GAAP and other operating and performance measures that follow are used by management in making operational and resource deployment decisions as well as assessing the overall performance of KKR's businesses. They include certain financial measures that are calculated and presented using methodologies other than in accordance with GAAP. These non-GAAP measures, including after-tax distributable earnings, book value, operating assets, operating liabilities, operating revenues, operating expenses and distributable operating earnings, are presented prior to giving effect to the allocation of income (loss) between KKR & Co. Inc. and KKR Holdings L.P. and as such represent the business in total. In addition, these non-GAAP measures are presented without giving effect to the consolidation of the investment funds and CFEs that KKR manages as well as other consolidated entities that are not subsidiaries of KKR & Co. Inc.

We believe that providing these non-GAAP measures on a supplemental basis to our GAAP results is helpful to stockholders in assessing the overall performance of KKR's businesses. These non-GAAP measures should not be considered as a substitute for, or superior to, financial measures calculated in accordance with GAAP. We caution readers that these non-GAAP measures may differ from the calculations of other investment managers, and as a result, may not be comparable to similar measures presented by other investment managers. These non-GAAP measures are presented in this report as KKR's operating results, which were previously referred to as KKR's segment results.

Reconciliations of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with GAAP, where applicable, are included under "—Reconciliations to GAAP Measures."

#### ***Adjusted Shares***

Adjusted shares represents shares of common stock of KKR & Co. Inc. outstanding under GAAP adjusted to include shares issuable upon exchange of all units of KKR Holdings L.P. We believe providing adjusted shares is useful to stockholders as it provides insight into the calculation of amounts available for distribution as dividends on a per adjusted share basis. Weighted average adjusted shares is used in the calculation of after-tax distributable earnings per adjusted share and adjusted shares is used in the calculation of book value per adjusted share.

#### ***After-tax Distributable Earnings***

After-tax distributable earnings is a non-GAAP performance measure of KKR's earnings excluding mark-to-market gains (losses) after interest expense, preferred dividends, noncontrolling interests and income taxes paid. It is used by management to assess the net realized earnings of KKR for a given reporting period, after deducting equity-based compensation under the Equity Incentive Plans and adjusting to exclude the impact of nonrecurring items, if any. KKR believes that after-tax distributable earnings is useful to stockholders as it aligns KKR's net realization performance with the manner in which KKR receives its revenues and determines the compensation of its employees. After-tax distributable earnings does not represent and is not used to calculate actual dividends under KKR's dividend policy. Equity-based compensation expense is included in after-tax distributable earnings as a component of compensation expense in order to reflect the dilutive nature of these non-cash

equity-based awards. Income taxes paid represents the implied amount of income taxes that would be paid assuming that all pre-tax distributable earnings were allocated to KKR & Co. Inc., which would occur following an exchange of all KKR Holdings units for shares of common stock of KKR & Co. Inc. Income taxes paid also includes amounts paid pursuant to the tax receivable agreement.

#### *Assets Under Management ("AUM")*

Assets under management represent the assets managed or advised by KKR from which KKR is entitled to receive fees or a carried interest (either currently or upon deployment of capital), general partner capital, and assets managed or advised by our strategic BDC partnership and the hedge fund and other managers in which KKR holds an ownership interest. We believe this measure is useful to stockholders as it provides additional insight into the capital raising activities of KKR and its hedge fund and other managers and the overall activity in their investment funds and other managed capital. KKR calculates the amount of AUM as of any date as the sum of: (i) the fair value of the investments of KKR's investment funds; (ii) uncalled capital commitments from these funds, including uncalled capital commitments from which KKR is currently not earning management fees or carried interest; (iii) the fair value of investments in KKR's co-investment vehicles; (iv) the par value of outstanding CLOs (excluding CLOs wholly-owned by KKR); (v) KKR's pro rata portion of the AUM of hedge fund and other managers in which KKR holds an ownership interest; (vi) all AUM of the strategic BDC partnership with FS Investments; and (vii) the fair value of other assets managed by KKR. The pro rata portion of the AUM of hedge fund and other managers is calculated based on KKR's percentage ownership interest in such entities multiplied by such entity's respective AUM. KKR's definition of AUM is not based on any definition of AUM that may be set forth in the agreements governing the investment funds, vehicles or accounts that it manages or calculated pursuant to any regulatory definitions.

#### *Book Value*

Book value is a non-GAAP performance measure of the net assets of KKR and is used by management primarily in assessing the unrealized value of KKR's operating assets after deducting for operating liabilities, noncontrolling interests and preferred stock. We believe this measure is useful to stockholders as it provides additional insight into the net assets of KKR excluding those net assets that are allocated to noncontrolling interest holders and to the holders of the Series A and Series B Preferred Stock. KKR's book value includes the net impact of KKR's tax assets and liabilities as prepared under GAAP.

#### *Capital Invested*

Capital invested is the aggregate amount of capital invested by (i) KKR's investment funds, (ii) KKR's Principal Activities business line as a co-investment, if any, alongside KKR's investment funds, and (iii) KKR's Principal Activities business line in connection with a syndication transaction conducted by KKR's Capital Markets business line, if any. Capital invested is used as a measure of investment activity at KKR during a given period. We believe this measure is useful to stockholders as it provides a measure of capital deployment across KKR's business lines. Capital invested includes investments made using investment financing arrangements like credit facilities, as applicable. Capital invested excludes (i) investments in certain leveraged credit strategies, (ii) capital invested by KKR's Principal Activities business line that is not a co-investment alongside KKR's investment funds, and (iii) capital invested by KKR's Principal Activities business line that is not invested in connection with a syndication transaction by KKR's Capital Markets business line. Capital syndicated by KKR's Capital Markets business line to third parties other than KKR's investment funds or Principal Activities business line is not included in capital invested. See also syndicated capital.

#### *Distributable Operating Earnings*

Distributable operating earnings is a non-GAAP performance measure that represents after-tax distributable earnings before interest expense, preferred dividends, income (loss) attributable to noncontrolling interests and income taxes paid. We believe distributable operating earnings is useful to stockholders as it provides a supplemental measure of our operating performance without taking into account items that we do not believe relate directly to KKR's operations.

#### *Fee Paying AUM ("FPAUM")*

Fee paying AUM represents only the AUM from which KKR is entitled to receive management fees. We believe this measure is useful to stockholders as it provides additional insight into the capital base upon which KKR earns management fees. FPAUM is the sum of all of the individual fee bases that are used to calculate KKR's and its hedge fund and BDC partnership management fees and differs from AUM in the following respects: (i) assets and commitments from which KKR is not entitled to receive a management fee are excluded (e.g., assets and commitments with respect to which it is entitled to receive only carried interest or is otherwise not currently entitled to receive a management fee) and (ii) certain assets, primarily

in its private equity funds, are reflected based on capital commitments and invested capital as opposed to fair value because fees are not impacted by changes in the fair value of underlying investments.

#### *Fee Related Earnings ("FRE")*

Fee related earnings is a non-GAAP supplemental performance measure of earnings of KKR before performance income and investment income. KKR believes this measure may be useful to stockholders as it may provide additional insight into the profitability of KKR's fee generating management companies and capital markets businesses. Fee related earnings is calculated as KKR's total Fees and Other, Net, multiplied by KKR's distributable operating margin. For purposes of the fee related earnings calculation, distributable operating margin is calculated as distributable operating earnings, before equity-based compensation, divided by total operating revenues.

#### *Operating Assets*

Operating assets is a non-GAAP performance measure that represents cash and short-term investments, investments, net unrealized carried interest, tax assets, and other assets of KKR presented on a basis that deconsolidates (i) KKR's investment funds and collateralized financing entities that KKR manages and (ii) other consolidated entities that are not subsidiaries of KKR & Co. Inc. We believe this measure is useful to stockholders as it provides additional insight into the assets of KKR that are used to operate its business lines. As used in this definition, cash and short-term investments represent cash and liquid short-term investments in high-grade, short-duration cash management strategies used by KKR to generate additional yield.

#### *Operating Expenses*

Operating expenses is a non-GAAP performance measure that represents the expenses of KKR and is the sum of (i) compensation and benefits (excluding unrealized performance income compensation), (ii) occupancy and related charges and (iii) other operating expenses. KKR believes that operating expenses is useful to stockholders as it provides insight into the costs expended in connection with generating KKR's operating revenues.

#### *Operating Liabilities*

Operating liabilities is a non-GAAP performance measure that represents the debt obligations of KKR (including KFN), tax liabilities, and other liabilities of KKR presented on a basis that deconsolidates (i) KKR's investment funds and collateralized financing entities that KKR manages and (ii) other consolidated entities that are not subsidiaries of KKR & Co. Inc. We believe this measure is useful to stockholders as it provides additional insight into the liabilities of KKR excluding the liabilities that are allocated to noncontrolling interest holders and to the holders of the Series A and Series B Preferred Stock.

#### *Operating Revenues*

Operating revenues is a non-GAAP performance measure that represents the realized revenues (which excludes unrealized carried interest and unrealized net gains (losses)) generated by KKR and is the sum of (i) fees and other, net, (ii) realized performance income (loss) and (iii) realized investment income (loss). KKR believes that operating revenues is useful to stockholders as it provides insight into the realized revenue generated by KKR's business lines.

#### *Syndicated Capital*

Syndicated capital is the aggregate amount of capital in transactions originated by KKR and its investment funds and carry-yielding co-investment vehicles, which has been distributed to third parties, generally in exchange for a fee. It does not include (i) capital invested in such transactions by KKR investment funds and carry-yielding co-investment vehicles, which is instead reported in capital invested, (ii) debt capital that is arranged as part of the acquisition financing of transactions originated by KKR investment funds, and (iii) debt capital that is either underwritten or arranged on a best efforts basis. Syndicated capital is used as a measure of investment activity for KKR during a given period, and we believe that this measure is useful to stockholders as it provides additional insight into levels of syndication activity in KKR's Capital Markets business line and across KKR's investment platform.

*Uncalled Commitments*

Uncalled commitments is the aggregate amount of unfunded capital commitments that KKR's investment funds and carry-paying co-investment vehicles have received from partners to contribute capital to fund future investments. We believe this measure is useful to stockholders as it provides additional insight into the amount of capital that is available to KKR's investment funds to make future investments. Uncalled commitments are not reduced for investments completed using fund-level investment financing arrangements.



**Unaudited Consolidated Results of Operations (GAAP Basis)**

The following is a discussion of our consolidated results of operations for the three months ended March 31, 2020 and 2019. You should read this discussion in conjunction with the financial statements and related notes included elsewhere in this report. For a more detailed discussion of the factors that affected our non-GAAP operating results in these periods, see "—Analysis of Non-GAAP Operating Results." See "—Business Environment" for more details on the potential adverse effects of COVID-19 on our business, financial performance, operating results and valuations.

**Three months ended March 31, 2020 compared to three months ended March 31, 2019**

	Three Months Ended		
	March 31, 2020	March 31, 2019	Change
	(\$ in thousands)		
<b>Revenues</b>			
Fees and Other	\$ 380,572	\$ 372,548	\$ 8,024
Capital Allocation-Based Income (Loss)	(1,382,077)	814,932	(2,197,009)
<b>Total Revenues</b>	<b>(1,001,505)</b>	<b>1,187,480</b>	<b>(2,188,985)</b>
<b>Expenses</b>			
Compensation and Benefits	(262,137)	544,562	(806,699)
Occupancy and Related Charges	16,322	14,690	1,632
General, Administrative and Other	149,123	169,515	(20,392)
<b>Total Expenses</b>	<b>(96,692)</b>	<b>728,767</b>	<b>(825,459)</b>
<b>Investment Income (Loss)</b>			
Net Gains (Losses) from Investment Activities	(3,944,504)	1,203,878	(5,148,382)
Dividend Income	168,699	22,625	146,074
Interest Income	353,455	358,511	(5,056)
Interest Expense	(261,469)	(249,088)	(12,381)
<b>Total Investment Income (Loss)</b>	<b>(3,683,819)</b>	<b>1,335,926</b>	<b>(5,019,745)</b>
<b>Income (Loss) Before Taxes</b>	<b>(4,588,632)</b>	<b>1,794,639</b>	<b>(6,383,271)</b>
Income Tax Expense (Benefit)	(360,679)	167,593	(528,272)
<b>Net Income (Loss)</b>	<b>(4,227,953)</b>	<b>1,627,046</b>	<b>(5,854,999)</b>
Net Income (Loss) Attributable to Noncontrolling Interests	(2,947,429)	917,727	(3,865,156)
<b>Net Income (Loss) Attributable to KKR &amp; Co. Inc.</b>	<b>(1,280,524)</b>	<b>709,319</b>	<b>(1,989,843)</b>
Series A Preferred Stock Dividends	5,822	5,822	—
Series B Preferred Stock Dividends	2,519	2,519	—
<b>Net Income (Loss) Attributable to KKR &amp; Co. Inc. Class A Common Stockholders</b>	<b>\$ (1,288,865)</b>	<b>\$ 700,978</b>	<b>\$ (1,989,843)</b>

## Revenues

For the three months ended March 31, 2020 and 2019, revenues consisted of the following:

	Three Months Ended		
	March 31, 2020	March 31, 2019	Change
	(\$ in thousands)		
Management Fees	\$ 222,689	\$ 188,408	\$ 34,281
Fee Credits	(35,387)	(103,477)	68,090
Transaction Fees	98,996	188,203	(89,207)
Monitoring Fees	31,149	25,651	5,498
Incentive Fees	668	—	668
Expense Reimbursements	28,224	44,060	(15,836)
Oil and Gas Revenue	13,315	13,175	140
Consulting Fees	20,918	16,528	4,390
<b>Total Fees and Other</b>	<b>380,572</b>	<b>372,548</b>	<b>8,024</b>
Carried Interest	(1,210,925)	694,383	(1,905,308)
General Partner Capital Interest	(171,152)	120,549	(291,701)
<b>Total Capital Allocation-Based Income (Loss)</b>	<b>(1,382,077)</b>	<b>814,932</b>	<b>(2,197,009)</b>
<b>Total Revenues</b>	<b>\$ (1,001,505)</b>	<b>\$ 1,187,480</b>	<b>\$ (2,188,985)</b>

Total Fees and Other for the three months ended March 31, 2020 increased compared to the three months ended March 31, 2019 primarily as a result of an increase in management fees and a decrease in fee credits, partially offset by a decrease in transaction fees.

For a more detailed discussion of the factors that affected our transaction fees during the period, see "—Analysis of Non-GAAP Operating Results—Operating Revenues."

The increase in management fees was primarily due to management fees earned from our European Fund V and Global Impact Fund as a result of new capital raised, and an increase relating to Next Generation Technology Growth Fund II, which entered its investment period in the fourth quarter of 2019. This net increase was partially offset by decreases due to management fees calculated based on lower levels of invested capital as a result of realizations primarily in our European Fund IV and 2006 Fund.

Fee credits decreased compared to the prior period as a net result of a lower level of transaction fees in our Private Markets and Public Markets business lines. Fee credits owed to consolidated investment funds are eliminated upon consolidation under GAAP. Transaction fees earned from KKR portfolio companies are not eliminated upon consolidation because those fees are earned from companies which are not consolidated. Accordingly, certain transaction fees are reflected in revenues without a corresponding fee credit.

The decrease in carried interest and general partner capital interest during the three months ended March 31, 2020 compared to the prior period was due primarily to net depreciation in the value of our investment portfolio as compared to the three months ended March 31, 2019 primarily resulting from the impacts of COVID-19 on the economic outlook and financial markets.

### Compensation and Benefits Expenses

The decrease in compensation and benefits expenses during the three months ended March 31, 2020 compared to the prior period was primarily due to (i) a reversal of previously recognized accrued carried interest compensation resulting from a depreciation in the value of our investment portfolio and (ii) lower equity-based compensation charges resulting from a decrease in the weighted average number of unvested shares outstanding, partially offset by an increase in cash compensation and benefits.

*General, Administrative and Other Expenses*

The decrease in general, administrative and other expenses during the three months ended March 31, 2020 compared to the prior period was primarily due to (i) a lower level of expenses reimbursable by investment funds and (ii) a decrease in the expenses incurred by oil and gas entities that are consolidated.

*Net Gains (Losses) from Investment Activities*

The following is a summary of net gains (losses) from investment activities:

	Three Months Ended	
	March 31, 2020	March 31, 2019
	(\$ in thousands)	
Private Equity	\$ (1,282,404)	\$ 988,193
Credit	(946,304)	(9,207)
Investments of Consolidated CFEs	(2,153,393)	222,827
Real Assets	(797,652)	119,128
Equity Method - Other	(440,618)	177,039
Other Investments	(679,172)	(28,911)
Debt Obligations and Other	1,903,986	(267,148)
Other Net Gains (Losses) from Investment Activities	451,053	1,957
<b>Net Gains (Losses) from Investment Activities</b>	<b>\$ (3,944,504)</b>	<b>\$ 1,203,878</b>

*Net Gains (Losses) from Investment Activities for the three months ended March 31, 2020*

The net losses from investment activities for the three months ended March 31, 2020 were comprised of net realized gains of \$63.4 million and net unrealized losses of \$(4,007.9) million.

Investment gains and losses relating to investments in our unconsolidated funds are not reflected in our discussion and analysis of Net Gains (Losses) from Investment Activities. Our economics associated with these gains and losses are reflected in Capital Allocation-Based Income (Loss) as described above. For a discussion and analysis of the primary investment gains or losses relating to individual investments in our unconsolidated funds, see "—Analysis of Non-GAAP Operating Results—Operating Revenues."

*Realized Gains and Losses from Investment Activities*

For the three months ended March 31, 2020, net realized gains related primarily to realized gains on (i) the sale of real estate investments held through certain consolidated entities and (ii) the settlement of foreign currency derivatives in our consolidated credit funds, partially offset by realized losses primarily on (i) realization on assets held through our consolidated credit funds and (ii) realization of certain investments held through consolidated CLOs.

*Unrealized Losses from Investment Activities*

For the three months ended March 31, 2020, unrealized losses were driven primarily by (i) mark-to-market losses in our private equity investments held by KKR and certain consolidated entities, the most significant of which was Fiserv, Inc. (NASDAQ: FISV) and (ii) mark-to-market losses in our credit investments held through certain consolidated entities.

*Unrealized Gains from Investment Activities*

Partially offsetting the unrealized losses above were unrealized gains relating to (i) mark-to-market gains in portfolio companies in our healthcare strategies, the most significant of which was Blue Sprig Pediatrics Inc. (health care sector), (ii) mark-to-market gains in a portfolio company in our core investment strategy, Exact Group B.V. (technology sector), and (iii) mark-to-market gains on some real estate investments held through certain consolidated entities.

For a discussion of other factors that affected KKR's realized investment income, see "—Analysis of Non-GAAP Operating Results."

*Net Gains (Losses) from Investment Activities for the three months ended March 31, 2019*

The net gains from investment activities for the three months ended March 31, 2019 were comprised of net realized gains of \$129.8 million and net unrealized gains of \$1,074.1 million.

*Realized Gains and Losses from Investment Activities*

For the three months ended March 31, 2019, net realized gains related primarily to realized gains on (i) the final sale of our investment in Sedgwick Claims Management Services, Inc. (financial services sector), (ii) the sale of real estate investments held through certain consolidated entities, and (iii) the sale of assets in our consolidated special situations funds.

*Unrealized Gains from Investment Activities*

For the three months ended March 31, 2019, unrealized gains were driven primarily by (i) mark-to-market gains on our investment in First Data Corporation (renamed Fiserv, Inc. in connection with the merger transaction with Fiserv, Inc.) which is held as a co-investment by KKR, (ii) mark-to-market gains in portfolio companies in our core investment strategy, the most significant of which were PetVet Care Centers, LLC (health care sector), Heartland Dental, LLC (health care sector), and The Bay Clubs Company, LLC (hotels/leisure sector), and (iii) mark to market gains on our growth equity investments held by KKR and certain consolidated entities. Certain of our investment funds also hold an investment in First Data Corporation; these funds are not consolidated and as such, unrealized gains and losses relating to these funds' investments are not reflected in net gains (losses) from investment activities.

*Unrealized Losses from Investment Activities*

Partially offsetting the unrealized gains above were unrealized losses relating to (i) mark-to-market losses on alternative credit assets held in our consolidated special situations funds and our investment in Mr. Cooper Group Inc. (NASDAQ: COOP) and (ii) the reversal of previously recognized unrealized gains relating to the realization activity described above

For a discussion of other factors that affected KKR's realized investment income, see "—Analysis of Non-GAAP Operating Results."

*Dividend Income*

During the three months ended March 31, 2020, the most significant dividends received included \$80.9 million from our consolidated real estate funds and \$62.5 million from our investment in Fiserv, Inc. During the three months ended March 31, 2019, the most significant dividends received included \$14.7 million from our consolidated real estate funds and real estate investments held directly by KKR, \$4.5 million from our consolidated special situations funds and \$2.4 million from our consolidated energy funds. Significant dividends from portfolio companies and consolidated funds are generally not recurring quarterly dividends, and while they may occur in the future, their size and frequency are variable. For a discussion of other factors that affected KKR's dividend income, see "—Analysis of Non-GAAP Operating Results—Operating Revenues—Principal Activities Revenues—Realized Investment Income."

*Interest Income*

The decrease in interest income during the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily due to a lower level of interest income earned from our consolidated special situations funds. This decrease was partially offset by (i) the impact of closing four additional consolidated CLOs subsequent to March 31, 2019 and (ii) an increase in interest income from our consolidated direct lending funds, primarily related to an increase in the amount of capital deployed. For a discussion of other factors that affected KKR's interest income, see "—Analysis of Non-GAAP Operating Results—Operating Revenues—Principal Activities Revenues—Realized Investment Income."

*Interest Expense*

The increase in interest expense during the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily due to the impact of (i) the issuance of senior notes subsequent to March 31, 2019, (ii) the impact of the closing of four additional consolidated CLOs subsequent to March 31, 2019, and (iii) increased borrowings from consolidated asset backed financing vehicles. For a discussion of other factors that affected KKR's interest expense, see "—Analysis of Non-GAAP Operating Results—Operating Expenses—Interest Expense."

*Income (Loss) Before Taxes*

The loss before taxes during the three months ended March 31, 2020 was due primarily to net losses from investment activities, and to a lesser extent, a reversal of previously recognized carried interest. These losses were partially offset by a reversal of previously recognized carried interest compensation and an increase in dividend income, in each case as described above.

*Income Tax Expense (Benefit)*

For the three months ended March 31, 2020, net income tax benefit was \$360.7 million compared to a net income tax expense of \$167.6 million for the prior period. In the current period, a deferred tax benefit was generated primarily by the net unrealized losses on our investment portfolio. Our effective tax rate under GAAP for the three months ended March 31, 2020 was 7.9%. For a discussion of factors that impacted KKR's tax provision, see Note 11 "Income Taxes" to the financial statements included elsewhere in this report.

*Net Income (Loss) Attributable to Noncontrolling Interests*

Net loss attributable to noncontrolling interests for the three months ended March 31, 2020 relates primarily to net losses attributable to KKR Holdings representing its ownership interests in KKR Group Partnership as well as third-party limited partner interests in those investment funds that we consolidate. The net loss attributable to noncontrolling interests was due primarily to net losses from investment activities recorded for the three months ended March 31, 2020, as described above.

*Net Income (Loss) Attributable to KKR & Co. Inc.*

The net loss attributable to KKR & Co. Inc. for the three months ended March 31, 2020 was primarily due to net losses from investment activities, and to a lesser extent, a reversal of previously recognized carried interest. These losses were partially offset by (i) a reversal of previously recognized carried interest compensation, (ii) an income tax benefit recognized primarily due to the impact of the net depreciation in our investment portfolio and (iii) a higher level of dividend income as compared to the prior period.

**Consolidated Statements of Financial Condition (GAAP Basis)**

The following table provides the Consolidated Statements of Financial Condition on a GAAP basis as of March 31, 2020 and December 31, 2019.

(Amounts in thousands, except per share amounts)

	As of March 31, 2020	As of December 31, 2019
<b>Assets</b>		
Cash and Cash Equivalents	\$ 1,982,292	\$ 2,346,713
Investments	48,601,127	54,936,268
Other Assets	5,017,656	3,616,338
<b>Total Assets</b>	<b>\$ 55,601,075</b>	<b>\$ 60,899,319</b>
<b>Liabilities and Equity</b>		
Debt Obligations	\$ 26,265,381	\$ 27,013,284
Other Liabilities	2,745,664	3,383,661
<b>Total Liabilities</b>	<b>29,011,045</b>	<b>30,396,945</b>
<b>Stockholders' Equity</b>		
KKR & Co. Inc. Stockholders' Equity - Preferred Stock	482,554	482,554
KKR & Co. Inc. Stockholders' Equity - Common Stock	8,843,408	10,324,936
Noncontrolling Interests	17,264,068	19,694,884
<b>Total Equity</b>	<b>26,590,030</b>	<b>30,502,374</b>
<b>Total Liabilities and Equity</b>	<b>\$ 55,601,075</b>	<b>\$ 60,899,319</b>
<b>KKR &amp; Co. Inc. Stockholders' Equity - Common Stock Per Outstanding Share of Class A Common Stock</b>	<b>\$ 15.97</b>	<b>\$ 18.44</b>

KKR & Co. Inc. Stockholders' Equity - Common Stock per Outstanding Share of Class A common stock was \$15.97 as of March 31, 2020, down from \$18.44 as of December 31, 2019. The decrease was primarily attributable to the depreciation in the value of our investment portfolio that is attributable to KKR & Co. Inc. and to a lesser extent dividends to Class A common stockholders.

***Consolidated Statements of Cash Flows (GAAP Basis)***

The accompanying consolidated statements of cash flows include the cash flows of our consolidated entities which include certain consolidated investment funds and CFEs notwithstanding the fact that we may hold only a minority economic interest in those funds and CFEs.

The assets of our consolidated funds and CFEs, on a gross basis, can be substantially larger than the assets of our business and, accordingly, could have a substantial effect on the cash flows reflected in our consolidated statements of cash flows. The primary cash flow activities of our consolidated funds and CFEs involve: (i) capital contributions from fund investors; (ii) using the capital of fund investors to make investments; (iii) financing certain investments with indebtedness; (iv) generating cash flows through the realization of investments; and (v) distributing cash flows from the realization of investments to fund investors. Because our consolidated funds and CFEs are treated as investment companies for accounting purposes, certain of these cash flow amounts are included in our cash flows from operations.

*Net Cash Provided (Used) by Operating Activities*

Our net cash provided (used) by operating activities was \$(1.4) billion and \$0.2 billion during the three months ended March 31, 2020 and 2019, respectively. These amounts primarily included: (i) proceeds from investments net of investments purchased of \$(1.3) billion and \$0.3 billion during the three months ended March 31, 2020 and 2019, respectively; (ii) net realized gains (losses) on investments of \$63.4 million and \$129.8 million during the three months ended March 31, 2020 and 2019, respectively; (iii) change in unrealized gains (losses) on investments of (4.0) billion and \$1.1 billion during the three months ended March 31, 2020 and 2019, respectively; and (iv) capital allocation-based income (loss) of (1.4) billion and \$0.8 billion during the three months ended March 31, 2020 and 2019, respectively. Investment funds are, for GAAP purposes, investment companies and reflect their investments and other financial instruments at fair value.

*Net Cash Provided (Used) by Investing Activities*

Our net cash provided (used) by investing activities was \$(45.4) million and \$(19.9) million during the three months ended March 31, 2020 and 2019, respectively. Our investing activities included: (i) the purchase of fixed assets of \$(41.4) million and \$(19.5) million during the three months ended March 31, 2020 and 2019, respectively and (ii) development of oil and natural gas properties of \$(4.1) million and \$(0.5) million for the three months ended March 31, 2020 and 2019, respectively.

*Net Cash Provided (Used) by Financing Activities*

Our net cash provided (used) by financing activities was \$1.5 billion and \$7.2 million during the three months ended March 31, 2020 and 2019, respectively. Our financing activities primarily included: (i) distributions to, net of contributions by, our noncontrolling interests of \$0.6 billion and \$0.3 billion during the three months ended March 31, 2020 and 2019, respectively; (ii) proceeds received net of repayment of debt obligations of \$1.2 billion and \$(0.2) billion during the three months ended March 31, 2020 and 2019, respectively; (iii) common stock dividends of \$(69.7) million and \$(66.6) million during the three months ended March 31, 2020 and 2019, respectively; (iv) repurchases of Class A common stock of \$(246.2) million and \$(28.6) million during the three months ended March 31, 2020 and 2019, respectively; and (v) preferred stock dividends of \$(8.3) million during each of the three months ended March 31, 2020 and 2019.

## Analysis of Non-GAAP Operating Results

The following is a discussion of the results of our business on a non-GAAP basis for the three months ended March 31, 2020 and 2019. You should read this discussion in conjunction with the information included under "—Basis of Accounting—Key Non-GAAP and Other Operating and Performance Measures" and the financial statements and related notes included elsewhere in this report. See "—Business Environment" for more details on the potential adverse effects of COVID-19 on our business, financial performance, operating results and valuations.

The following tables set forth information regarding KKR's operating results and certain key operating metrics as of and for the three months ended March 31, 2020 and 2019:

OPERATING REVENUES				
	Three Months Ended			
	March 31, 2020	March 31, 2019	Change	
(\$ in thousands)				
<b>Operating Revenues</b>				
<b>Fees and Other, Net</b>				
Management Fees	\$ 331,758	\$ 292,296	\$ 39,462	
Transaction Fees	98,420	186,727	(88,307)	
Monitoring Fees	31,149	25,651	5,498	
Fee Credits	(35,614)	(107,416)	71,802	
<b>Total Fees and Other, Net</b>	<b>425,713</b>	<b>397,258</b>	<b>28,455</b>	
<b>Realized Performance Income (Loss)</b>				
Carried Interest	361,331	330,345	30,986	
Incentive Fees	10,957	19,537	(8,580)	
<b>Total Realized Performance Income (Loss)</b>	<b>372,288</b>	<b>349,882</b>	<b>22,406</b>	
<b>Realized Investment Income (Loss)</b>				
Net Realized Gains (Losses)	6,670	44,712	(38,042)	
Interest Income and Dividends	138,494	58,207	80,287	
<b>Total Realized Investment Income (Loss)</b>	<b>145,164</b>	<b>102,919</b>	<b>42,245</b>	
<b>Total Operating Revenues</b>	<b>\$ 943,165</b>	<b>\$ 850,059</b>	<b>\$ 93,106</b>	

OPERATING EXPENSES				
	Three Months Ended			
	March 31, 2020	March 31, 2019	Change	
(\$ in thousands)				
<b>Operating Expenses</b>				
Compensation and Benefits <sup>(1)</sup>	\$ 377,230	\$ 340,286	\$ 36,944	
Occupancy and Related Charges	14,114	13,957	157	
Other Operating Expenses	79,628	74,910	4,718	
<b>Total Operating Expenses</b>	<b>\$ 470,972</b>	<b>\$ 429,153</b>	<b>\$ 41,819</b>	

AFTER-TAX DISTRIBUTABLE EARNINGS				
	Three Months Ended			
	March 31, 2020	March 31, 2019	Change	
(\$ in thousands)				
<b>After-tax Distributable Earnings</b>				
(+) Total Operating Revenues	\$ 943,165	\$ 850,059	\$ 93,106	
(-) Total Operating Expenses	470,972	429,153	41,819	
<b>(=) Total Distributable Operating Earnings</b>	<b>472,193</b>	<b>420,906</b>	<b>51,287</b>	
(-) Interest Expense	47,434	44,130	3,304	
(-) Preferred Dividends	8,341	8,341	—	
(-) Income (Loss) Attributable to Noncontrolling Interests	1,089	359	730	



(-) Income Taxes Paid		60,035		53,993		6,042
<b>After-tax Distributable Earnings</b>	<b>\$</b>	<b>355,294</b>	<b>\$</b>	<b>314,083</b>	<b>\$</b>	<b>41,211</b>

(1) Includes equity-based compensation of \$51.0 million and \$54.9 million for the three months ended March 31, 2020 and 2019, respectively.

**Operating Revenues**

The following sections discuss operating revenues for each of our business lines on a disaggregated basis for the three months ended March 31, 2020 and 2019.

*Private Markets Operating Revenues*

The following table presents Fees and Other, Net, and Realized Performance Income in the Private Markets business line for the three months ended March 31, 2020 and 2019:

	Three Months Ended		
	March 31, 2020	March 31, 2019	Change
(\$ in thousands)			
<b>Fees and Other, Net</b>			
Management Fees	\$ 217,260	\$ 183,221	\$ 34,039
Transaction Fees	16,868	99,017	(82,149)
Monitoring Fees	31,149	25,651	5,498
Fee Credits	(15,479)	(82,342)	66,863
<b>Total Fees and Other, Net</b>	<b>249,798</b>	<b>225,547</b>	<b>24,251</b>
<b>Realized Performance Income (Loss)</b>			
Carried Interest	325,691	330,345	(4,654)
Incentive Fees	1,137	675	462
<b>Total Realized Performance Income (Loss)</b>	<b>\$ 326,828</b>	<b>\$ 331,020</b>	<b>\$ (4,192)</b>

*Fees and Other, Net*

The increase for the three months ended March 31, 2020 as compared to the three months ended March 31, 2019 was primarily due to an increase in management fees and monitoring fees, partially offset by a decrease in transaction fees, net of associated fee credits.

The increase in management fees was primarily due to management fees earned from our European Fund V and Global Impact Fund as a result of new capital raised, and an increase relating to Next Generation Technology Growth Fund II which entered its investment period in the fourth quarter of 2019. This net increase was partially offset by decreases due to management fees calculated based on lower levels of invested capital as a result of realizations primarily in our European Fund IV and 2006 Fund.

Recurring monitoring fees increased \$5.5 million, which was primarily the result of an increase in the number of monitoring fees earned. For the three months ended March 31, 2020, we had 57 portfolio companies that were paying an average monitoring fee of \$0.5 million compared with 56 portfolio companies that were paying an average monitoring fee of \$0.5 million for the three months ended March 31, 2019. For the three months ended March 31, 2020, we received a termination payment of \$2.7 million in connection with the initial public offering of Calisen PLC (LSE: CLSN LN). There were no termination payments for the three months ended March 31, 2019. These termination payments may occur in the future; however, they are infrequent in nature and are generally correlated with the initial public offering and other realization activity in our private equity portfolio, and they are expected to continue to be smaller in size and number compared to prior periods.

The decrease in transaction fees was primarily attributable to a decrease in the size and number of transaction fees earned. During the three months ended March 31, 2020, there were 11 transaction fee-generating investments that paid an average fee of \$1.5 million compared to 15 transaction fee-generating investments that paid an average fee of \$6.6 million during the three months ended March 31, 2019. For the three months ended March 31, 2020, approximately 79% of these transaction fees were paid by companies located in North America, 12% were paid from companies in the Asia-Pacific region, and 9% of these transaction fees were paid from companies located in Europe. Transaction fees vary by investment based upon a number of factors, the most significant of which are transaction size, the particular agreements as to the amount of the fees, the complexity of the transaction, and KKR's role in the transaction. Additionally, transaction fees are generally not earned with respect to energy and real estate investments. The decrease in fee credits is due primarily to a lower level of transaction fees which are shared with fund investors.

## Realized Performance Income

The following table presents realized carried interest by investment vehicle for the three months ended March 31, 2020 and 2019:

	Three Months Ended March 31,	
	2020	2019
	(\$ in thousands)	
North America Fund XI	\$ 122,395	\$ 186,710
Core Investment Vehicles	57,484	14,449
2006 Fund	53,693	28,647
Asian Fund III	46,347	—
Asian Fund II	20,485	—
Global Infrastructure Investors II	20,310	—
Real Estate Partners Americas	4,977	2,785
European Fund III	—	58,505
Co-Investment Vehicles and Other	—	38,337
Asian Fund	—	912
<b>Total Realized Carried Interest <sup>(1)</sup></b>	<b>\$ 325,691</b>	<b>\$ 330,345</b>

(1) The above table excludes any funds for which there was no realized carried interest during both of the periods presented.

Realized carried interest for the three months ended March 31, 2020 consisted primarily of realized gains from the final strategic sales of Privilege Underwriters, Inc. (financial services sector) and KCF Technologies Inc. (industrial sector), realized performance income from our core investment vehicles, and dividends received from our investment in Fiserv, Inc.

Realized carried interest for the three months ended March 31, 2019 consisted primarily of realized gains from the sale of Sedgwick Claims Management Services, Inc. and the partial sales of United Group B.V. (telecom sector) and GoDaddy Inc. (NYSE:GDDY).

## Public Markets Operating Revenues

The following table presents Fees and Other, Net, and Realized Performance Income in the Public Markets business line for the three months ended March 31, 2020 and 2019:

	Three Months Ended		
	March 31, 2020	March 31, 2019	Change
	(\$ in thousands)		
<b>Fees and Other, Net</b>			
Management Fees	\$ 114,498	\$ 109,075	\$ 5,423
Transaction Fees	21,369	27,456	(6,087)
Fee Credits	(20,135)	(25,074)	4,939
<b>Total Fees and Other, Net</b>	<b>115,732</b>	<b>111,457</b>	<b>4,275</b>
<b>Realized Performance Income (Loss)</b>			
Carried Interest	35,640	—	35,640
Incentive Fees	9,820	18,862	(9,042)
<b>Total Realized Performance Income (Loss)</b>	<b>\$ 45,460</b>	<b>\$ 18,862</b>	<b>\$ 26,598</b>

## Fees and Other, Net

The increase for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily due to an increase in management fees, partially offset by a decrease in transaction fees, net of associated fee credits.

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The increase in management fees was primarily due to an increase in fees earned from our CLOs and other alternative credit strategies, primarily as a result of greater overall FPAUM.

The decrease in transaction fees was primarily attributable to a decrease in the average size of transaction fees earned during the period. During the three months ended March 31, 2020, there were 11 transaction fee generating investments that paid an average fee of \$1.9 million, compared to 11 transaction fee generating investments that paid an average fee of \$2.5 million during the three months ended March 31, 2019.

#### Realized Performance Income

The net increase for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 was primarily attributable to realized carried interest earned in certain of our alternative credit strategy funds, partially offset by lower incentive fees received from BDCs advised by FS/KKR Advisor.

#### Capital Markets Operating Revenues

The following table presents Transaction Fees in the Capital Markets business line for the three months ended March 31, 2020 and 2019:

	Three Months Ended		
	March 31, 2020	March 31, 2019	Change
	(\$ in thousands)		
<b>Transaction Fees</b>	\$ 60,183	\$ 60,254	\$ (71)

Transaction fees remained relatively flat for the three months ended March 31, 2020, compared to the three months ended March 31, 2019. Overall, we completed 43 capital markets transactions for the three months ended March 31, 2020, of which 3 represented equity offerings and 40 represented debt offerings, as compared to 41 transactions for the three months ended March 31, 2019, of which 6 represented equity offerings and 35 represented debt offerings. We earned fees in connection with underwriting, syndication and other capital markets services. While each of the capital markets transactions that we undertake in this business line is separately negotiated, our fee rates are generally higher with respect to underwriting or syndicating equity offerings than with respect to debt offerings, and the amount of fees that we earn for similar transactions generally correlates with overall transaction sizes. Our capital markets fees are generated in connection with our Private Markets and Public Markets business lines as well as from third-party companies. For the three months ended March 31, 2020, approximately 49% of our transaction fees were earned from unaffiliated third parties as compared to approximately 56% for the three months ended March 31, 2019. Our transaction fees are comprised of fees earned from North America, Europe, and the Asia-Pacific region. For the three months ended March 31, 2020, approximately 29% of our transaction fees were generated outside of North America as compared to approximately 30% for the three months ended March 31, 2019. Our Capital Markets business line is dependent on the overall capital markets environment, which is influenced by equity prices, credit spreads, and volatility. Our Capital Markets business line does not generate management or monitoring fees.

#### Principal Activities Operating Revenues

The following table presents Realized Investment Income in the Principal Activities business line for the three months ended March 31, 2020 and 2019:

	Three Months Ended		
	March 31, 2020	March 31, 2019	Change
	(\$ in thousands)		
<b>Realized Investment Income (Loss)</b>			
Net Realized Gains (Losses)	\$ 6,670	\$ 44,712	\$ (38,042)
Interest Income and Dividends	138,494	58,207	80,287
<b>Total Realized Investment Income (Loss)</b>	<b>\$ 145,164</b>	<b>\$ 102,919</b>	<b>\$ 42,245</b>

## Realized Investment Income

The increase is primarily due to an increase in interest income and dividends, partially offset by a decreased level of net realized gains during the three months ended March 31, 2020 compared to the three months ended March 31, 2019.

For the three months ended March 31, 2020, interest income and dividends were comprised of (i) \$62.5 million of dividend income from our investment in Fiserv, Inc. and \$38.9 million of dividend income from distributions received primarily through our real estate investments including our investment in KKR Real Estate Finance Trust Inc. ("KREF"), a NYSE-listed real estate investment trust, and (ii) \$37.1 million of interest income which consists primarily of interest that is received from our Public Markets investments including CLOs and other credit investments and to a lesser extent our cash balances and investments held at our India debt finance company. See "—Analysis of Non-GAAP Operating Results—Non-GAAP Balance Sheet Measures."

For the three months ended March 31, 2019, interest income and dividends were comprised of (i) \$42.3 million of interest income which consists primarily of interest that is received from our Public Markets investments including CLOs and other credit investments and to a lesser extent investments held at our India debt financing company and our cash balances and (ii) \$15.9 million of dividend income from distributions received primarily through our energy investments and real estate investments including our investment in KREF.

For the three months ended March 31, 2020, net realized gains were comprised of gains primarily from the sale of our Private Markets investments including the final sales of KCF Technologies, Inc. and Privilege Underwriters, Inc. Partially offsetting these realized gains were realized losses, the most significant of which was a realized loss on the sale of our investment in General Healthcare Group (healthcare sector).

For the three months ended March 31, 2019, net realized gains were comprised of gains primarily from the sale of our Private Markets investments including the sale of our investments in Sedgwick Claims Management Services, Inc., United Group B.V. and Cylance, Inc. (technology sector).

Subsequent to March 31, 2020, we completed, or signed and expect to complete, sales, partial sales or secondary sales with respect to certain private equity portfolio companies and other investments that, if and when completed, are expected to result in realized performance income and realized investment income in excess of \$400 million. Some of these transactions are not complete, and are subject to the satisfaction of closing conditions, including but not limited to regulatory approvals; there can be no assurance if or when any of these transactions will be completed.

On January 1, 2020, KKR Capstone was acquired by KKR and became a wholly-owned subsidiary of KKR. For GAAP purposes, KKR Capstone was consolidated prior to January 1, 2020 and as such the fees and expenses attributable to KKR Capstone were included in KKR's consolidated revenues and expenses. Additionally, prior to January 1, 2020, KKR excluded the results of KKR Capstone from KKR's non-GAAP financial measures since KKR presents these financial measures prior to giving effect to the consolidation of certain entities that are not legal subsidiaries of KKR.

Following this acquisition, KKR's after-tax distributable earnings includes the net income (loss) from KKR Capstone within realized investment income (loss). For the quarter ended March 31, 2020, total fees attributable to KKR Capstone were \$20.9 million and total expenses attributable to KKR Capstone were \$17.8 million. For KKR Capstone-related adjustments in reconciling operating revenues and operating expenses to GAAP revenues and expenses, respectively, see "—Non-GAAP Balance Sheet Measures—Reconciliations to GAAP Measures".

## ***Operating Expenses***

### *Compensation and Benefits*

The increase for the three months ended March 31, 2020 compared to the prior period was due primarily to higher compensation recorded in connection with higher total operating revenues, partially offset by lower equity-based compensation charges resulting from a decrease in the weighted average number of unvested shares outstanding.

### *Occupancy and Other Operating Expenses*

The increase for the three months ended March 31, 2020 compared to the prior period is primarily due to a higher level of professional fees and other administrative costs in connection with the growth of the firm, as well as a higher level of expenses that are creditable to our investment funds, in particular a higher level of broken-deal expenses. The level of broken-deal expenses can vary significantly period to period based upon a number of factors, the most significant of which are the number

of potential investments being pursued for our investment funds, the size and complexity of investments being pursued and the number of investment funds currently in their investment period.

### **Other Components of After-tax Distributable Earnings**

#### *Interest Expense*

For the three months ended March 31, 2020 and 2019, interest expense relates primarily to the senior notes outstanding for KKR and KFN. The increase in interest expense for the three months ended March 31, 2020 compared to the prior period is due primarily to (i) the issuance of \$500 million aggregate principal amount of 3.750% Senior Notes due 2029, the issuance of the €650 million aggregate principal amount of 1.625% Senior Notes due 2029, and the issuance of the \$500 million aggregate principal amount of 3.625% Senior Notes due 2050, subsequent to March 31, 2019 and (ii) a higher level of borrowings in our Capital Markets business line. These increases were partially offset by the redemption of our \$500 million aggregate principal amount of 6.375% Senior Notes due 2020 in the third quarter of 2019.

#### *Income Taxes Paid*

The increase in income taxes paid is primarily due to a higher level of total distributable operating earnings.

#### *After-tax Distributable Earnings*

The increase in after-tax distributable earnings for the three months ended March 31, 2020 compared to the prior period was due primarily to a higher level of realized investment income, management fees, and realized performance income. These increases were partially offset by an increase in compensation and benefits expense and a decrease in transaction fees, net of associated fee credits, in the current period compared to the prior period.

### **Other Operating and Performance Measures**

The following table presents certain key operating and performance metrics as of March 31, 2020 and December 31, 2019:

	As of		
	March 31, 2020	December 31, 2019	Change
	(\$ in thousands)		
<b>Assets Under Management</b>	\$ 207,076,900	\$ 218,355,100	\$ (11,278,200)
<b>Fee Paying Assets Under Management</b>	\$ 159,056,200	\$ 161,209,800	\$ (2,153,600)
<b>Uncalled Commitments</b>	\$ 58,194,100	\$ 56,920,600	\$ 1,273,500

The following table presents one of our key performance metrics for the three months ended March 31, 2020 and 2019:

	Three Months Ended		
	March 31, 2020	March 31, 2019	Change
	(\$ in thousands)		
<b>Capital Invested and Syndicated Capital</b>	\$ 5,162,100	\$ 5,825,000	\$ (662,900)

#### *Assets Under Management*

##### *Private Markets*

The following table reflects the changes in our Private Markets AUM from December 31, 2019 to March 31, 2020:

	(\$ in thousands)
December 31, 2019	\$ 119,274,700
New Capital Raised	4,182,000
Distributions and Other	(2,895,700)
Change in Value	(6,449,000)
March 31, 2020	\$ 114,112,000

AUM for the Private Markets business line was \$114.1 billion at March 31, 2020, a decrease of \$5.2 billion, compared to \$119.3 billion at December 31, 2019.

The decrease was primarily attributable to a decrease in the value of our Private Markets portfolio and to a lesser extent, distributions to Private Markets fund investors, primarily as a result of realizations, most notably in North America Fund XI, 2006 Fund, Asian Fund III and Global Infrastructure Investors II. These decreases were partially offset by new capital raised primarily in Asian Fund IV, Property Partners Americas, Asia Pacific Infrastructure Investors and Real Estate Partners Europe II.

The decrease in the value of our Private Markets portfolio was driven primarily by net losses of \$1.3 billion in both North America Fund XI and 2006 Fund, \$0.9 billion in Asian Fund II and \$0.5 billion in Energy Income and Growth Fund. Partially offsetting these net losses were net gains of \$0.6 billion in Global Infrastructure Investors II.

For the three months ended March 31, 2020, the value of our private equity investment portfolio decreased 12.1%. This was comprised of an 8.2% decrease in value of our privately held investments and a 23.5% decrease in share prices of various publicly held or publicly indexed investments. Additionally, our infrastructure investment portfolio, which is comprised predominately of privately held investments, increased 6.4%. See "—Business Environment" for more details on the potential adverse effects of COVID-19 on our business, financial performance, operating results and valuations.

The most significant decreases in value of our privately held investments related to Magneti Marelli S.p.A. (industrial sector), Envision Healthcare (healthcare sector) and Travelopia (services sector). These decreases in value on our privately held investments were partially offset by increases in value relating primarily to Deutsche Glasfaser (telecom sector), AppLovin Corporation (technology sector) and AlphaTheta Corporation (technology sector). The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) an unfavorable business outlook and (ii) a decrease in the value of market comparables, both influenced from the impact of COVID-19 on the economic outlook and overall market environment. The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to individual company performance, and with respect to Deutsche Glasfaser and AlphaTheta Corporation, increases in valuation reflecting agreements to exit these investments.

The most significant decreases in share prices of various publicly held or publicly indexed investments were decreases in Fisery, Inc., Ingersoll Rand Inc. (NYSE: IR), and Laureate Education, Inc. (NASDAQ: LAUR).

For the three months ended March 31, 2019, the value of our private equity investment portfolio increased 11.1%. This was comprised of a 31.1% increase in share prices of various publicly held or publicly indexed investments and a 5.5% increase in value of our privately held investments.

The most significant increases in share prices of various publicly held or publicly indexed investments were gains in First Data Corporation, Gardner Denver Holdings, Inc. (renamed Ingersoll Rand Inc. in connection with the merger transaction with Ingersoll Rand Inc.) and Fujian Sunner Development Co. Ltd. (SZ: 002299). These increases were partially offset by decreases in share prices of various publicly held investments, the most significant of which were losses in AmbeaAB (STO: AMBEA), RigNet, Inc. (NASDAQ: RNET) and Laureate Education, Inc.

The most significant increases in value of our privately held investments related to AppLovin Corporation, KKR Debt Investors 2006 S.à.r.l. (financial services sector) and Cue & Company (technology sector). These increases in value on our privately held investments were partially offset by decreases in value relating primarily to Mills Fleet Farm Group LLC (retail sector), Channel Control Merchants, LLC (retail sector) and Ticket Monster Inc. (technology sector). The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) individual company performance and (ii) an increase in the value of market comparables. The decreased valuations of individual companies in our privately held investments, in the aggregate, generally related to individual company performance or, in certain cases, an unfavorable business outlook.

Certain investments included in our AUM are denominated in currencies other than the U.S. dollar. Those investments expose our AUM to the risk that the value of the investments will be affected by changes in exchange rates between the currency in which the investments are denominated and the currency in which the investments are made. We generally seek to reduce these risks by employing hedging transactions in connection with certain investments, including using foreign currency options and foreign exchange forward contracts to reduce exposure to changes in exchange rates when a meaningful amount of capital has been invested in currencies other than the currencies in which the investments are denominated. We do not, however, hedge our currency exposure in all currencies or for all investments. See "Quantitative and Qualitative Disclosures about Market Risk—Exchange Rate Risk" and "Risk Factors—Risks Related to the Assets We Manage—We make investments in

companies that are based outside of the United States, which may expose us to additional risks not typically associated with investing in companies that are based in the United States" in our Annual Report.

#### Public Markets

The following table reflects the changes in our Public Markets AUM from December 31, 2019 to March 31, 2020:

	(\$ in thousands)
December 31, 2019	\$ 99,080,400
New Capital Raised	2,909,200
Distributions	(470,600)
Redemptions	(1,494,300)
Change in Value	(7,059,800)
March 31, 2020	\$ 92,964,900

AUM in our Public Markets business line totaled \$93.0 billion at March 31, 2020, a decrease of \$6.1 billion compared to \$99.1 billion at December 31, 2019. The decrease was primarily due to (i) a decrease in the value of our Public Markets portfolio and (ii) to a lesser extent, redemptions primarily in our hedge fund partnerships and distributions to Public Markets fund investors.

The decrease in the value of our Public Markets portfolio was driven primarily by net losses of \$2.8 billion in certain leveraged credit strategies, \$2.2 billion in other alternative credit strategies, and \$1.5 billion in BDCs. See "—Business Environment" for more details on the potential adverse effects of COVID-19 on our business, financial performance, operating results and valuations. These decreases were partially offset by new capital raised in multiple strategies, most notably \$1.0 billion in our hedge fund partnerships, \$0.9 billion in other leveraged credit strategies, and \$0.5 billion in CLOs.

#### Fee Paying Assets Under Management

##### Private Markets

The following table reflects the changes in our Private Markets FPAUM from December 31, 2019 to March 31, 2020:

	(\$ in thousands)
December 31, 2019	\$ 76,918,100
New Capital Raised	1,300,200
Distributions and Other	(1,083,500)
Change in Value	431,600
March 31, 2020	\$ 77,566,400

FPAUM in our Private Markets business line was \$77.6 billion at March 31, 2020, an increase of \$0.7 billion, compared to \$76.9 billion at December 31, 2019.

The increase was primarily attributable to new capital raised of \$0.3 billion in each of Asia Pacific Infrastructure Investors, Real Estate Partners Europe II and private equity separately managed accounts, and \$0.1 billion in each of Global Impact Fund and Asia Real Estate Partners. These increases were partially offset by distributions relating to realizations of \$0.3 billion in each of North America Fund XI and 2006 Fund and \$0.2 billion in Global Infrastructure Investors II.

Uncalled capital commitments from Private Markets investment funds from which KKR is currently not earning management fees amounted to approximately \$12.5 billion at March 31, 2020, which includes capital commitments reserved for follow-on investments for funds that have completed their investment periods. This capital will generally begin to earn management fees upon deployment of the capital or upon the commencement of the fund's investment period. The average annual management fee rate associated with this capital is approximately 1.1%. We will not begin earning fees on this capital until it is deployed or the related investment period commences, neither of which is guaranteed to occur. If and when such management fees are earned, which will occur over an extended period of time, a portion of existing FPAUM may cease paying fees or pay lower fees, thus offsetting a portion of any new management fees earned.



*Public Markets*

The following table reflects the changes in our Public Markets FPAUM from December 31, 2019 to March 31, 2020:

	(\$ in thousands)
December 31, 2019	\$ 84,291,700
New Capital Raised	3,971,400
Distributions	(489,700)
Redemptions	(1,378,300)
Change in Value	(4,905,300)
March 31, 2020	\$ 81,489,800

FPAUM in our Public Markets business line was \$81.5 billion at March 31, 2020, a decrease of \$2.8 billion, compared to FPAUM of \$84.3 billion at December 31, 2019. The decrease was primarily due to (i) a decrease in the value of our Public Markets portfolio and (ii) to a lesser extent, redemptions primarily in our hedge fund partnerships and distributions to Public Markets fund investors. Partially offsetting these decreases were new capital raised across multiple strategies in our Public Markets portfolio.

The decrease in the value of our Public Markets portfolio was driven primarily by net losses of \$2.8 billion in certain leveraged credit strategies and \$1.5 billion in BDCs. See "—Business Environment" for more details on the potential adverse effects of COVID-19 on our business, financial performance, operating results and valuations.

These decreases were partially offset by new capital raised in multiple strategies, most notably \$1.1 billion in both other alternative credit strategies and certain leveraged credit strategies, \$1.0 billion in our hedge fund partnerships, and \$0.5 billion in CLOs.

Uncalled capital commitments from Public Markets investment funds from which KKR is currently not earning management fees amounted to approximately \$6.2 billion at March 31, 2020. This capital will generally begin to earn management fees upon deployment of the capital or upon the commencement of the fund's investment period. The average annual management fee rate associated with this capital is approximately 0.9%. We will not begin earning fees on this capital until it is deployed or the related investment period commences, neither of which is guaranteed to occur. If and when such management fees are earned, which will occur over an extended period of time, a portion of existing FPAUM may cease paying fees or pay lower fees, thus offsetting a portion of any new management fees earned.

***Uncalled Commitments****Private Markets*

As of March 31, 2020, our Private Markets business line had \$48.9 billion of remaining uncalled capital commitments that could be called for investments in new transactions as compared to \$46.8 billion as of December 31, 2019. The net increase is due primarily to new capital raised, which was partially offset by capital called from fund investors to make investments, during the period. See "—Analysis of Non-GAAP Operating Results—Other Operating and Performance Measures—Assets Under Management—Private Markets" for a detailed discussion on new capital raised for the three months ended March 31, 2020.

*Public Markets*

As of March 31, 2020, our Public Markets business line had \$9.3 billion of remaining uncalled capital commitments that could be called for investments in new transactions, as compared to \$10.1 billion as of December 31, 2019. The net decrease was primarily attributable to capital called from fund investors to make investments.

***Capital Invested and Syndicated Capital****Private Markets Capital Invested*

For the three months ended March 31, 2020, Private Markets had \$1.4 billion of capital invested as compared to \$3.3 billion for the three months ended March 31, 2019. The decrease was driven primarily by a \$1.6 billion decrease in capital invested in our private equity strategies (including core, growth equity, and impact investments) and a \$0.3 billion decrease in capital invested in our real asset strategies. Generally, the portfolio companies acquired through our private equity funds have higher transaction values and result in higher capital invested relative to transactions in our real assets funds. The number of

large private equity investments made in any quarter is volatile and consequently, a significant amount of capital invested in one quarter or a few quarters may not be indicative of a similar level of capital deployment in future quarters. During the three months ended March 31, 2020, 73% of capital deployed in private equity, which includes core and growth equity investments, was in transactions in North America, 20% was in the Asia Pacific region, and 7% was in Europe.

*Public Markets Capital Invested*

For the three months ended March 31, 2020, Public Markets had \$3.6 billion of capital invested as compared to \$2.2 billion for the three months ended March 31, 2019. The increase was primarily due to a higher level of capital deployed in our direct lending and special situations strategies. During the three months ended March 31, 2020, 67% of capital deployed was in transactions in North America and 33% was in Europe.

*Capital Markets Syndicated Capital*

For the three months ended March 31, 2020, Capital Markets syndicated \$0.1 billion of capital as compared to \$0.3 billion for the three months ended March 31, 2019. The decrease was primarily due to a decrease in the size and number of syndication transactions in the three months ended March 31, 2020 as compared to the three months ended March 31, 2019. Overall, we completed two syndication transactions for the three months ended March 31, 2020 as compared to five syndications for the three months ended March 31, 2019. The size and frequency of syndication transactions depend in large part on market conditions and other factors that are unpredictable and outside our control, which may negatively impact the fees generated by our capital markets business from syndication transactions.

**Non-GAAP Balance Sheet Measures**

The following tables present information with respect to our operating assets, operating liabilities, and book value as of March 31, 2020 and December 31, 2019:

OPERATING ASSETS			
	As of		
	March 31, 2020	December 31, 2019	
	(\$ in thousands)		
<b>Operating Assets</b>			
Cash and Short-term Investments	\$ 2,502,331	\$ 2,783,905	
Investments	11,492,564	13,026,387	
Net Unrealized Carried Interest <sup>(1)</sup>	1,026,256	1,982,251	
Tax Assets	507,508	111,719	
Other Assets <sup>(2)</sup>	4,192,643	3,716,189	
<b>Total Operating Assets</b>	<b>\$ 19,721,302</b>	<b>\$ 21,620,451</b>	

OPERATING LIABILITIES			
	As of		
	March 31, 2020	December 31, 2019	
	(\$ in thousands)		
<b>Operating Liabilities</b>			
Debt Obligations - KKR (ex-KFN)	\$ 3,592,286	\$ 3,097,460	
Debt Obligations - KFN	948,517	948,517	
Tax Liabilities	189,632	169,997	
Other Liabilities	581,741	514,236	
<b>Total Operating Liabilities</b>	<b>\$ 5,312,176</b>	<b>\$ 4,730,210</b>	

BOOK VALUE			
	As of		
	March 31, 2020	December 31, 2019	
	(\$ in thousands)		
<b>Book Value</b>			
(+) Total Operating Assets	\$ 19,721,302	\$ 21,620,451	
(-) Total Operating Liabilities	5,312,176	4,730,210	
(-) Noncontrolling Interests	27,198	26,291	
(-) Preferred Stock	500,000	500,000	
<b>Book Value</b>	<b>\$ 13,881,928</b>	<b>\$ 16,363,950</b>	
<b>Book Value Per Adjusted Share</b>	<b>\$ 16.52</b>	<b>\$ 19.24</b>	
<b>Adjusted Shares</b>	<b>840,179,251</b>	<b>850,388,924</b>	

(1) The following table provides net unrealized carried interest by business line:

	As of	
	March 31, 2020	December 31, 2019
Private Markets Business Line	\$ 1,022,228	\$ 1,832,581
Public Markets Business Line	4,028	149,670
<b>Total</b>	<b>\$ 1,026,256</b>	<b>\$ 1,982,251</b>

(2) Other Assets include KKR's ownership interest in FS/KKR Advisor and minority ownership interests in hedge fund partnerships.

**Book Value Per Adjusted Share**

Book value per adjusted share decreased 14.1% from December 31, 2019. This decrease was due primarily to a broad-based decrease in the value of KKR's investment portfolio, including investments held by KKR as well as investments held through investment funds, such as KKR's private equity funds, where KKR is

entitled to earn carried interest. For the three months ended March 31, 2020, the value of KKR's balance sheet portfolio, on a non-GAAP basis, decreased 14.1% and KKR's overall private equity portfolio decreased 12.1%. The decreases in KKR's balance sheet portfolio and net unrealized carried

interest was primarily due to mark-to-market losses in our portfolio companies. For a further discussion, see "—Consolidated Results of Operations—Unrealized Gains and Losses from Investment Activities" and "—Analysis of Non-GAAP Operating Results—Operating Revenues—Principal Activities Operating Revenues." For a discussion of the changes in KKR's private equity portfolio, see "—Analysis of Non-GAAP Operating Results—Other Operating and Performance Measures—AUM." The decrease in book value per adjusted share was partially offset by approximately \$355.3 million of after-tax distributable earnings, partially offset by the payment of dividends during the three months ended March 31, 2020. For a discussion of factors that impacted KKR's after-tax distributable earnings, see "—Analysis of Non-GAAP Operating Results" and for more details on the potential adverse effects of COVID-19 on our business, financial performance, operating results and valuations, see "—Business Environment."

The following table presents the holdings of our investments by asset class as of March 31, 2020. To the extent investments in our operating assets are realized at values below their cost in future periods, after-tax distributable earnings would be adversely affected by the amount of such loss, if any, during the period in which the realization event occurs. For example, we recognized net unrealized losses in our credit investment portfolio at our India debt finance company. As of March 31, 2020, KKR's 51% interest in our India debt finance company had a cost basis of approximately \$204 million, comprised of invested capital of \$100 million plus reinvested earnings. If the value of our 51% investment is ultimately realized at the current carrying value of \$92 million, future realized investment losses of approximately \$112 million would be recognized based on valuations as of March 31, 2020, which would reduce after-tax distributable earnings in future periods.

Investments <sup>(1)</sup>	As of March 31, 2020		
	Cost	Fair Value	Fair Value as a Percentage of Total Investments
Private Equity Funds / SMAs	\$ 3,510,901	\$ 4,540,091	39.5%
Private Equity Co-Investments and Other Equity	2,300,808	2,938,592	25.6%
<b>Private Equity Total</b>	<b>5,811,709</b>	<b>7,478,683</b>	<b>65.1%</b>
Energy	776,320	517,594	4.5%
Real Estate	1,133,710	1,065,783	9.3%
Infrastructure	517,276	601,339	5.2%
<b>Real Assets Total</b>	<b>2,427,306</b>	<b>2,184,716</b>	<b>19.0%</b>
Special Situations	597,680	345,852	3.0%
Private Credit	183,917	121,809	1.1%
<b>Alternative Credit Total</b>	<b>781,597</b>	<b>467,661</b>	<b>4.1%</b>
CLOs	783,371	454,980	4.0%
Other Credit	166,716	139,127	1.2%
<b>Credit Total</b>	<b>1,731,684</b>	<b>1,061,768</b>	<b>9.3%</b>
Other	1,202,753	767,397	6.6%
<b>Total Investments</b>	<b>\$ 11,173,452</b>	<b>\$ 11,492,564</b>	<b>100.0%</b>
<b>March 31, 2020</b>			
Significant Investments: <sup>(2)</sup>	Cost	Fair Value	Fair Value as a Percentage of Total Investments
Fiserv, Inc. (NASDAQ: FISV)	\$ 794,978	\$ 1,415,083	12.3%
USI, Inc.	500,111	800,168	7.0%
BridgeBio Pharma, Inc. (NASDAQ: BBIO)	75,835	425,355	3.7%
Heartland Dental LLC	302,255	392,931	3.4%
PetVet Care Centers, LLC	243,188	389,101	3.4%
<b>Total Significant Investments</b>	<b>1,916,367</b>	<b>3,422,638</b>	<b>29.8%</b>
Other Investments	9,257,085	8,069,926	70.2%
<b>Total Investments</b>	<b>\$ 11,173,452</b>	<b>\$ 11,492,564</b>	<b>100.0%</b>

(1) Investments is a term used solely for purposes of financial presentation of a portion of KKR's balance sheet and includes majority ownership of subsidiaries that operate KKR's asset management and other businesses, including the general partner interests of KKR's investment funds.

(2) The significant investments include the top five investments (other than investments expected to be syndicated or transferred in connection with new fundraising) based on their fair values as of March 31, 2020. The fair value figures include the co-investment and the limited partner and/or general partner interests held by KKR in the underlying investment, if applicable.

### Reconciliations to GAAP Measures

The following tables reconcile the most directly comparable financial measures calculated and presented in accordance with GAAP to KKR's non-GAAP information for the three months ended March 31, 2020 and 2019:

#### Revenues

	Three Months Ended	
	March 31, 2020	March 31, 2019
	(\$ in thousands)	
<b>Total GAAP Revenues</b>	<b>\$ (1,001,505)</b>	<b>\$ 1,187,480</b>
(+) Management Fees - Consolidated Funds and Other	118,782	121,949
(-) Fee Credits - Consolidated Funds	227	3,939
(-) Capital Allocation-Based Income (Loss) (GAAP)	(1,382,077)	814,932
(+) Realized Carried Interest	361,331	330,345
(+) Realized Investment Income (Loss)	145,164	102,919
(-) Revenue Earned by Other Consolidated Entities	13,315	29,703
(-) Capstone Fees	20,918	—
(-) Expense Reimbursements	28,224	44,060
<b>Total Operating Revenues</b>	<b>\$ 943,165</b>	<b>\$ 850,059</b>

#### Expenses

	Three Months Ended	
	March 31, 2020	March 31, 2019
	(\$ in thousands)	
<b>Total GAAP Expenses</b>	<b>\$ (96,692)</b>	<b>\$ 728,767</b>
(-) Equity-based and Other Compensation - KKR Holdings L.P.	20,696	23,743
(-) Unrealized Performance Income Compensation	(675,874)	159,880
(-) Amortization of Intangibles	380	535
(-) Reimbursable Expenses	34,962	52,032
(-) Operating Expenses relating to Other Consolidated Entities	20,001	51,818
(-) Capstone Expenses	17,797	—
(+) Other	(14,374)	(11,606)
<b>Total Operating Expenses</b>	<b>\$ 470,972</b>	<b>\$ 429,153</b>

*Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders*

	Three Months Ended	
	March 31, 2020	March 31, 2019
	(\$ in thousands)	
<b>Net Income (Loss) Attributable to KKR &amp; Co. Inc. Class A Common Stockholders</b>	<b>\$ (1,288,865)</b>	<b>\$ 700,978</b>
(+) Net Income (Loss) Attributable to Noncontrolling Interests held by KKR Holdings L.P.	(852,194)	481,368
(+) Equity-based and Other Compensation - KKR Holdings L.P.	20,696	23,118
(+) Amortization of Intangibles and Other, net	(62,226)	56,153
(-) Net Unrealized Carried Interest	(1,659,940)	401,612
(-) Net Unrealized Gains (Losses)	(1,974,531)	819,402
(+) Unrealized Performance Income Compensation	(675,874)	159,880
(+) Income Tax Expense (Benefit)	(360,679)	167,593
(-) Income Taxes Paid	60,035	53,993
<b>After-tax Distributable Earnings</b>	<b>\$ 355,294</b>	<b>\$ 314,083</b>

The following tables provide reconciliations of certain of KKR's GAAP Consolidated Statements of Financial Condition measures to our non-GAAP balance sheet measures as of March 31, 2020 and December 31, 2019:

*Assets*

	As of	
	March 31, 2020	December 31, 2019
<b>Total GAAP Assets</b>	<b>\$ 55,601,075</b>	<b>\$ 60,899,319</b>
(-) Impact of Consolidation of Funds and Other Entities	34,876,939	37,453,629
(-) Carry Pool Reclassification	773,151	1,448,879
(-) Other Reclassifications	229,683	376,360
<b>Total Operating Assets</b>	<b>\$ 19,721,302</b>	<b>\$ 21,620,451</b>

*Liabilities*

	As of	
	March 31, 2020	December 31, 2019
<b>Total GAAP Liabilities</b>	<b>\$ 29,011,045</b>	<b>\$ 30,396,945</b>
(-) Impact of Consolidation of Funds and Other Entities	22,696,035	23,841,496
(-) Carry Pool Reclassification	773,151	1,448,879
(-) Other Reclassifications	229,683	376,360
<b>Total Operating Liabilities</b>	<b>\$ 5,312,176</b>	<b>\$ 4,730,210</b>

*KKR & Co. Inc. Stockholders' Equity - Common Stock*

	As of	
	March 31, 2020	December 31, 2019
<b>KKR &amp; Co. Inc. Stockholders' Equity - Common Stock</b>	<b>\$ 8,843,408</b>	<b>\$ 10,324,936</b>
(+) Impact of Consolidation of Funds and Other Entities	270,815	327,826
(-) Other Reclassifications	17,446	17,446
(+) Noncontrolling Interests Held by KKR Holdings L.P.	4,785,151	5,728,634
<b>Book Value</b>	<b>\$ 13,881,928</b>	<b>\$ 16,363,950</b>



The following table provides reconciliations of KKR's GAAP Shares of Class A Common Stock Outstanding to Adjusted Shares:

	As of	
	March 31, 2020	December 31, 2019
<b>GAAP Shares of Class A Common Stock Outstanding</b>	553,701,980	560,007,579
Adjustments:		
KKR Holdings Units <sup>(1)</sup>	286,477,271	290,381,345
<b>Adjusted Shares <sup>(2)</sup></b>	<b>840,179,251</b>	<b>850,388,924</b>
<b>Unvested Shares of Class A Common Stock <sup>(3)</sup></b>	<b>22,586,749</b>	<b>22,712,604</b>

(1) Class A common stock that may be issued by KKR & Co. Inc. upon exchange of units in KKR Holdings for Class A common stock.

(2) Amounts exclude unvested equity awards granted under our Equity Incentive Plans.

(3) Represents equity awards granted under our Equity Incentive Plans. The issuance of Class A common stock of KKR & Co. Inc. pursuant to awards under our Equity Incentive Plans dilutes KKR Class A common stockholders and KKR Holdings pro rata in accordance with their respective percentage interests in the KKR business. Excludes the award of 2,500,000 restricted stock units granted to each of our Co-Presidents/Co-Chief Operating Officers during 2017 that have not met their market-price based vesting condition as of March 31, 2020 or December 31, 2019. See Note 12 "Equity Based Compensation" to the financial statements included elsewhere in this report.

### Liquidity

We manage our liquidity and capital requirements by focusing on our cash flows before the consolidation of our funds and CFEs and the effect of changes in short term assets and liabilities, which we anticipate will be settled for cash within one year. Our primary cash flow activities typically involve: (i) generating cash flow from operations; (ii) generating income from investment activities, by investing in investments that generate yield (namely interest and dividends), as well as the sale of investments and other assets; (iii) funding capital commitments that we have made to, and advancing capital to, our funds and CLOs; (iv) developing and funding new investment strategies, investment products, and other growth initiatives, including acquisitions of other investments, assets, and businesses; (v) underwriting and funding commitments in our capital markets business; (vi) distributing cash flow to our stockholders and holders of our Series A and Series B Preferred Stock; and (vii) paying borrowings, interest payments, and repayments under credit agreements, our senior notes, and other borrowing arrangements. See "—Liquidity—Liquidity Needs—Dividends."

See "—Business Environment" for more details on the potential adverse effects of COVID-19 on our business, financial performance, operating results and valuations.

### Sources of Liquidity

Our primary sources of liquidity consist of amounts received from: (i) our operating activities, including the fees earned from our funds, portfolio companies, and capital markets transactions; (ii) realizations on carried interest from our investment funds; (iii) interest and dividends from investments that generate yield, including our investments in CLOs; (iv) realizations on and sales of investments and other assets, including the transfers of investments for fund formations; and (v) borrowings under our credit facilities, debt offerings, and other borrowing arrangements. In addition, we may generate cash proceeds from sales of our equity securities.

Many of our investment funds provide carried interest. With respect to our private equity funds, carried interest is distributed to the general partner of a private equity fund with a clawback provision only after all of the following are met: (i) a realization event has occurred (e.g., sale of a portfolio company, dividend, etc.); (ii) the vehicle has achieved positive overall investment returns since its inception, in excess of performance hurdles where applicable, and is accruing carried interest; and (iii) with respect to investments with a fair value below cost, cost has been returned to fund investors in an amount sufficient to reduce remaining cost to the investments' fair value. As of March 31, 2020, certain of our funds had met the first and second criteria, as described above, but did not meet the third criteria. In these cases, carried interest accrues on the consolidated statement of operations, but will not be distributed in cash to us as the general partner of an investment fund upon a realization event. For a fund that has a fair value above cost, overall, and is otherwise accruing carried interest, but has one or more investments where fair value is below cost, the shortfall between cost and fair value for such investments is referred to as a "netting hole." When netting holes are present, realized gains on individual investments that would otherwise allow the general partner to receive carried interest distributions are instead used to return invested capital to our funds' limited partners in an amount equal to the netting hole. Once netting holes have been filled with either (a) return of capital equal to the netting hole

for those investments where fair value is below cost or (b) increases in the fair value of those investments where fair value is below cost, then realized carried interest will be distributed to the general partner upon a realization event. A fund that is in a position to pay cash carry refers to a fund for which carried interest is expected to be paid to the general partner upon the next material realization event, which includes funds with no netting holes as well as funds with a netting hole that is sufficiently small in size such that the next material realization event would be expected to result in the payment of carried interest. Strategic investor partnerships with fund investors may require netting across the various funds in which they invest, which may reduce the carried interest we otherwise would have earned if such fund investors were to have invested in our funds without the existence of the strategic investor partnership. See "Risk Factors—Risks Related to Our Business—Strategic investor partnerships have longer investment periods and invest in multiple strategies, which may increase the possibility of a 'netting hole,' which will result in less carried interest for us, as well as clawback liabilities" in our Annual Report.

As of March 31, 2020, netting holes in excess of \$50 million existed at six of our private equity funds, which were Americas Fund XII of \$652 million, Asian Fund II of \$494 million, North America Fund XI of \$340 million, Asian Fund III of \$179 million, 2006 Fund of \$177 million, and Asian Fund of \$93 million. In accordance with the criteria set forth above, other funds currently have and may in the future develop netting holes, and netting holes for those and other funds may otherwise increase or decrease in the future.

We have access to funding under various credit facilities, other borrowing arrangements and other sources of liquidity that we have entered into with major financial institutions or which we receive from the capital markets. The following describes these sources of liquidity.

### **Revolving Credit Agreements, Senior Notes, KFN Debt Obligation, KFN Securities and Real Estate Financing**

For a discussion of KKR's debt obligations, including our revolving credit agreements, senior notes, KFN debt obligations, KFN securities and corporate real estate financing, see Note 10 "Debt Obligations" to the audited financial statements included in our Annual Report and Note 10 "Debt Obligations" to the financial statements included elsewhere in this report.

### **Preferred Stock**

For a discussion of KKR's equity, including our preferred stock, see Part II. Item 5. "Other Information" in this report and Note 15 "Equity" to the audited financial statements included in our Annual Report.

### **Liquidity Needs**

We expect that our primary liquidity needs will consist of cash required to:

- continue to support and grow our business lines, including seeding new strategies, funding our capital commitments made to existing and future funds, co-investments and any net capital requirements of our capital markets companies, pay the costs related to fundraising and launching of new strategies, and otherwise supporting investment vehicles which we sponsor;
- warehouse investments in portfolio companies or other investments for the benefit of one or more of our funds, vehicles, accounts or CLOs pending the contribution of committed capital by the investors in such vehicles, and advancing capital to them for operational or other needs;
- service debt obligations including the payment of obligations upon maturity or redemption, as well as any contingent liabilities that may give rise to future cash payments;
- fund cash operating expenses and contingencies, including litigation matters;
- pay corporate income taxes and other taxes;
- pay amounts that may become due under our tax receivable agreement with KKR Holdings;
- pay cash dividends in accordance with our dividend policy for our common stock or the terms of our preferred stock;
- underwrite commitments, advance loan proceeds and fund syndication commitments within our capital markets business;

- support and acquire other assets for our Principal Activities business line, including other businesses, investments and assets, some of which may be required to satisfy regulatory requirements for our capital markets business or risk retention requirements for CLOs (to the extent it continues to apply); and
- repurchase KKR's common stock or retire equity awards pursuant to the share repurchase program or other securities issued by KKR.

For a discussion of KKR's share repurchase program, see "Part II. Item 2. Unregistered Sales of Equity Securities and Use of Proceeds—Share Repurchases in the First Quarter of 2020."

*Capital Commitments*

The agreements governing our active investment funds generally require the general partners of the funds to make minimum capital commitments to such funds, which generally range from 2% to 8% of a fund's total capital commitments at final closing, but may be greater for certain funds (i) where we are pursuing newer strategies, (ii) where third party investor demand is limited, and (iii) where a larger commitment is consistent with the asset allocation strategy our balance sheet is pursuing.

The following table presents our uncalled commitments to our active investment funds as of March 31, 2020:

	<b>Uncalled Commitments</b>
	<b>(\$ in thousands)</b>
<b>Private Markets</b>	
Core Investment Vehicles	\$ 1,694,500
Asian Fund IV	1,000,000
Americas Fund XII	412,500
Asian Fund III	352,600
Property Partners Americas	304,700
Asia Real Estate Partners	250,000
Asia Pacific Infrastructure Investors	250,000
Global Infrastructure Investors III	213,200
Real Estate Partners Europe II	200,000
Next Generation Technology Growth II	150,000
European Fund V	145,600
Energy Income and Growth Fund II	118,200
Health Care Strategic Growth Fund	102,400
Global Impact Fund	93,100
Real Estate Partners Americas II	88,000
Real Estate Credit Opportunity Partners II	50,000
Other Private Markets Vehicles	134,600
<b>Total Private Markets Commitments</b>	<b>5,559,400</b>
<b>Public Markets</b>	
Dislocation Opportunities Fund	400,000
Special Situations Fund II	69,800
Lending Partners Europe II	56,000
Lending Partners III	14,500
Private Credit Opportunities Partners II	13,600
Lending Partners Europe	11,300
Other Public Markets Vehicles	110,900
<b>Total Public Markets Commitments</b>	<b>676,100</b>
<b>Total Uncalled Commitments</b>	<b>\$ 6,235,500</b>

### *Other Commitments*

In addition to the uncalled commitments to our investment funds as shown above, KKR has entered into contractual commitments with respect to (i) the purchase of investments and other assets primarily in our Principal Activities business line and (ii) underwriting transactions, debt financing, and syndications in our Capital Markets business line. As of March 31, 2020, these commitments amounted to \$200.0 million and \$570.8 million, respectively. Whether these amounts are actually funded, in whole or in part, depends on the contractual terms of such commitments, including the satisfaction or waiver of any conditions to closing or funding. Our capital markets business has an arrangement with a third party, which reduces our risk when underwriting certain debt transactions, and thus our unfunded commitments as of March 31, 2020 have been reduced to reflect the amount to be funded by such third party. In the case of purchases of investments or assets in our Principal Activities business line, the amount to be funded includes amounts that are intended to be syndicated to third parties, and the actual amounts to be funded may be less than shown.

On January 14, 2020, KKR committed to invest up to an additional \$150 million in KKR India Financial Services to support KKR's alternative credit business in India. As of March 31, 2020, none of the \$150 million commitment has been invested.

### *Tax Receivable Agreement*

We may be required to acquire KKR Group Partnership Units from time to time pursuant to our exchange agreement with KKR Holdings, which may result in an increase in our tax basis of the assets of KKR Group Partnership at the time of an exchange of KKR Group Partnership Units. We have entered into a tax receivable agreement with KKR Holdings, which requires us to pay to KKR Holdings, or to current and former principals who have exchanged KKR Holdings units for KKR's common stock as transferees of KKR Group Partnership Units, 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that we realize as a result of the increase in tax basis described above, as well as 85% of the amount of any such savings we realize as a result of increases in tax basis that arise due to future payments under the agreement. As of March 31, 2020, an undiscounted payable of \$145.1 million has been recorded in due to affiliates in the financial statements representing management's best estimate of the amounts currently expected to be owed under the tax receivable agreement. As of March 31, 2020, approximately \$43.0 million of cumulative cash payments have been made under the tax receivable agreement.

### *Dividends*

A dividend of \$0.135 per share of our common stock has been declared for the quarter ended March 31, 2020, which will be paid on June 2, 2020 to holders of record of our common stock as of the close of business on May 18, 2020.

A dividend of \$0.421875 per share of Series A Preferred Stock has been declared and set aside for payment on June 15, 2020 to holders of record of Series A Preferred Stock as of the close of business on June 1, 2020. A dividend of \$0.406250 per share of Series B Preferred Stock has been declared and set aside for payment on June 15, 2020 to holders of record of Series B Preferred Stock as of the close of business on June 1, 2020.

When KKR & Co. Inc. receives distributions from KKR Group Partnership, KKR Holdings receives its pro rata share of such distributions from KKR Group Partnership.

The declaration and payment of dividends to our common stockholders will be at the sole discretion of our board of directors, and our dividend policy may be changed at any time. Our current dividend policy is to pay dividends to holders of our common stock in an annual aggregate amount of \$0.54 per share (or a quarterly dividend of \$0.135 per share), subject to the discretion of our board of directors based on a number of factors, including KKR's future financial performance and other considerations that the board deems relevant, and compliance with the terms of KKR & Co. Inc.'s certificate of incorporation and applicable law. For U.S. federal income tax purposes, any dividends we pay (including dividends on our preferred stock) generally will be treated as qualified dividend income for U.S. individual stockholders to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. There can be no assurance that future dividends will be made as intended or at all or that any particular dividend policy for our common stock will be maintained. Furthermore, the declaration and payment of distributions by KKR Group Partnership and our other subsidiaries may also be subject to legal, contractual and regulatory restrictions, including restrictions contained in our debt agreements and the terms of the preferred units of KKR Group Partnership.

### *Other Liquidity Needs*

We may also be required to fund various underwriting, syndication and fronting commitments in our capital markets business in connection with the underwriting of loans, securities or other financial instruments, which has increased in significance in recent periods and may continue to be significant in future periods. We generally expect that these commitments will be syndicated to third parties or otherwise fulfilled or terminated, although we may in some instances elect to retain a portion of the commitments for our own investment.

### **Critical Accounting Policies**

The preparation of our financial statements in accordance with GAAP requires our management to make estimates and judgments that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported amounts of fees, expenses and investment income. Our management bases these estimates and judgments on available information, historical experience and other assumptions that we believe are reasonable under the circumstances. However, these estimates, judgments and assumptions are often subjective and may be impacted negatively based on changing circumstances or changes in our analyses. If actual amounts are ultimately different from those estimated, judged or assumed, revisions are included in the financial statements in the period in which the actual amounts become known. We believe our critical accounting policies could potentially produce materially different results if we were to change underlying estimates, judgments or assumptions.

The following discusses certain aspects of our critical accounting policies. For a full discussion of these and all critical accounting policies, see Note 2 "Summary of Significant Accounting Policies" to the financial statements included elsewhere in this report.

### **Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. Except for certain of KKR's equity method investments and debt obligations, KKR's investments and other financial instruments are recorded at fair value or at amounts whose carrying values approximate fair value.

GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Investments and financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

#### ***Level I***

Pricing inputs are unadjusted, quoted prices in active markets for identical assets or liabilities as of the measurement date. The types of financial instruments included in this category are publicly-listed equities and securities sold short.

We classified 3.6% of total investments measured and reported at fair value as Level I at March 31, 2020.

#### ***Level II***

Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies. The types of financial instruments included in this category are credit investments, investments and debt obligations of consolidated CLO entities, convertible debt securities indexed to publicly-listed securities, less liquid and restricted equity securities and certain over-the-counter derivatives such as foreign currency option and forward contracts.

We classified 39.1% of total investments measured and reported at fair value as Level II at March 31, 2020.

#### ***Level III***

Pricing inputs are unobservable for the financial instruments and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation. The types of financial instruments generally included in this category are private portfolio companies, real assets investments, credit investments, equity method investments for which the fair value option was elected and investments and debt obligations of consolidated CMBS entities.

We classified 57.3% of total investments measured and reported at fair value as Level III at March 31, 2020. The valuation of our Level III investments at March 31, 2020 represents management's best estimate of the amounts that we would anticipate realizing on the sale of these investments in an orderly transaction at such date.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety.

### ***Level III Valuation Methodologies***

With respect to our private equity portfolio, which includes growth equity investments, we generally employ two valuation methodologies when determining the fair value of an investment. The first methodology is typically a market comparables analysis that considers key financial inputs and recent public and private transactions and other available measures. The second methodology utilized is typically a discounted cash flow analysis, which incorporates significant assumptions and judgments. Estimates of key inputs used in this methodology include the weighted average cost of capital for the investment and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. In certain cases the results of the discounted cash flow approach can be significantly impacted by these estimates. Other inputs are also used in both methodologies. Also, as discussed in greater detail under "—Business Environment" and "Risk Factors—Risks Related to the Assets We Manage—Our investments are impacted by various economic conditions that are difficult to quantify or predict, but may have a significant adverse impact on the value of our investments" in this report, a change in interest rates could have a significant impact on valuations. In addition, when a definitive agreement has been executed to sell an investment, KKR generally considers a significant determinant of fair value to be the consideration to be received by KKR pursuant to the executed definitive agreement.

Upon completion of the valuations conducted using these methodologies, a weighting is ascribed to each method, and an illiquidity discount is typically applied where appropriate. The ultimate fair value recorded for a particular investment will generally be within a range suggested by the two methodologies, except that the value may be higher or lower than such range in the case of investments being sold pursuant to an executed definitive agreement.

Across the total Level III private equity investment portfolio (including core investments), and including investments in both consolidated and unconsolidated investment funds, approximately 60% of the fair value is derived from investments that are valued based exactly 50% on market comparables and 50% on a discounted cash flow analysis. Less than 3% of the fair value of this Level III private equity investment portfolio is derived from investments that are valued either based 100% on market comparables or 100% on a discounted cash flow analysis. As of March 31, 2020, the overall weights ascribed to the market comparables methodology, the discounted cash flow methodology, and a methodology based on pending sales for this portfolio of Level III private equity investments were 41%, 50%, and 9%, respectively.

In the case of growth equity investments, enterprise values may be determined using the market comparables analysis and discounted cash flow analysis described above. A scenario analysis may also be conducted to subject the estimated enterprise values to a downside, base and upside case, which involves significant assumptions and judgments. A milestone analysis may also be conducted to assess the current level of progress towards value drivers that we have determined to be important, which involves significant assumptions and judgments. The enterprise value in each case may then be allocated across the investment's capital structure to reflect the terms of the security and subjected to probability weightings. In certain cases, the values of growth equity investments may be based on recent or expected financings.

Real asset investments in infrastructure, energy and real estate are valued using one or more of the discounted cash flow analysis, market comparables analysis and direct income capitalization, which in each case incorporates significant assumptions and judgments. Infrastructure investments are generally valued using the discounted cash flow analysis. Key inputs used in this methodology can include the weighted average cost of capital and assumed inputs used to calculate terminal values, such as exit EBITDA multiples. Energy investments are generally valued using a discounted cash flow analysis. Key inputs used in this methodology that require estimates include the weighted average cost of capital. In addition, the valuations of energy investments generally incorporate both commodity prices as quoted on indices and long-term commodity price forecasts, which may be substantially different from, and are currently higher than, commodity prices on certain indices for equivalent future dates. Certain energy investments do not include an illiquidity discount. Long-term commodity price forecasts are utilized to capture the value of the investments across a range of commodity prices within the energy investment portfolio associated with future development and to reflect a range of price expectations. Real estate investments are generally valued using a combination of direct income capitalization and discounted cash flow analysis. Key inputs used in such methodologies that require estimates include an unlevered discount rate and current capitalization rate, and certain real estate investments do not include a minimum illiquidity discount. The valuations of real assets investments also use other inputs.

For GAAP purposes, where KKR holds energy investments consisting of working interests in oil and gas properties directly and not through an investment fund, such working interests are consolidated based on the proportion of the working interests held by us. Accordingly, we reflect the assets, liabilities, revenues, expenses, investment income and cash flows of the consolidated working interests on a gross basis and changes in the value of these energy investments are not reflected as unrealized gains and losses in the consolidated statements of operations. Accordingly, a change in fair value for these investments does not result in a decrease in net gains (losses) from investment activities, but may result in an impairment charge reflected in general, administrative and other expenses. For non-GAAP purposes, these directly held working interests are treated as investments and changes in value are reflected in our operating results as unrealized gains and losses.

On a non-GAAP basis, our energy real asset investments in oil and gas properties as of March 31, 2020 had a fair value of approximately \$518 million. Based on this fair value, we estimate that an immediate, hypothetical 10% decline in the fair value of these energy investments from one or more adverse movements to the investments' valuation inputs would result in a decline in book value of \$51.8 million. As of March 31, 2020, if we were to value our energy investments using only the commodity prices as quoted on indices and did not use long-term commodity price forecasts, and also held all other inputs to their valuation constant, we estimate that book value would have been approximately \$44 million lower.

These hypothetical declines relate only to book value. There would be no current impact on KKR's unrealized carried interest since all of the investment funds which hold these types of energy investments have investment values that are either below their cost or not currently accruing carried interest. Additionally, there would be no impact on fees since fees earned from investment funds which hold investments in oil and gas properties are based on either committed capital or capital invested.

Credit investments are valued using values obtained from dealers or market makers, and where these values are not available, credit investments are generally valued by us based on ranges of valuations determined by an independent valuation firm. Valuation models are based on discounted cash flow analyses, for which the key inputs are determined based on market comparables, which incorporate similar instruments from similar issuers.

There is inherent uncertainty involved in the valuation of Level III investments and there is no assurance that, upon liquidation, KKR will realize the values reflected in our valuations. Our valuations may differ significantly from the values that would have been used had an active market for the investments existed, and it is reasonably possible that the difference could be material. Furthermore, the recent market volatility caused by COVID-19 and the uncertainty surrounding its full impact have amplified the possibility that our future valuations may materially change from those reflected as of March 31, 2020. See "—Business Environment" for more details on the potential adverse effects of COVID-19 on our business, financial performance, operating results and valuations.

Key unobservable inputs that have a significant impact on our Level III investment valuations as described above are included in Item 8. Financial Statements and Supplementary Data—Note 5 "Fair Value Measurements."

### ***Level III Valuation Process***

The valuation process involved for Level III measurements is completed on a quarterly basis and is designed to subject the valuation of Level III investments to an appropriate level of consistency, oversight, and review.

For Private Markets investments classified as Level III, investment professionals prepare preliminary valuations based on their evaluation of financial and operating data, company specific developments, market valuations of comparable companies and other factors. KKR begins its procedures to determine the fair values of its Level III assets one month prior to the end of a reporting period, and KKR follows additional procedures to ensure that its determinations of fair value for its Level III assets are appropriate as of the relevant reporting date. These preliminary valuations are reviewed by an independent valuation firm engaged by KKR to perform certain procedures in order to assess the reasonableness of KKR's valuations annually for all Level III investments in Private Markets and quarterly for investments other than certain investments, which have values less than preset value thresholds and which in the aggregate comprise less than 1% of the total value of KKR's Level III Private Markets investments. The valuations of certain real asset investments are determined solely by an independent valuation firm without the preparation of preliminary valuations by our investment professionals, and instead such independent valuation firm relies on valuation information available to it as a broker or valuation firm. For credit investments and debt obligations of consolidated CMBS vehicles, an independent valuation firm is generally engaged quarterly by KKR with respect to most investments classified as Level III. The valuation firm either provides a value or provides a valuation range from which KKR's investment professionals select a point in the range to determine the preliminary valuation or performs certain procedures in order to assess the reasonableness and provide positive assurance of KKR's valuations. After reflecting any input from the independent valuation firm, the valuation proposals are submitted for review and approval by KKR's valuation committees. As

of March 31, 2020, less than 3% of the total value of our Level III credit investments were not valued with the engagement of an independent valuation firm.

KKR has a global valuation committee that is responsible for coordinating and implementing the firm's valuation process to ensure consistency in the application of valuation principles across portfolio investments and between periods. The global valuation committee is assisted by the asset class-specific valuation committees that exist for private equity (including core investments), growth equity, real estate, energy and infrastructure and credit. The asset class-specific valuation committees are responsible for the review and approval of all preliminary Level III valuations in their respective asset classes on a quarterly basis. The members of these valuation committees are comprised of investment professionals, including the heads of each respective strategy, and professionals from business operations functions such as legal, compliance and finance, who are not primarily responsible for the management of the investments.

All Level III valuations are also subject to approval by the global valuation committee, which is comprised of senior employees including investment professionals and professionals from business operations functions, and includes one of KKR's Co-Presidents and Co-Chief Operating Officers and its Chief Financial Officer, General Counsel and Chief Compliance Officer. When valuations are approved by the global valuation committee after reflecting any input from it, the valuations of Level III investments, as well as the valuations of Level I and Level II investments, are presented to the audit committee of the board of directors of KKR & Co. Inc. and are then reported to the board of directors.

As of March 31, 2020, upon completion by, where applicable, an independent valuation firm of certain limited procedures requested to be performed by them on certain investments, the independent valuation firm concluded that the fair values, as determined by KKR, of those investments reviewed by them were reasonable. The limited procedures did not involve an audit, review, compilation or any other form of examination or attestation under generally accepted auditing standards and were not conducted on all Level III investments. We are responsible for determining the fair value of investments in good faith, and the limited procedures performed by an independent valuation firm are supplementary to the inquiries and procedures that we are required to undertake to determine the fair value of the commensurate investments.

There were no changes made to our Level III valuation process as a result of COVID-19.

As described above, Level II and Level III investments were valued using internal models with significant unobservable inputs and our determinations of the fair values of these investments may differ materially from the values that would have resulted if readily observable inputs had existed. Additional external factors may cause those values, and the values of investments for which readily observable inputs exist, to increase or decrease over time, which may create volatility in our earnings and the amounts of assets and stockholders' equity that we report from time to time.

Changes in the fair value of investments impacts the amount of carried interest that is recognized as well as the amount of investment income that is recognized for investments held directly and through our consolidated funds as described below. We estimate that an immediate 10% decrease in the fair value of investments held directly and through consolidated investment funds generally would result in a commensurate change in the amount of net gains (losses) from investment activities for investments held directly and through investment funds and a more significant impact to the amount of carried interest recognized, regardless of whether the investment was valued using observable market prices or management estimates with significant unobservable pricing inputs. With respect to consolidated investment funds, the impact that the consequential decrease in investment income would have on net income attributable to KKR would generally be significantly less than the amount described above, given that a majority of the change in fair value of our consolidated funds would be attributable to noncontrolling interests and therefore we are only impacted to the extent of our carried interest and our balance sheet investments.

As of March 31, 2020, there were no investments which represented greater than 5% of total investments on a GAAP basis. On a non-GAAP basis, as of March 31, 2020, investments which represented greater than 5% of total non-GAAP investments consisted of Fiserv, Inc. and USI, Inc. (financial services sector) valued at \$1,415.1 million and \$800.2 million, respectively. Our investment income on a GAAP basis and our book value can be impacted by volatility in the public markets related to our holdings of publicly traded securities, including our sizable holdings of Fiserv, Inc. See "—Business Environment" for a discussion on the impact of global equity markets on our financial condition and "—Non-GAAP Balance Sheet Measures" for additional information regarding our largest holdings on a non-GAAP basis.



### ***Recognition of Investment Income***

Investment income consists primarily of the net impact of: (i) realized and unrealized gains and losses on investments; (ii) dividends; (iii) interest income; (iv) interest expense and (v) foreign exchange gains and losses relating to mark-to-market activity on foreign exchange forward contracts, foreign currency options, foreign denominated debt and debt securities issued by consolidated CFEs.

Certain of our investment funds are consolidated. When a fund is consolidated, the portion of our funds' investment income that is allocable to our carried interests and capital investments is not shown in the consolidated statements of operations. For funds that are consolidated, all investment income (loss), including the portion of a funds' investment income (loss) that is allocable to KKR's carried interest, is included in investment income (loss) on the consolidated statements of operations. The carried interest that KKR retains in net income (loss) attributable to KKR & Co. Inc. is reflected as an adjustment to net income (loss) attributable to noncontrolling interests. However, because certain of our funds remain consolidated and because we hold a minority economic interest in these funds' investments, our share of the investment income is less than the total amount of investment income presented in the consolidated statements of operations for these consolidated funds.

### ***Recognition of Carried Interest in the Statement of Operations***

Carried interest entitles the general partner of a fund to a greater allocable share of the fund's earnings from investments relative to the capital contributed by the general partner and correspondingly reduces noncontrolling interests' attributable share of those earnings. Carried interest is earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment returns decrease or turn negative in subsequent periods, recognized carried interest will be reversed and reflected as losses in the statement of operations. For funds that are not consolidated, amounts earned pursuant to carried interest are included in capital allocation-based income (loss) in the consolidated statements of operations. Amounts earned pursuant to carried interest at consolidated funds are eliminated upon consolidation of the fund and are included as investment income (loss) in net gains (losses) from investment activities along with all of the other investment gains and losses at the consolidated fund.

Carried interest is recognized in the statement of operations based on the contractual conditions set forth in the agreements governing the fund as if the fund were terminated and liquidated at the reporting date and the fund's investments were realized at the then estimated fair values. Due to the extended durations of our private equity funds, we believe that this approach results in income recognition that best reflects our periodic performance in the management of those funds. Amounts earned pursuant to carried interest are earned by the general partner of those funds to the extent that cumulative investment returns are positive and where applicable, preferred return thresholds have been met. If these investment amounts earned decrease or turn negative in subsequent periods, recognized carried interest will be reversed and to the extent that the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, a clawback obligation would be recorded. For funds that are not consolidated, this clawback obligation, if any, is reflected as a reduction of our investment balance as this is where carried interest is initially recorded. For funds that are consolidated, this clawback obligation, if any, is reflected as an increase in noncontrolling interests in the consolidated statements of financial condition.

Prior to 2012, most of our historical private equity funds that provide for carried interest do not have a preferred return. For these funds, the management company is required to refund up to 20% of any management fees earned from its limited partners in the event that the fund recognizes carried interest. At such time as the fund recognizes carried interest in an amount sufficient to cover 20% of the management fees earned or a portion thereof, a liability due to the fund's limited partners is recorded and revenue is reduced for the amount of the carried interest recognized, not to exceed 20% of the management fees earned. The refunds to the limited partners are paid, and liabilities relieved, at such time that the underlying investment is sold and the associated carried interest is realized. In the event that a fund's carried interest is not sufficient to cover all or a portion of the amount that represents 20% of the earned management fees, such management fees would be retained and not returned to the funds' limited partners.

Most of our investment funds that provide for carried interest and were launched after 2012, however, have a preferred return. In this case, the management company does not refund the management fees earned from the limited partners of the fund as described above. Instead, the management fee is effectively returned to the limited partners through a reduction of the realized gain on which carried interest is calculated. To calculate the carried interest, KKR calculates whether a preferred return has been achieved based on an amount that includes all of the management fees paid by the limited partners as well as the other capital contributions and expenses paid by them to date. To the extent the fund has exceeded the preferred return at the time of

a realization event, and subject to any other conditions for the payment of carried interest like netting holes, carried interest is distributed to the general partner. Until the preferred return is achieved, no carried interest is recorded. Thereafter, the general partner is entitled to a catch up allocation such that the general partner's carried interest is paid in respect of all of the fund's net gains, including the net gains used to pay the preferred return, until the general partner has received the full percentage amount of carried interest that the general partner is entitled to under the terms of the fund. In general, investment funds that entitle the management company to receive an incentive fee have a preferred return and are calculated on a similar basis that takes into account management fees paid.

#### **Recently Issued Accounting Pronouncements**

For a full discussion of recently issued accounting pronouncements, see Note 2 "Summary of Significant Accounting Policies" to the financial statements included elsewhere in this report.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

For a discussion of current market conditions and uncertainties resulting from COVID-19, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Environment." There was no other material change in our market risks during the three months ended March 31, 2020. For additional information, please refer to our Annual Report.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that the information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and such information is accumulated and communicated to management, including the Co-Chief Executive Officers and the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurances of achieving the desired control objectives.

We carried out an evaluation, under the supervision and with the participation of our management, including the Co-Chief Executive Officers and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2020. Based upon that evaluation, our Co-Chief Executive Officers and Chief Financial Officer have concluded that, as of March 31, 2020, our disclosure controls and procedures were effective to accomplish their objectives at the reasonable assurance level.

#### **Changes in Internal Control Over Financial Reporting**

No changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) of the Exchange Act) occurred during the three months ended March 31, 2020 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II — OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS.**

The section entitled "Litigation" appearing in Note 16 "Commitments and Contingencies" to our condensed consolidated financial statements included elsewhere in this report is incorporated herein by reference.

**ITEM 1A. RISK FACTORS.**

For a discussion of our potential risks and uncertainties, see the information under the heading "Risk Factors" in our Annual Report and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Environment" in this report.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

**Share Repurchases in the First Quarter of 2020**

KKR has increased the total available amount under its repurchase program to \$500 million. Prior to this increase, there was approximately \$119 million remaining under the program as of March 31, 2020.

Under the repurchase program, KKR is authorized to repurchase its common stock from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing, manner, price and amount of any common stock repurchases will be determined by KKR in its discretion and will depend on a variety of factors, including legal requirements, price and economic and market conditions. KKR expects that the program, which has no expiration date, will be in effect until the maximum approved dollar amount has been used. The program does not require KKR to repurchase any specific number of shares of common stock, and the program may be suspended, extended, modified or discontinued at any time.

In addition to the repurchases of common stock described above, subsequent to May 3, 2018, the repurchase program will be used for the retirement (by cash settlement or the payment of tax withholding amounts upon net settlement) of equity awards issued pursuant to our Equity Incentive Plans representing the right to receive shares of common stock. From October 27, 2015 through March 31, 2020, KKR has paid approximately \$327 million in cash to satisfy tax withholding and cash settlement obligations in lieu of issuing shares of common stock or its equivalent upon the vesting of equity awards representing 16.3 million shares of common stock. Of these amounts, equity awards representing 11.0 million shares of common stock or its equivalent were retired for \$190 million prior to May 3, 2018 and did not count against the amounts remaining under the repurchase program.

The table below sets forth the information with respect to repurchases made by or on behalf of KKR & Co. Inc. or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Exchange Act) of our common stock during the first quarter of 2020. 10,209,673 shares of common stock were repurchased during the first quarter of 2020 and no equity awards were retired during the first quarter of 2020. From inception of the repurchase program through March 31, 2020, we have repurchased or retired a total of approximately 57.6 million shares of common stock under the program at an average price of approximately \$18.86 per share.

**Issuer Purchases of Common Stock**

(amounts in thousands, except share and per share amounts)

	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid Per Share</b>	<b>Cumulative Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(1)</sup></b>
Month #1 (January 1, 2020 to January 31, 2020)	1,607,509	\$ 30.06	43,681,674	\$ 317,225
Month #2 (February 1, 2020 to February 29, 2020)	677,341	\$ 31.82	44,359,015	\$ 295,671
Month #3 (March 1, 2020 to March 31, 2020)	7,924,823	\$ 22.25	52,283,838	\$ 119,380
<b>Total through March 31, 2020</b>	<b>10,209,673</b>			

(1) Amounts have been reduced by retirements of equity awards occurring after May 3, 2018. KKR has increased the total available amount under the repurchase program to \$500 million.

**Other Equity Securities**

During the first quarter of 2020, 3,904,074 KKR Group Partnership Units were exchanged by KKR Holdings for an equal number of shares of our common stock. This resulted in an increase in our ownership of KKR Group Partnership and a corresponding decrease in the ownership of KKR Group Partnership by KKR Holdings. In May 2020, approximately 0.5 million KKR Group Partnership Units are expected to be exchanged by KKR Holdings into an equal number of shares of our common stock.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

### ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

### ITEM 5. OTHER INFORMATION

#### Election of Directors

On May 7, 2020, KKR Management LLP, by a written consent as the sole holder of our Class B common stock, elected Henry R. Kravis, George R. Roberts, Joseph Y. Bae, Scott C. Nuttall, Mary N. Dillon, David C. Drummond, Joseph A. Grundfest, John B. Hess, Xavier B. Niel, Patricia F. Russo, Thomas M. Schoewe and Robert W. Scully as directors of KKR & Co. Inc., to serve as provided in our Certificate of Incorporation and Bylaws. Each director was serving as a director of KKR & Co. Inc. at the time of election.

A description of the committee membership of each of the directors is described in Item 10 of our Annual Report, which disclosure is [incorporated herein by reference](#).

Each non-employee director will continue to receive director compensation under our current director compensation program described in Item 11 of our Annual Report, which disclosure is [incorporated herein by reference](#). Each director has previously entered into KKR's indemnification agreement for non-executive directors, a form of which has previously been filed as Exhibit 10.7 to our Quarterly Report on Form 10-Q, filed with the SEC on May 8, 2018.

Certain transactions between KKR and such directors required to be disclosed pursuant to Item 404(a) of Regulation S-K are described in Item 13 of our Annual Report, which disclosure is [incorporated herein by reference](#).

#### Amendment and Restatement of Certificate of Incorporation and Bylaws

Effective on May 8, 2020 (the "Effective Date"), we amended and restated our Certificate of Incorporation (as amended and restated, the "Amended and Restated Certificate of Incorporation"). The Amended and Restated Certificate of Incorporation provides for an updated forum selection clause which requires that certain claims, suits and actions that may be brought by our stockholders may only be brought in specified U.S. federal and Delaware courts as provided in the Amended and Restated Certificate of Incorporation. Also in the Amended and Restated Certificate of Incorporation, our Class A common stock was renamed as "common stock," which has the same rights and powers, including, without limitation, with respect to voting, that our Class A common stock formerly had prior to the Effective Date; our Class B common stock was reclassified into a new "Series I Preferred Stock," which has the same rights and powers that our Class B common stock formerly had prior to the Effective Date; and our Class C common stock was reclassified into a new "Series II Preferred Stock," which has the same rights and powers that our Class C common stock formerly had prior to the Effective Date. In addition, following the conversion of KKR & Co. Inc. from a limited partnership to a corporation on July 1, 2018, certain provisions more customarily found in the bylaws of Delaware corporations were moved from the Amended and Restated Certificate of Incorporation to our Bylaws, and certain other provisions that are already provided for under the Delaware General Corporation Law were removed from the Amended and Restated Certificate of Incorporation.

On the Effective Date, we also amended and restated our Bylaws to add, as noted above, certain provisions previously included in our Certificate of Incorporation relating to quorum, adjournment and the conduct of stockholder meetings, and provisions related to stock certificates, registrations of transfers and maintenance of our books and records.

The full text of the Amended and Restated Certificate of Incorporation and amended and restated Bylaws are filed as Exhibits 3.1 and 3.2, respectively, to this report and are incorporated herein by reference. The holder of our Class B common stock consented to the Amended and Restated Certificate of Incorporation and amended and restated Bylaws on May 8, 2020, and as a result of the elimination of our Class C common stock in connection with its reclassification, the consent of the holder of our Class C common stock to the adoption of the Amended and Restated Certificate of Incorporation was received on May 8, 2020. No consent of the holders of the Class A common stock, Series A preferred stock or Series B preferred stock was required.

### ITEM 6. EXHIBITS.

The following is a list of all exhibits filed or furnished as part of this report:

Exhibit No.	Description of Exhibit
3.1	<a href="#">Amended and Restated Certificate of Incorporation of KKR &amp; Co. Inc.</a>
3.2	<a href="#">Amended and Restated Bylaws of KKR &amp; Co. Inc.</a>

<b>Exhibit No.</b>	<b>Description of Exhibit</b>
4.1	<a href="#">Indenture dated as of February 25, 2020 among KKR Group Finance Co. VII LLC, KKR &amp; Co. Inc., KKR Group Partnership L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR &amp; Co. Inc. Current Report on Form 8-K filed on February 25, 2020).</a>
4.2	<a href="#">First Supplemental Indenture dated as of February 25, 2020 among KKR Group Finance Co. VII LLC, KKR &amp; Co. Inc., KKR Group Partnership L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.2 to the KKR &amp; Co. Inc. Current Report on Form 8-K filed on February 25, 2020).</a>
4.3	<a href="#">Form of 3.625% Senior Note due 2050 (included in Exhibit 4.2 to the KKR &amp; Co. Inc. Current Report on Form 8-K filed on February 25, 2020).</a>
4.4	<a href="#">Second Supplemental Indenture dated as of April 21, 2020 among KKR Group Finance Co. VI LLC, KKR &amp; Co. Inc., KKR Group Partnership L.P. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to the KKR &amp; Co. Inc. Current Report on Form 8-K filed on April 21, 2020).</a>
4.5	<a href="#">Form of 3.750% Senior Note due 2029 (included in Exhibit 4.1 to the KKR &amp; Co. Inc. Current Report on Form 8-K filed on April 21, 2020).</a>
10.1	<a href="#">Third Amended and Restated Limited Partnership Agreement of KKR Group Partnership L.P. dated January 1, 2020 (incorporated by reference to Exhibit 10.2 to the KKR &amp; Co. Inc. Current Report on Form 8-K filed on January 2, 2020).</a>
10.2	<a href="#">Third Amended and Restated Exchange Agreement, dated as of January 1, 2020, among KKR Group Partnership L.P., KKR Holdings L.P., KKR &amp; Co. Inc. and KKR Group Holdings Corp. (incorporated by reference to Exhibit 10.3 to the KKR &amp; Co. Inc. Current Report on Form 8-K filed on January 2, 2020).</a>
10.4 †	<a href="#">Third Amended and Restated 5-Year Revolving Credit Agreement, dated March 20, 2020, among KKR Capital Markets Holdings L.P., certain subsidiaries of KKR Capital Markets Holdings L.P., Mizuho Bank, Ltd., as administrative agent, and the lenders party thereto.</a>
10.5 †	<a href="#">364-Day Revolving Credit Agreement, dated as of April 10, 2020, among KKR Capital Markets Holdings L.P., certain subsidiaries of KKR Capital Markets Holdings L.P., Mizuho Bank, Ltd., as administrative agent, and the lenders party thereto.</a>
31.1	<a href="#">Certification of Co-Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Certification of Co-Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.3	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1	<a href="#">Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2	<a href="#">Certification of Co-Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.3	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101	Interactive data files pursuant to Rule 405 of Regulation S-T, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Financial Condition as of March 31, 2020 and December 31, 2019, (ii) the Condensed Consolidated Statements of Operations for the three months ended March 31, 2020 and March 31, 2019, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2020 and March 31, 2019; (iv) the Condensed Consolidated Statements of Changes in Equity for the three months ended March 31, 2020 and March 31, 2019, (v) the Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2020 and March 31, 2019, and (vi) the Notes to the Condensed Consolidated Financial Statements.
104	Cover page interactive data file, formatted in Inline XBRL and contained in Exhibit 101.

† Certain information contained in this agreement has been omitted because it is not material and would likely cause competitive harm to the registrant if publicly disclosed.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.





**AMENDED AND RESTATED CERTIFICATE OF INCORPORATION  
OF  
KKR & CO. INC.**

KKR & Co. Inc., a corporation organized and existing under the laws of the State of Delaware, pursuant to Sections 242 and 245 of the General Corporation Law of the State of Delaware, as it may be amended (the "DGCL"), hereby certifies as follows:

1. The name of this corporation is KKR & Co. Inc. The original Certificate of Incorporation of the corporation was filed on May 3, 2018 and became effective on July 1, 2018. The name under which this corporation was originally incorporated is KKR & Co. Inc.

2. This Amended and Restated Certificate of Incorporation was duly adopted in accordance with the provisions of Sections 242 and 245 of the DGCL and by the written consent of the requisite stockholders of the corporation entitled to vote thereon in accordance with Section 228 of the DGCL, and shall become effective upon filing of this Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware.

3. This Amended and Restated Certificate of Incorporation amends and restates the Certificate of Incorporation of the corporation to read in its entirety as follows:

**ARTICLE I**

**NAME**

The name of the Corporation is KKR & Co. Inc. (the "Corporation").

**ARTICLE II**

**REGISTERED OFFICE AND AGENT**

The address of the Corporation's registered office in the State of Delaware is c/o Maples Fiduciary Services (Delaware) Inc., 4001 Kennett Pike, Suite 302, County of New Castle, Wilmington, Delaware 19807. The name of the registered agent at such address is Maples Fiduciary Services (Delaware) Inc.

**ARTICLE III**

**PURPOSE**

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

**ARTICLE IV**

**AUTHORIZED STOCK**

Section 4.01 Capitalization. (a) The total number of shares of all classes of stock that the Corporation shall have authority to issue is 5,000,000,000 which shall be divided into two classes as follows:

- (i) 3,500,000,000 shares of common stock, \$0.01 par value per share ("Common Stock"); and
- (ii) 1,500,000,000 shares of preferred stock, \$0.01 par value per share ("Preferred Stock"), of which (v) 13,800,000 shares are designated as "Series A Preferred Stock" ("Series A Preferred Stock"), (w) 6,200,000 shares are designated as "Series B Preferred Stock" ("Series B Preferred Stock"), (x) 1 share is designated as "Series I Preferred Stock" ("Series I Preferred Stock"), (y) 499,999,999 shares are designated as "Series II Preferred Stock"

(“Series II Preferred Stock”) and (z) the remaining 980,000,000 shares may be designated from time to time in accordance with this Article IV.

(b) Upon the effectiveness of this Certificate of Incorporation, (i) the name of the class of stock of the Corporation designated as the “Class A Common Stock” immediately prior to such time shall be amended to be the “Common Stock,” (ii) each share of Class B Common Stock outstanding immediately prior to such time shall be reclassified into one issued and outstanding, fully paid and nonassessable share of Series I Preferred Stock and (iii) each share of Class C Common Stock outstanding or held by the Corporation in treasury immediately prior to such time shall be reclassified into one fully paid and nonassessable share of Series II Preferred Stock issued and outstanding or held by the Corporation in treasury, as applicable, in each case automatically and without any action required on the part of the Corporation or the former holder of such share of Class A Common Stock, Class B Common Stock or Class C Common Stock, as applicable.

(c) The number of authorized shares of Common Stock or Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) solely with the approval of the Series I Preferred Stockholder and, in the case of any increase in the number of authorized shares of Series I Preferred Stock, holders of a majority of the voting power of the Outstanding Designated Stock, in each case, irrespective of the provisions of Section 242(b)(2) of the DGCL (or any successor provision thereto), and no other vote of the holders of the Common Stock, the Series II Preferred Stock or any other series of Preferred Stock, voting together or separately as a class, shall be required therefor, unless a vote of the holders of any such class, classes or series is expressly required pursuant to this Certificate of Incorporation.

Section 4.02 Preferred Stock. The Board of Directors of the Corporation (the “Board of Directors”) is hereby expressly authorized, by resolution or resolutions, to provide, out of the unissued shares of Preferred Stock, for one or more series of Preferred Stock and, with respect to each such series, to fix, without further stockholder approval (except as may be required by Articles XIII, XIV, XV or XVI or any certificate of designation relating to any series of Preferred Stock), the designation of such series, the powers (including voting powers), preferences and relative, participating, optional and other special rights, and the qualifications, limitations or restrictions thereof, of such series of Preferred Stock and the number of shares of such series, which number the Board of Directors may, except where otherwise provided in the designation of such series, increase (but not above the total number of shares of Preferred Stock then authorized and available for issuance and not committed for other issuance) or decrease (but not below the number of shares of such series then outstanding). The powers, preferences and relative, participating, optional and other special rights of, and the qualifications, limitations or restrictions thereof, of each series of Preferred Stock, if any, may differ from those of any and all other series at any time Outstanding.

## ARTICLE V

### TERMS OF COMMON STOCK

Section 5.01 General. Except as otherwise required by law or as expressly provided in this Certificate of Incorporation, each share of Common Stock shall have the same powers, privileges and rights and shall rank equally, share ratably and be identical in all respects as to all matters, with each other share of Common Stock.

Section 5.02 Voting. Each holder of Common Stock, as such, shall not have any voting rights or powers, either general or special, except as required by the DGCL or as expressly provided in this Section 5.02 or Sections 6.01, 6.02 or 6.03. Each record holder of Common Stock shall have one vote for each share of Common Stock that is Outstanding in his, her or its name on the books of the Corporation on all matters on which holders of Common Stock are entitled to vote.

Section 5.03 Dividends. Subject to applicable law and the rights, if any, of the holders of any Outstanding series of Preferred Stock or any class or series of stock having a preference over or the right to participate with the Common Stock with respect to the payment of dividends, dividends may be declared and paid ratably on the Common Stock out of the assets of the Corporation that are legally available for this purpose at such times and in such amounts as the Board of Directors in its discretion shall determine.

Section 5.04 Liquidation. Upon a Dissolution Event, after payment or provision for payment of the debts and other liabilities of the Corporation and subject to the rights, if any, of the holders of any Outstanding series of Preferred Stock or any class or series of stock having a preference over or the right to participate with the Common Stock with respect to the distribution of assets of the Corporation upon such Dissolution Event, the holders of Common Stock shall be entitled to receive the remaining assets of the Corporation available for distribution to its stockholders ratably in proportion to the number of shares held by them.

Section 5.05 Shares Reserved for Issuance. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock such number of shares of Common Stock that shall from time to time be sufficient to effect the exchange of Group Partnership Units pursuant to the Exchange Agreement; provided, that nothing contained herein shall be construed to preclude the Corporation from satisfying its obligations in respect of the exchange of the Group Partnership Units by delivery of purchased shares of Common Stock that are held in the treasury of the Corporation.

## ARTICLE VI

### VOTING RIGHTS AND CERTAIN TRANSACTIONS

Section 6.01 Sales, Exchanges or Other Dispositions of the Corporation's Assets. Except as provided in Section 5.04 and Section 6.02, the Corporation may not sell, exchange or otherwise dispose of all or substantially all of the Corporate Group's assets, taken as a whole, in a single transaction or a series of related transactions, without the approval of the Series I Preferred Stockholder and the holders of a majority of the voting power of Outstanding Designated Stock; provided, however, that this Section 6.01 shall not preclude or limit the Corporation's ability to mortgage, pledge, hypothecate or grant a security interest in all or substantially all of the assets of the Corporate Group (including for the benefit of Persons other than the members of the Corporate Group, including Affiliates of the Series I Preferred Stockholder) and shall not apply to any forced sale of any or all of the assets of the Corporate Group pursuant to the foreclosure of, or other realization upon, any such encumbrance.

Section 6.02 Mergers, Consolidations and Other Business Combinations.

(a) Except as provided in Section 6.02(b) and subject to Article XIII and Article XIV and any certificate of designation relating to any series of Preferred Stock, the Board of Directors, upon its approval of the Merger Agreement and the approval of the Series I Preferred Stockholder, shall direct that the Merger Agreement and the merger, consolidation or other business combination contemplated thereby be submitted to a vote of holders of Designated Stock, which shall be adopted and approved upon receiving the affirmative vote or consent of the holders of a majority of the voting power of the Outstanding Designated Stock.

(b) Notwithstanding anything else contained in this Section 6.02 or otherwise in this Certificate of Incorporation, the Corporation is permitted, with the prior vote or consent of the Series I Preferred Stockholder and without any vote of holders of Designated Stock, to merge the Corporation or any Group Member into, or convey all of the Corporation's assets to, another limited liability entity, which shall be newly formed and shall have no assets, liabilities or operations at the time of such merger or conveyance other than those it receives from the Corporation or other Group Member or those arising from its incorporation or formation; provided that (i) the Corporation has received an Opinion of Counsel that the merger or conveyance, as the case may be, would not result in the loss of the limited liability of any stockholder, (ii) the sole purpose of such merger or conveyance is to effect a mere change in the legal form of the Corporation into another limited liability entity and (iii) the governing instruments of the new entity provide the stockholders with substantially the same rights and obligations as are herein contained.

Section 6.03 Amendments of the Certificate of Incorporation.

(a) Except as provided in Articles IV, XIII and XIV, Section 15.03(b) and subsections (b) through (f) of this Section 6.03, any proposed amendment to this Certificate of Incorporation shall require the approval of the holders of a majority of the voting power of the Outstanding Designated Stock, unless a greater or different percentage is required under the DGCL. The Corporation shall notify all record holders upon final adoption of any such proposed amendments.

(b) Notwithstanding the provisions of Sections 6.03(a), 6.06 and 15.03(b), no amendment to this Certificate of Incorporation or the Bylaws may (i) enlarge the obligations of any stockholder without its consent, unless such shall be deemed to have occurred as a result of an amendment approved pursuant to Section 6.03(c), or (ii) enlarge the obligations of, restrict in any way any action by or rights (including, but not limited to, voting power) of, or reduce in any way the amounts distributable, reimbursable or otherwise payable to the Series I Preferred Stockholder or any of its Affiliates without the Series I Preferred Stockholder's consent, which consent may be given or withheld in its sole discretion.

(c) Except as provided in Sections 6.02 and 15.03(b) and Articles XIII and XIV, any amendment that would have a material adverse effect on the rights or preferences of any class of stock of the Corporation in relation to other classes of stock of the Corporation (treating each of the Series I Preferred Stock and Series II Preferred Stock as separate classes, and not part of the class of Preferred Stock, for this purpose) must be approved by the holders of not less than a majority of the Outstanding stock of the class affected.

(d) Notwithstanding any other provision of this Certificate of Incorporation, except for amendments adopted pursuant to Section 15.03(b) and except as otherwise provided by Section 6.02, in addition to any other approval required by this Certificate of Incorporation, no amendment shall become effective without the affirmative vote or consent of stockholders holding at least 90% of the voting power of the Outstanding Designated Stock unless the Corporation obtains an Opinion of Counsel to the effect that such amendment will not affect the limited liability of any stockholder under the DGCL.

(e) Except as provided in Section 15.03(b), subsections (b) through (f) of this Section 6.03 shall only be amended with the affirmative vote or consent of the stockholders holding at least 90% of the voting power of the Outstanding Designated Stock.

(f) Notwithstanding the provisions of Sections 6.03(a) and 15.03(b), no provision of this Certificate of Incorporation that requires the vote of stockholders holding a percentage of the voting power of Outstanding Designated Stock (including Designated Stock owned by the Series I Preferred Stockholder and its Affiliates) to take any action shall be amended, altered, changed, repealed or rescinded in any respect that would have the effect of reducing such voting percentage unless such amendment is approved by the written consent or the affirmative vote of stockholders whose aggregate Outstanding Designated Stock constitutes not less than the voting or consent requirement sought to be reduced.

Section 6.04 Non-Voting Preferred Stock. Notwithstanding anything to the contrary in this Certificate of Incorporation, Section 6.02 and subsections (b) through (f) of Section 6.03 are not applicable to any series of Non-Voting Preferred Stock or the holders of Non-Voting Preferred Stock, which shall have no voting, approval or consent rights under Section 6.02 or Section 6.03. Voting, approval and consent rights of holders of Non-Voting Preferred Stock shall be solely as provided for and set forth in Article XIII and Article XIV and any certificate of designation relating to any series of Non-Voting Preferred Stock.

Section 6.05 Splits and Combinations of Stock.

(a) Subject to Section 6.05(c), Articles XIII, XIV, XV and XVI and any certificate of designation relating to any series of Preferred Stock, the Corporation may make a pro rata distribution of shares of stock of the Corporation to all record holders or may effect a subdivision or combination of stock of the Corporation so long as, after any such event, each stockholder shall have the same percentage of each class or series of shares of stock of the Corporation as before such event, and any amounts calculated on a per share basis or stated as a number of shares of stock are proportionately adjusted.

(b) Whenever such a distribution, subdivision or combination of shares of stock of the Corporation or options, rights, warrants or appreciation rights relating to stock of the Corporation is declared, the Board of Directors shall fix a date on which the distribution, subdivision or combination shall be effective, the Corporation shall provide notice of such distribution, subdivision or combination at least 20 days prior to the effective date of such event to the stockholders of the Corporation as of a record date fixed by the Board of Directors for determining the stockholders entitled to receive such notice, which record date for notice shall be not less than 10 days prior to the date on which such notice is given.

(c) The Corporation shall not be required to issue fractional shares upon any distribution, subdivision or combination of shares of stock of the Corporation. If the Board of Directors determines that no fractional shares shall be issued in connection with any such distribution, subdivision or combination, the fractional shares resulting therefrom shall be treated in accordance with Section 155 of the DGCL.

Section 6.06 Bylaw Amendments. In furtherance and not in limitation of the powers conferred by the DGCL, except as expressly provided in this Certificate of Incorporation or the Bylaws, the Board of Directors is expressly authorized to adopt, amend and repeal, in whole or in part, the Bylaws without the assent or vote of the stockholders in any manner not inconsistent with the DGCL or this Certificate of Incorporation. Any adoption, amendment or repeal of the Bylaws that expressly modifies or prejudices the rights of the Independent Directors shall require the affirmative vote or consent of the majority of the Independent Directors.

Section 6.07 Increase of Designated Percentage. The Corporation shall not increase or permit any increase to the Designated Percentage (as such term is defined in the Group Partnership Agreement) to above 40% without the consent of a majority of the Independent Directors; provided, that any consent of the independent directors of the Former Managing Partner given prior to the Incorporation Date shall continue to be effective as the consent of a majority of the Independent Directors for purposes of this Section 6.07.

Section 6.08 Transfer of Group Partnership Class B Units. The Corporation shall not, and shall not permit any of the entities controlled by the Corporation to, consent to any Transfer (as such term is defined in the Group Partnership Agreement) of Class B Units (as such term is defined in the Group Partnership Agreement) without the Transferee (as such term is defined in the Group Partnership Agreement) having entered into a contribution and indemnification agreement that is substantially consistent with the Contribution and Indemnification Agreement among the Group Partnership, KKR Associates Holdings and KKR Intermediate Partnership or a contribution and indemnification agreement that is reasonably satisfactory to the Conflicts Committee of the Board of Directors.

## ARTICLE VII

### RIGHT TO ACQUIRE STOCK OF THE CORPORATION

Section 7.01 Right to Acquire Stock of the Corporation.

- (a) Notwithstanding any other provision of this Certificate of Incorporation, if at any time either:
- (i) less than 10% of the total shares of any class then Outstanding (other than Preferred Stock) is held by Persons other than the Series I Preferred Stockholder and its Affiliates; or
  - (ii) the Corporation is subjected to registration under the provisions of the U.S. Investment Company Act of 1940, as amended,

the Corporation shall then have the right, which right it may assign and transfer in whole or in part to the Series I Preferred Stockholder or any Affiliate of the Series I Preferred Stockholder, exercisable in its sole discretion, to purchase all, but not less than all, of such shares of such class then Outstanding held by Persons other than the Series I Preferred Stockholder and its Affiliates, at the greater of (x) the Current Market Price as of the date three days prior to the date that the notice described in Section 7.01(b) is given and (y) the highest price paid by the Corporation (or any of its Affiliates acting in concert with the Corporation) for any such share of such class purchased during the 90-day period preceding the date that the notice described in Section 7.01(b) is given.

(b) If the Corporation, the Series I Preferred Stockholder or any Affiliate of the Series I Preferred Stockholder elects to exercise the right to purchase stock of the Corporation granted pursuant to Section 7.01(a), the Corporation shall deliver to the Transfer Agent notice of such election to purchase (the “Notice of Election to Purchase”) and shall cause the Transfer Agent to provide a copy of such Notice of Election to Purchase to the record holders of such class (as of a record date selected by the Corporation) at least 10, but not more than 60, days prior to the Purchase Date. Such Notice of Election to Purchase shall also be published for a period of at least three consecutive days in at least two daily newspapers of general circulation printed in the English language and circulated in the

Borough of Manhattan, New York City. The Notice of Election to Purchase shall specify the Purchase Date and the price (determined in accordance with Section 7.01(a)) at which stock of the Corporation will be purchased and state that the Corporation, the Series I Preferred Stockholder or its Affiliate, as the case may be, elects to purchase such stock of the Corporation (in the case of stock of the Corporation evidenced by certificates, upon surrender of certificates representing such stock) in exchange for payment at such office or offices of the Transfer Agent as the Transfer Agent may specify or as may be required by any National Securities Exchange on which such stock of the Corporation is listed or admitted to trading. Any such Notice of Election to Purchase given to a record holder at his or her address as reflected in the records of the Transfer Agent shall be conclusively presumed to have been given regardless of whether the owner receives such notice. On or prior to the Purchase Date, the Corporation, the Series I Preferred Stockholder or its Affiliate, as the case may be, shall deposit with the Transfer Agent cash in an amount sufficient to pay the aggregate purchase price of all of such stock of the Corporation to be purchased in accordance with this Section 7.01. If the Notice of Election to Purchase shall have been duly given as aforesaid at least 10 days prior to the Purchase Date, and if on or prior to the Purchase Date the deposit described in the preceding sentence has been made for the benefit of the stockholders subject to purchase as provided herein, then from and after the Purchase Date, notwithstanding that any stock certificate shall not have been surrendered for purchase, all rights of such stockholders of the Corporation shall thereupon cease, except the right to receive the purchase price (determined in accordance with Section 7.01(a)) for stock of the Corporation therefor, without interest (in the case of stock of the Corporation evidenced by certificates, upon surrender to the Transfer Agent of the certificates representing such stock) and such stock of the Corporation shall thereupon be deemed to be transferred to the Corporation, the Series I Preferred Stockholder or its Affiliate, as the case may be, on the record books of the Transfer Agent and the Corporation, the Series I Preferred Stockholder or its Affiliate, as the case may be, shall be deemed to be the owner of all such stock of the Corporation from and after the Purchase Date and shall have all rights as the owner of such stock of the Corporation.

## ARTICLE VIII

### MEETINGS OF STOCKHOLDERS, ACTION WITHOUT A MEETING

Section 8.01 Special Meetings. Except as otherwise required by law and subject to the rights of the holders of any series of Preferred Stock, special meetings of the stockholders of the Corporation for any purpose or purposes may be called at any time only by or at the direction of (i) the Board of Directors, (ii) the Series I Preferred Stockholder or (iii) if at any time stockholders of the Corporation other than the Series I Preferred Stockholder are entitled under applicable law or this Certificate of Incorporation to vote on the specific matters proposed to be brought before a special meeting, stockholders of the Corporation representing 50% or more of the voting power of the Outstanding stock of the Corporation of the class or classes for which a meeting is proposed and relating to such matters for which such class or classes are entitled to vote at such meeting. The Common Stock and Series II Preferred Stock shall not constitute separate classes for this purpose. Stockholders of the Corporation shall call a special meeting by delivering to the Board of Directors one or more requests in writing stating that the signing stockholders wish to call a special meeting and indicating the purposes for which the special meeting is to be called. Within 60 days after receipt of such a call from stockholders or within such greater time as may be reasonably necessary for the Corporation to comply with any statutes, rules, regulations, listing, agreements or similar requirements governing the holding of a meeting or the solicitation of proxies for use at such a meeting, notice of such meeting shall be given in accordance with the DGCL. A special meeting shall be held at a time and place determined by the Board of Directors in its sole discretion on a date not less than 10 days nor more than 60 days after notice of the meeting is given. To the fullest extent permitted by law, the Board of Directors shall have full power and authority concerning the satisfaction of the foregoing requirements of this Section 8.01 and any similar matters.

Section 8.02 Written Ballot. Unless the Bylaws provide otherwise, elections of directors need not be by written ballot.

Section 8.03 Action Without a Meeting. If consented to by the Board of Directors in writing (which consent shall not be required with respect to any action to be taken solely by the Series I Preferred Stockholder), any action that may be taken at a meeting of the stockholders entitled to vote may be taken without a meeting, without a vote and without prior notice, if a consent or consents in writing setting forth the action so taken are signed by stockholders owning not less than the minimum percentage of the voting power of the Outstanding stock of the Corporation (including stock of the Corporation deemed owned by the Series I Preferred Stockholder) that would be

necessary to authorize or take such action at a meeting at which all the stockholders entitled to vote were present and voted and such consent or consents are delivered in the manner contemplated by Section 228 of the DGCL.

## ARTICLE IX

### CORPORATE OPPORTUNITIES

Section 9.01 Outside Activities. Except insofar as the Series I Preferred Stockholder is specifically restricted by Section 15.06(a) and except with respect to any corporate opportunity expressly offered to any Indemnitee solely through their service to the Corporate Group, to the fullest extent permitted by law, each Indemnitee shall have the right to engage in businesses of every type and description and other activities for profit and to engage in and possess an interest in other business ventures of any and every type or description, whether in businesses engaged in or anticipated to be engaged in by any Group Member, independently or with others, including business interests and activities in direct competition with the business and activities of any Group Member, and none of the same shall constitute a violation of this Certificate of Incorporation or any duty otherwise existing at law, in equity or otherwise to any Group Member or any stockholder of the Corporation. Subject to the immediately preceding sentence, no Group Member or any stockholder of the Corporation shall have any rights by virtue of this Certificate of Incorporation, the DGCL or otherwise in any business ventures of any Indemnitee, and the Corporation hereby waives and renounces any interest or expectancy therein.

Section 9.02 Approval and Waiver. Subject to the terms of Section 9.01 and Section 15.06(a), but otherwise notwithstanding anything to the contrary in this Certificate of Incorporation, (i) the engagement in competitive activities by any Indemnitee (other than the Series I Preferred Stockholder) in accordance with the provisions of this Article IX or Section 15.06 is hereby deemed approved by the Corporation and all stockholders, (ii) it shall not be a breach of the Series I Preferred Stockholder's or any other Indemnitee's duties or any other obligation of any type whatsoever of the Series I Preferred Stockholder or any other Indemnitee if the Indemnitee (other than the Series I Preferred Stockholder) engages in any such business interests or activities in preference to or to the exclusion of any Group Member, (iii) the Series I Preferred Stockholder and the other Indemnitees shall have no obligation hereunder or as a result of any duty otherwise existing at law, in equity or otherwise to present business opportunities to any Group Member and (iv) the Corporation hereby waives and renounces any interest or expectancy in such activities such that the doctrine of "corporate opportunity" or other analogous doctrine shall not apply to any such Indemnitee.

## ARTICLE X

### BUSINESS COMBINATIONS

The Corporation hereby expressly elects not to be governed by Section 203 of the DGCL.

## ARTICLE XI

### INDEMNIFICATION, ADVANCEMENT AND LIABILITY OF INDEMNITEES

Section 11.01 Indemnification and Advancement.

(a) *Indemnification*. To the fullest extent permitted by law, but subject to the limitations expressly provided for in this Certificate of Incorporation, all Indemnitees shall be indemnified and held harmless by the Corporation on an after tax basis from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising from any and all threatened, pending or completed claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, and whether formal or informal and including appeals, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as an Indemnitee whether arising from acts or omissions to act occurring on, before or after the Incorporation Date; provided that an Indemnitee shall not be indemnified and held harmless if there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of the matter for which the Indemnitee is seeking indemnification pursuant to this Section 11.01, the Indemnitee acted in bad faith or engaged in fraud or willful

misconduct. Notwithstanding the preceding sentence, except as otherwise provided in Section 11.01(g), the Corporation shall be required to indemnify a Person described in such sentence in connection with any claim, demand, action, suit or proceeding (or part thereof) commenced by such Person only if (x) the commencement of such claim, demand, action, suit or proceeding (or part thereof) by such Person was authorized by the Board of Directors or (y) there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that such Person was entitled to indemnification by the Corporation pursuant to Section 11.01(g). The indemnification of an Indemnitee of the type identified in clause (e) of the definition of Indemnitee shall be secondary to any and all indemnification to which such Person is entitled from, firstly, the relevant other Person, and from, secondly, the relevant Fund (if applicable), and will only be paid to the extent the primary indemnification is not paid and the proviso set forth in the first sentence of this Section 11.01(a) does not apply; provided that such other Person and such Fund shall not be entitled to contribution or indemnification from or subrogation against the Corporation, unless otherwise mandated by applicable law. If, notwithstanding the foregoing sentence, the Corporation makes an indemnification payment or advances expenses to such an Indemnitee entitled to primary indemnification, the Corporation shall be subrogated to the rights of such Indemnitee against the Person or Persons responsible for the primary indemnification.

(b) *Advancement.* To the fullest extent permitted by law, expenses (including legal fees and expenses) incurred by an Indemnitee who is indemnified pursuant to Section 11.01(a) in appearing at, participating in or defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Corporation prior to a final and non-appealable determination that the Indemnitee is not entitled to be indemnified upon receipt by the Corporation of an undertaking by or on behalf of the Indemnitee to repay such amount if it ultimately shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 11.01.

(c) *Insurance.* The Corporation may purchase and maintain insurance, on behalf of the Indemnitees and such other Persons as the Board of Directors shall determine in its sole discretion, against any liability that may be asserted against, or expense that may be incurred by, such Person in connection with the Corporation's activities or such Person's activities on behalf of the Corporation, regardless of whether the Corporation would have the power to indemnify such Person against such liability under the provisions of this Certificate of Incorporation.

(d) *Fiduciaries of Employee Benefit Plans.* For purposes of this Section 11.01, (i) the Corporation shall be deemed to have requested an Indemnitee to serve as fiduciary of an employee benefit plan whenever the performance by it of its duties to the Corporation also imposes duties on, or otherwise involves services by, it to the plan or participants or beneficiaries of the plan; (ii) excise taxes assessed on an Indemnitee with respect to an employee benefit plan pursuant to applicable law shall constitute "fines" within the meaning of Section 11.01(a); and (iii) any action taken or omitted by an Indemnitee with respect to any employee benefit plan in the performance of its duties for a purpose reasonably believed by it to be in the best interest of the participants and beneficiaries of the plan shall be deemed to be for a purpose that is in the best interests of the Corporation.

(e) Any indemnification pursuant to this Section 11.01 shall be made only out of the assets of the Corporation. The Series I Preferred Stockholder shall not be personally liable for such indemnification and shall have no obligation to contribute or loan any monies or property to the Corporation to enable it to effectuate such indemnification. In no event may an Indemnitee subject any other stockholders of the Corporation to personal liability by reason of the indemnification provisions set forth in this Certificate of Incorporation.

(f) *Interests of Indemnitees.* To the fullest extent permitted by law, an Indemnitee shall not be denied indemnification in whole or in part under this Section 11.01 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Certificate of Incorporation.

(g) *Claims.* If a claim for indemnification (following the final disposition of the action, suit or proceeding for which indemnification is being sought) or advancement of expenses under this Section 11.01 is not paid in full within 30 days after a written claim therefor by any Indemnitee has been received by the Corporation, such Indemnitee may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expenses of prosecuting such claim, including reasonable attorneys' fees. In any such action the Corporation shall have the burden of proving that such Indemnitee is not entitled to the requested indemnification or advancement of expenses under applicable law.



(h) *Heirs and Successors.* The provisions of this Section 11.01 are for the benefit of the Indemnitees and their heirs, successors, assigns, executors and administrators and shall not be deemed to create any rights for the benefit of any other Persons.

(i) No amendment, modification or repeal of this Section 11.01 or any provision hereof shall in any manner terminate, reduce or impair the right of any past, present or future Indemnitee to be indemnified by the Corporation, nor the obligations of the Corporation to indemnify any such Indemnitee under and in accordance with the provisions of this Section 11.01 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or-in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

(j) *Non-exclusivity.* The indemnification provided by this Section 11.01 shall be in addition to any other rights to which an Indemnitee may be entitled under any agreement, insurance, pursuant to any vote of the holders of Outstanding Designated Stock entitled to vote on such matter, as a matter of law, in equity or otherwise, both as to actions in the Indemnitee's capacity as an Indemnitee and as to actions in any other capacity, and shall continue as to an Indemnitee who has ceased to serve in such capacity. This Section 11.01 shall not limit the right of the Corporation, to the extent and in the manner permitted by law, to indemnify and to advance expenses to, and purchase and maintain insurance on behalf of, Persons other than Indemnitees.

#### Section 11.02 Liability of Indemnitees.

(a) Notwithstanding anything to the contrary set forth in this Certificate of Incorporation, to the extent and in the manner permitted by law, no Indemnitee shall be liable to the Corporation, the stockholders of the Corporation or any other Persons who have acquired interests in stock of the Corporation, for any losses, claims, damages, liabilities, joint or several, expenses (including legal fees and expenses), judgments, fines, penalties, interest, settlements or other amounts arising as a result of any act or omission of an Indemnitee, or for any breach of contract (including a violation of this Certificate of Incorporation) or any breach of duties (including breach of fiduciary duties) whether arising hereunder, at law, in equity or otherwise, unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that, in respect of the matter in question, the Indemnitee acted in bad faith or engaged in fraud or willful misconduct.

(b) Any amendment, modification or repeal of this Section 11.02 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability of the Indemnitees under this Section 11.02 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted, and provided such Person became an Indemnitee hereunder prior to such amendment, modification or repeal.

(c) A director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL. Any amendment, modification or repeal of the foregoing sentence shall not adversely affect any right or protection of a director of the Corporation hereunder in respect of any act or omission occurring prior to the time of such amendment, modification or repeal.

## ARTICLE XII

### EXCLUSIVE JURISDICTION

Unless the Corporation consents in writing to the selection of an alternative forum, (A)(i) any derivative action, suit or proceeding brought on behalf of the Corporation, (ii) any action, suit or proceeding asserting a claim of breach of a fiduciary duty owed by any current or former director, officer, employee or stockholder of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action, suit or proceeding asserting a claim arising pursuant to any provision of the DGCL, this Certificate of Incorporation or the Bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware or (iv) any action, suit or proceeding asserting a claim governed by the internal affairs doctrine shall be brought exclusively in the Court of Chancery of the State of Delaware or, if such court does not have subject matter jurisdiction thereof, the federal district court located in the

State of Delaware; and (b) notwithstanding anything to the contrary herein, but subject to the foregoing provisions of this Article XII, the federal district courts of the United States shall be the exclusive forum for the resolution of any action, suit or proceeding asserting a cause of action arising under the Securities Act. To the fullest extent permitted by law as it now exists or may hereafter be amended, any person or entity acquiring or holding any interest in any security of the Corporation shall be deemed to have notice of and consented to the provisions of this Article XII.

### ARTICLE XIII

#### TERMS OF SERIES A PREFERRED STOCK

Section 13.01 Designation. The Series A Preferred Stock is hereby designated and created as a series of Preferred Stock. Each share of Series A Preferred Stock shall be identical in all respects to every other share of Series A Preferred Stock. The Series A Preferred Stock is not “Designated Stock” for purposes of this Certificate of Incorporation. The Series A Preferred Stock ranks equally with the Series B Preferred Stock with respect to payment of dividends and distributions of assets upon a Dissolution Event.

Section 13.02 Definitions. The following terms apply only to this Article XIII of this Certificate of Incorporation.

“Below Investment Grade Rating Event” means (x) the rating on any series of the KKR Senior Notes (or, if no KKR Senior Notes are outstanding, the Corporation’s long-term issuer rating) is lowered in respect of a Change of Control and (y) any series of the KKR Senior Notes (or, if no KKR Senior Notes are outstanding, the Corporation’s long-term issuer rating) is rated below Investment Grade by both Rating Agencies on any date from the date of the public notice of an arrangement that could result in a Change of Control until the end of the 60-day period following public notice of the occurrence of a Change of Control (which period shall be extended until the ratings are announced if during such 60-day period the rating of any series of the KKR Senior Notes (or, if no KKR Senior Notes are outstanding, the Corporation’s long-term issuer rating) is under publicly announced consideration for possible downgrade by either of the Rating Agencies); provided, that a Below Investment Grade Rating Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and thus shall not be deemed a Below Investment Grade Rating Event for purposes of the definition of Change of Control Event hereunder) if a Rating Agency making the reduction in rating to which this definition would otherwise apply does not announce or publicly confirm or inform the Corporation in writing at the Corporation’s request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Below Investment Grade Rating Event).

“Change of Control” means the occurrence of the following:

- (i) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the combined assets of the KKR Issuer Group taken as a whole to any “person” (as that term is used in Section 13(d)(3) of the Exchange Act), other than to a Continuing KKR Person; or
- (ii) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any “person” (as that term is used in Section 13(d)(3) of the Exchange Act or any successor provision), other than a Continuing KKR Person, becomes the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act or any successor provision) of a majority of the controlling interests in (i) the Corporation or (ii) one or more of the Corporation, the Group Partnership and any other entity that, as of the relevant time, is a guarantor to any series of KKR Senior Notes that together hold all or substantially all of the assets of the KKR Issuer Group taken as a whole.

“Change of Control Event” means the occurrence of both a Change of Control and a Below Investment Grade Rating Event.

“Continuing KKR Person” means, immediately prior to and immediately following any relevant date of determination, (i) an individual who (a) is an executive of the KKR Group, (b) devotes substantially all of his or her business and professional time to the activities of the KKR Group and (c) did not become an executive of the KKR Group or begin devoting substantially all of his or her business and professional time to the activities of the KKR Group in contemplation of a Change of Control, or (ii) any Person in which any one or more of such individuals directly or indirectly, singly or as a group, holds a majority of the controlling interests.

“Dividend Payment Date” means March 15, June 15, September 15 and December 15 of each year, commencing June 15, 2016.

“Dividend Period” means the period from and including a Dividend Payment Date to, but excluding, the next Dividend Payment Date, except that the initial Dividend Period commences on and includes March 17, 2016.

“Fitch” means Fitch Ratings Inc. or any successor thereto.

“Investment Grade” means, with respect to Fitch, a rating of BBB- or better (or its equivalent under any successor rating categories of Fitch) and, with respect to S&P, a rating of BBB- or better (or its equivalent under any successor rating categories of S&P) (or, in each case, if such Rating Agency ceases to rate a series of the KKR Senior Notes (or, if no KKR Senior Notes are outstanding, ceases to assign a long-term issuer rating to the Corporation) for reasons outside of the Corporation’s control, the equivalent investment grade credit rating from any Rating Agency selected by the Board of Directors as a replacement Rating Agency).

“Junior Stock” means Common Stock and any other equity securities that the Corporation may issue in the future ranking, as to the payment of dividends and distributions of assets upon a Dissolution Event, junior to the Series A Preferred Stock.

“KKR Group” means the Group Partnership, the direct and indirect parents (including, without limitation, general partner) of the Group Partnership (the “Parent Entities”), any direct or indirect subsidiaries of the Parent Entities or the Group Partnership, the general partner or similar controlling entities of any investment or vehicle that is managed, advised or sponsored by the KKR Group (a “KKR Fund”), and any other entity through which any of the foregoing directly or indirectly conduct its business, but shall exclude any company in which a KKR Fund has an investment. For purposes of this definition “subsidiary” means, with respect to any Person, any subsidiary of such Person that is or would be consolidated with such Person in the preparation of segment information with respect to the combined financial statements of such Person prepared in accordance with U.S. GAAP and shall not include (x) any private equity or other investment fund or vehicle or (y) any portfolio company of any such fund or vehicle.

“KKR Issuer Group” means the Corporation, the Group Partnership and any other entity that, as of the relevant time, is a guarantor to any series of KKR Senior Notes, and their direct and indirect subsidiaries (to the extent of their economic ownership interest in such subsidiaries) taken as a whole. For purposes of this definition “subsidiary” means, with respect to any Person, any subsidiary of such Person that is or would be consolidated with such Person in the preparation of segment information with respect to the combined financial statements of such Person prepared in accordance with U.S. GAAP and shall not include (x) any private equity or other investment fund or vehicle or (y) any portfolio company of any such fund or vehicle.

“KKR Senior Notes” means (i) the 6.375% Senior Notes due 2020 issued by KKR Group Finance Co. LLC, (ii) the 5.500% Senior Notes due 2043 issued by KKR Group Finance Co. II LLC and (iii) the 5.125% Senior Notes due 2044 issued by KKR Group Finance Co. III LLC, or similar series of senior unsecured debt securities, and in each case, guaranteed by the Corporation and the Group Partnership.

“Nonpayment” has the meaning set forth in Section 13.07(a).

“Parity Stock” means any stock of the Corporation, including Preferred Stock, that the Corporation may authorize or issue, the terms of which provide that such securities shall rank equally with the Series A Preferred Stock with respect to payment of dividends and distribution of assets upon a Dissolution Event.

“Person” means, with respect to this Article XIII only, an individual, a corporation, a partnership, a limited liability company, an association, a trust, or any other entity including government or political subdivision or an agency or instrumentality thereof.

“Rating Agency” means:

- (iii) each of Fitch and S&P; and
- (iv) if either of Fitch or S&P ceases to rate any series of KKR Senior Notes (or, if no KKR Senior Notes are outstanding, ceases to assign a long-term issuer rating to the Corporation) or fails to make a rating of any series of KKR Senior Notes (or, if no KKR Senior Notes are outstanding, the long-term issuer rating of the Corporation) publicly available for reasons outside of the Corporation’s control, a “nationally recognized statistical rating organization” within the meaning of Section 3(a)(62) of the Exchange Act selected by the Board of Directors as a replacement agency for Fitch or S&P, or both, as the case may be.

“S&P” means Standard & Poor’s Ratings Services, a division of McGraw-Hill Financial, Inc., or any successor thereto.

“Series A Dividend Rate” means 6.75%.

“Series A Holder” means a holder of Series A Preferred Stock.

“Series A Liquidation Preference” means \$25.00 per share of Series A Preferred Stock.

“Series A Liquidation Value” means the sum of the Series A Liquidation Preference and declared and unpaid dividends, if any, to, but excluding, the date of the Dissolution Event on the Series A Preferred Stock.

“Series A Preferred Stock” means the 6.75% Series A Preferred Stock having the designations, rights, powers and preferences set forth in this Article XIII.

“Series A Record Date” means, with respect to any Dividend Payment Date, the March 1, June 1, September 1 or December 1, as the case may be, immediately preceding the relevant March 15, June 15, September 15 or December 15 Dividend Payment Date, respectively. These Series A Record Dates shall apply regardless of whether a particular Series A Record Date is a Business Day. The Series A Record Dates shall constitute record dates with respect to the Series A Preferred Stock for the purpose of dividends on the Series A Preferred Stock.

“Voting Preferred Stock” has the meaning set forth in Section 13.07(a).

Section 13.03 Dividends.

(a) The Series A Holders shall be entitled to receive with respect to each share of Series A Preferred Stock owned by such holder, when, as and if declared by the Board of Directors, or a duly authorized committee thereof, in its sole discretion out of funds legally available therefor, non-cumulative quarterly cash dividends, on the applicable Dividend Payment Date that corresponds to the record date for which the Board of Directors has declared a dividend, if any, at a rate per annum equal to the Series A Dividend Rate (subject to Section 13.06(c)) of the Series A Liquidation Preference. Such dividends shall be non-cumulative. If a Dividend Payment Date is not a Business Day, the related dividend (if declared) shall be paid on the next succeeding Business Day with the same force and effect as though paid on such Dividend Payment Date, without any increase to account for the period from such Dividend Payment Date through the date of actual payment. Dividends payable on the Series A Preferred Stock for any period less than a full Dividend Period shall be computed on the basis of a 360-day year consisting of twelve 30-day months and the actual number of days elapsed in such period. Declared dividends will be payable on the relevant Dividend Payment Date to Series A Holders as they appear on the Corporation’s register at the close of business, New York City time, on a Series A Record Date, provided that if the Series A Record Date is not a Business Day, the declared dividends will be payable on the relevant Dividend Payment Date to Series A Holders as they appear on the

Corporation's register at the close of business, New York City time on the Business Day immediately preceding such Series A Record Date.

(b) So long as any shares of Series A Preferred Stock are Outstanding, (i) no dividend, whether in cash or property, may be declared or paid or set apart for payment on the Junior Stock for the then-current quarterly Dividend Period (other than dividends paid in Junior Stock or options, warrants or rights to subscribe for or purchase Junior Stock) and (ii) the Corporation and its Subsidiaries shall not directly or indirectly repurchase, redeem or otherwise acquire for consideration any Junior Stock, unless, in each case, dividends have been declared and paid or declared and set apart for payment on the Series A Preferred Stock for the then-current quarterly Dividend Period.

(c) The Board of Directors, or a duly authorized committee thereof, may, in its sole discretion, choose to pay dividends on the Series A Preferred Stock without the payment of any dividends on any Junior Stock.

(d) When dividends are not declared and paid (or duly provided for) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates pertaining to the Series A Preferred Stock, on a dividend payment date falling within the related Dividend Period) in full upon the Series A Preferred Stock or any Parity Stock, all dividends declared upon the Series A Preferred Stock and all such Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the related Dividend Period) shall be declared pro rata so that the respective amounts of such dividends shall bear the same ratio to each other as all declared and unpaid dividends per share on the Series A Preferred Stock and all accumulated unpaid dividends on all Parity Stock payable on such Dividend Payment Date (or in the case of non-cumulative Parity Stock, unpaid dividends for the then-current Dividend Period (whether or not declared) and in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates pertaining to the Series A Preferred Stock, on a dividend payment date falling within the related Dividend Period) bear to each other.

(e) No dividends may be declared or paid or set apart for payment on any Series A Preferred Stock if at the same time any arrears exist or default exists in the payment of dividends on any Outstanding stock of the Corporation ranking, as to the payment of dividends and distribution of assets upon a Dissolution Event, senior to the Series A Preferred Stock, subject to any applicable terms of such Outstanding stock of the Corporation.

(f) Series A Holders shall not be entitled to any dividends, whether payable in cash or property, other than as provided in this Certificate of Incorporation and shall not be entitled to interest, or any sum in lieu of interest, in respect of any dividend payment, including any such payment which is delayed or foregone.

Section 13.04 Rank. The Series A Preferred Stock shall rank, with respect to payment of dividends and distribution of assets upon a Dissolution Event:

(a) junior to all of the Corporation's existing and future indebtedness and any equity securities, including Preferred Stock, that the Corporation may authorize or issue, the terms of which provide that such securities shall rank senior to the Series A Preferred Stock with respect to payment of dividends and distribution of assets upon a Dissolution Event;

(b) equally to any Parity Stock; and

(c) senior to any Junior Stock.

Section 13.05 Optional Redemption.

(a) Except as set forth in Section 13.06, the Series A Preferred Stock shall not be redeemable prior to June 15, 2021. At any time or from time to time on or after June 15, 2021, subject to any limitations that may be imposed by law, the Corporation may, in the sole discretion of the Board of Directors, redeem the Series A Preferred Stock, in whole or in part, at a redemption price equal to the Series A Liquidation Preference per share of Series A Preferred Stock plus an amount equal to declared and unpaid dividends, if any, from the Dividend Payment Date immediately preceding the redemption date to, but excluding, the redemption date. If less than all of the Outstanding

Series A Preferred Stock are to be redeemed, the Board of Directors shall select the Series A Preferred Stock to be redeemed from the Outstanding Series A Preferred Stock not previously called for redemption by lot or pro rata (as nearly as possible).

(b) In the event the Corporation shall redeem any or all of the Series A Preferred Stock as aforesaid in Section 13.05(a), the Corporation shall give notice of any such redemption to the Series A Holders (which such notice may be delivered prior to June 15, 2021) not more than 60 nor less than 30 days prior to the date fixed for such redemption. Failure to give notice to any Series A Holder shall not affect the validity of the proceedings for the redemption of any Series A Preferred Stock being redeemed.

(c) Notice having been given as herein provided and so long as funds sufficient to pay the redemption price for all of the Series A Preferred Stock called for redemption have been set aside for payment, from and after the redemption date, such Series A Preferred Stock called for redemption shall no longer be deemed Outstanding, and all rights of the Series A Holders thereof shall cease other than the right to receive the redemption price, without interest.

(d) The Series A Holders shall have no right to require redemption of any Series A Preferred Stock.

(e) Without limiting Section 13.05(c), if the Corporation shall deposit, on or prior to any date fixed for redemption of Series A Preferred Stock (pursuant to notice delivered in accordance with Section 13.05(b)), with any bank or trust company as a trust fund, a fund sufficient to redeem the Series A Preferred Stock called for redemption, with irrevocable instructions and authority to such bank or trust company to pay on and after the date fixed for redemption or such earlier date as the Board of Directors may determine, to the respective Series A Holders, the redemption price thereof, then from and after the date of such deposit (although prior to the date fixed for redemption) such Series A Preferred Stock so called shall be deemed to be redeemed and such deposit shall be deemed to constitute full payment of said Series A Preferred Stock to the holders thereof and from and after the date of such deposit said Series A Preferred Stock shall no longer be deemed to be Outstanding, and the holders thereof shall cease to be holders with respect to such Series A Preferred Stock, and shall have no rights with respect thereto except only the right to receive from said bank or trust company, on the redemption date or such earlier date as the Board of Directors may determine, payment of the redemption price of such Series A Preferred Stock without interest.

Section 13.06 Change of Control Redemption.

(a) If a Change of Control Event occurs prior to June 15, 2021, within 60 days of the occurrence of such Change of Control Event, the Corporation may, in the sole discretion of the Board of Directors, redeem the Series A Preferred Stock, in whole but not in part, out of funds legally available therefor, at a redemption price equal to \$25.25 per share of Series A Preferred Stock plus an amount equal to any declared and unpaid dividends to, but excluding, the redemption date.

(b) In the event the Corporation elects to redeem all of the Series A Preferred Stock as aforesaid in Section 13.06(a), the Corporation shall give notice of any such redemption to the Series A Holders at least 30 days prior to the date fixed for such redemption.

(c) If (i) a Change of Control Event occurs (whether before, on or after June 15, 2021) and (ii) the Corporation does not give notice to the Series A Holders prior to the 31st day following the Change of Control Event to redeem all the Outstanding Series A Preferred Stock, the Series A Dividend Rate shall increase by 5.00%, beginning on the 31st day following the consummation of such Change of Control Event.

(d) In connection with any Change of Control and any particular reduction in the rating on a series of the KKR Senior Notes (or, if no KKR Senior Notes are outstanding, a reduction in the Corporation's long-term issuer rating), the Board of Directors shall request from the Rating Agencies each such Rating Agency's written confirmation whether such reduction in the rating on each such series of KKR Senior Notes (or, if no KKR Senior Notes are outstanding, the Corporation's long-term issuer rating) was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of any Below Investment Grade Rating Event).

(e) The Series A Holders shall have no right to require redemption of any Series A Preferred Stock pursuant to this Section 13.06.

Section 13.07 Voting.

(a) Notwithstanding any provision in this Certificate of Incorporation to the contrary, and except as set forth in this Section 13.07, the Series A Preferred Stock shall not have any relative, participating, optional or other voting, consent or approval rights or powers, and the vote, consent or approval of the Series A Holders shall not be required for the taking of any action or inaction by the Corporation. If and whenever six quarterly dividends (whether or not consecutive) payable on the Series A Preferred Stock or six quarterly dividends (whether or not consecutive) payable on any series or class of Parity Stock have not been declared and paid (a “Nonpayment”), the number of directors then constituting the Board of Directors automatically shall be increased by two and the Series A Holders, voting together as a single class with the holders of any other class or series of Parity Stock then Outstanding upon which like voting rights have been conferred and are exercisable (any such other class or series, “Voting Preferred Stock”), shall have the right to elect these two additional directors at a meeting of the Series A Holders and the holders of such Voting Preferred Stock called as hereafter provided. When quarterly dividends have been declared and paid on the Series A Preferred Stock for four consecutive Dividend Periods following the Nonpayment, then the right of the Series A Holders and the holders of such Voting Preferred Stock to elect such two additional directors shall cease and all directors elected by the Series A Holders and holders of the Voting Preferred Stock shall forthwith cease to be qualified and their terms shall forthwith terminate immediately and the number of directors constituting the whole Board of Directors automatically shall be reduced by two. However, the right of the Series A Holders and the holders of the Voting Preferred Stock to elect two additional directors on the Board of Directors shall again vest if and whenever six additional quarterly dividends have not been declared and paid, as described above.

(b) If a Nonpayment or a subsequent Nonpayment shall have occurred, the Secretary of the Corporation may, and upon the written request of any holder of Series A Preferred Stock (addressed to the Secretary at the principal office of the Corporation) shall, call a special meeting of the Series A Holders and holders of the Voting Preferred Stock for the election of the two directors to be elected by them. The directors elected at any such special meeting shall hold office until the next annual meeting or special meeting held in lieu thereof if such office shall not have previously terminated as above provided. The Board of Directors shall, in its sole discretion, determine a date for a special meeting applying procedures consistent with Article VIII in connection with the expiration of the term of the two directors elected pursuant to this Section 13.07. The Series A Holders and holders of the Voting Preferred Stock, voting together as a class, may remove any director elected by the Series A Holders and holders of the Voting Preferred Stock pursuant to this Section 13.07. If any vacancy shall occur among the directors elected by the Series A Holders and holders of the Voting Preferred Stock, a successor shall be elected by the Board of Directors, upon the nomination of the then-remaining director elected by the Series A Holders and holders of the Voting Preferred Stock or the successor of such remaining director, to serve until the next special meeting (convened as set forth in the immediately preceding sentence) held in place thereof if such office shall not have previously terminated as above provided. Except to the extent expressly provided otherwise in this Section 13.07, any such annual or special meeting shall be called and held applying procedures consistent with Article VIII of this Certificate of Incorporation and Sections 2.05, 2.06 and 2.07 of the Bylaws as if references to stockholders of the Corporation were references to Series A Holders and holders of Voting Preferred Stock.

(c) Notwithstanding anything to the contrary in Article VI or VIII or Section 15.03(b) but subject to Section 13.07(d), so long as any shares of Series A Preferred Stock are Outstanding, the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the Series A Holders and holders of the Voting Preferred Stock, at the time Outstanding, voting as a single class regardless of series, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary:

- (i) to amend, alter or repeal any of the provisions of this Article XIII relating to the Series A Preferred Stock or any series of Voting Preferred Stock, whether by merger, consolidation or otherwise, to affect materially and adversely the rights, powers and preferences of the Series A Holders or holders of the Voting Preferred Stock; and

- (ii) to authorize, create or increase the authorized amount of, any class or series of Preferred Stock having rights senior to the Series A Preferred Stock with respect to the payment of dividends or amounts upon any Dissolution Event;

provided, however, that,

- (X) in the case of subparagraph (i) above, no such vote of the Series A Preferred Stock or the Voting Preferred Stock, as the case may be, shall be required if in connection with any such amendment, alteration or repeal, by merger, consolidation or otherwise, each Series A Preferred Stock and Voting Preferred Stock remains Outstanding without the terms thereof being materially and adversely changed in any respect to the holders thereof or is converted into or exchanged for preferred equity securities of the surviving entity having the rights, powers and preferences thereof substantially similar to those of such Series A Preferred Stock or the Voting Preferred Stock, as the case may be;
- (Y) in the case of subparagraph (i) above, if such amendment affects materially and adversely the rights, powers and preferences of one or more but not all of the classes or series of Voting Preferred Stock and the Series A Preferred Stock at the time Outstanding, the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of all such classes or series of Voting Preferred Stock and the Series A Preferred Stock so affected, voting as a single class regardless of class or series, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be required in lieu of (or, if such consent is required by law, in addition to) the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the Voting Preferred Stock and the Series A Preferred Stock otherwise entitled to vote as a single class in accordance herewith; and
- (Z) in the case of subparagraph (i) or (ii) above, no such vote of the Series A Holders or holders of the Voting Preferred Stock, as the case may be, shall be required if, at or prior to the time when such action is to take effect, provision is made for the redemption of all Series A Preferred Stock or Voting Preferred Stock, as the case may be, at the time Outstanding.

(d) For the purposes of this Section 13.07, neither:

- (i) the amendment of provisions of this Certificate of Incorporation so as to authorize or create or issue, or to increase the authorized amount of, any Junior Stock or any Parity Stock; nor
- (ii) any merger, consolidation or otherwise, in which (1) the Corporation is the surviving entity and the Series A Preferred Stock remains Outstanding with the terms thereof materially unchanged in any respect adverse to the holders thereof; or (2) the resulting, surviving or transferee entity is organized under the laws of any state and substitutes or exchanges the Series A Preferred Stock for other preferred equity securities having rights, powers and preferences (including with respect to redemption thereof) substantially similar to that of the Series A Preferred Stock under this Certificate of Incorporation (except for changes that do not materially and adversely affect the Series A Preferred Stock considered as a whole) shall be deemed to materially and adversely affect the rights, powers and preferences of the Series A Preferred Stock or holders of Voting Preferred Stock.

(e) For purposes of the foregoing provisions of this Section 13.07, each Series A Holder shall have one vote per share of Series A Preferred Stock, except that when any other series of Preferred Stock shall have the right to vote with the Series A Preferred Stock as a single class on any matter, then the Series A Holders and the holders of



such other series of Preferred Stock shall have with respect to such matters one vote per \$25.00 of stated liquidation preference.

(f) The Corporation may, from time to time, without notice to or consent of the Series A Holders or holders of other Parity Stock, issue additional shares of Series A Preferred Stock.

Section 13.08 Liquidation Rights.

(a) Upon any Dissolution Event, after payment or provision for the liabilities of the Corporation (including the expenses of such Dissolution Event) and the satisfaction of all claims ranking senior to the Series A Preferred Stock in accordance with Section 5.04, the Series A Holders shall be entitled to receive out of the assets of the Corporation or proceeds thereof available for distribution to stockholders of the Corporation, before any payment or distribution of assets is made in respect of Junior Stock, distributions equal to the Series A Liquidation Value.

(b) If the assets of the Corporation available for distribution upon a Dissolution Event are insufficient to pay in full the aggregate amount payable to the Series A Holders and holders of all other Outstanding Parity Stock, if any, such assets shall be distributed to the Series A Holders and holders of such Parity Stock pro rata, based on the full respective distributable amounts to which each such holder is entitled pursuant to this Section 13.08.

(c) Nothing in this Section 13.08 shall be understood to entitle the Series A Holders to be paid any amount upon the occurrence of a Dissolution Event until holders of any classes or series of stock ranking, as to the distribution of assets upon a Dissolution Event, senior to the Series A Preferred Stock have been paid all amounts to which such classes or series of stock are entitled.

(d) For the purposes of this Certificate of Incorporation, neither the sale, conveyance, exchange or transfer, for cash, stock, securities or other consideration, of all or substantially all of the Corporation's property or assets nor the consolidation, merger or amalgamation of the Corporation with or into any other entity or the consolidation, merger or amalgamation of any other entity with or into the Corporation shall be deemed to be a Dissolution Event, notwithstanding that for other purposes, such as for tax purposes, such an event may constitute a liquidation, dissolution or winding up. In addition, notwithstanding anything to the contrary in this Section 13.08, no payment will be made to the Series A Holders pursuant to this Section 13.08 (i) upon the voluntary or involuntary liquidation, dissolution or winding up of any of the Corporation's Subsidiaries or upon any reorganization of the Corporation into another limited liability entity pursuant to the provisions of this Certificate of Incorporation that allow the Corporation to merge or convey its assets to another limited liability entity with or without approval of the stockholders of the Corporation (including a transaction pursuant to Section 6.02) or (ii) if the Corporation engages in a reorganization or other transaction in which a successor to the Corporation issues equity securities to the Series A Holders that have rights, powers and preferences that are substantially similar to the rights, powers and preferences of the Series A Preferred Stock pursuant to provisions of this Certificate of Incorporation that allow the Corporation to do so without approval of the stockholders of the Corporation.

Section 13.09 No Duties to Series A Holders. Notwithstanding anything to the contrary in this Certificate of Incorporation, to the fullest extent permitted by law, neither the Series I Preferred Stockholder nor any other Indemnitee shall have any duties or liabilities to the Series A Holders.

## ARTICLE XIV

### TERMS OF SERIES B PREFERRED STOCK

Section 14.01 Designation. The Series B Preferred Stock is hereby designated and created as a series of Preferred Stock. Each share of Series B Preferred Stock shall be identical in all respects to every other share of Series B Preferred Stock. The Series B Preferred Stock is not "Designated Stock" for purposes of this Certificate of Incorporation. The Series B Preferred Stock ranks equally with the Series A Preferred Stock with respect to payment of dividends and distributions of assets upon a Dissolution Event.

Section 14.02 Definitions. The following terms apply only to this Article XIV of this Certificate of Incorporation.

“Below Investment Grade Rating Event” means (x) the rating on any series of the KKR Senior Notes (or, if no KKR Senior Notes are outstanding, the Corporation’s long-term issuer rating) is lowered by either of the Rating Agencies in respect of a Change of Control and (y) any series of the KKR Senior Notes (or, if no KKR Senior Notes are outstanding, the Corporation’s long-term issuer rating) is rated below Investment Grade by both Rating Agencies on any date from the date of the public notice of an arrangement that could result in a Change of Control until the end of the 60-day period following public notice of the occurrence of a Change of Control (which period shall be extended until the ratings are announced if during such 60-day period the rating of any series of the KKR Senior Notes (or, if no KKR Senior Notes are outstanding, the Corporation’s long-term issuer rating) is under publicly announced consideration for possible downgrade by either of the Rating Agencies); provided, that a Below Investment Grade Rating Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and thus shall not be deemed a Below Investment Grade Rating Event for purposes of the definition of Change of Control Event hereunder) if a Rating Agency making the reduction in rating to which this definition would otherwise apply does not announce or publicly confirm or inform the Corporation in writing at the Corporation’s request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Below Investment Grade Rating Event).

“Change of Control” means the occurrence of the following:

- (i) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the combined assets of the KKR Issuer Group taken as a whole to any “person” (as that term is used in Section 13(d)(3) of the Exchange Act), other than to a Continuing KKR Person; or
- (ii) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any “person” (as that term is used in Section 13(d)(3) of the Exchange Act or any successor provision), other than a Continuing KKR Person, becomes the beneficial owner (within the meaning of Rule 13d-3 under the Exchange Act or any successor provision) of a majority of the controlling interests in (i) the Corporation or (ii) one or more of the Corporation, the Group Partnership and any other entity that, as of the relevant time, is a guarantor to any series of KKR Senior Notes that together hold all or substantially all of the assets of the KKR Issuer Group taken as a whole.

“Change of Control Event” means the occurrence of both a Change of Control and a Below Investment Grade Rating Event.

“Continuing KKR Person” means, immediately prior to and immediately following any relevant date of determination, (i) an individual who (a) is an executive of the KKR Group, (b) devotes substantially all of his or her business and professional time to the activities of the KKR Group and (c) did not become an executive of the KKR Group or begin devoting substantially all of his or her business and professional time to the activities of the KKR Group in contemplation of a Change of Control, or (ii) any Person in which any one or more of such individuals directly or indirectly, singly or as a group, holds a majority of the controlling interests.

“Dividend Payment Date” means March 15, June 15, September 15 and December 15 of each year, commencing September 15, 2016.

“Dividend Period” means the period from and including a Dividend Payment Date to, but excluding, the next Dividend Payment Date, except that the initial Dividend Period commences on and includes June 20, 2016.

“Fitch” means Fitch Ratings Inc. or any successor thereto.

“Investment Grade” means, with respect to Fitch, a rating of BBB- or better (or its equivalent under any successor rating categories of Fitch) and, with respect to S&P, a rating of BBB- or better (or its equivalent under any successor rating categories of S&P) (or, in each case, if such Rating Agency ceases to rate a series of the KKR Senior Notes (or, if no KKR Senior Notes are outstanding, ceases to assign a long-term issuer rating to the Corporation) for reasons outside of the Corporation’s control, the equivalent investment grade credit rating from any Rating Agency selected by the Board of Directors as a replacement Rating Agency).

“Junior Stock” means Common Stock and any other equity securities that the Corporation may issue in the future ranking, as to the payment of dividends and distributions of assets upon a Dissolution Event, junior to the Series B Preferred Stock.

“KKR Group” means the Group Partnership, the direct and indirect parents (including, without limitation, general partner) of the Group Partnership (the “Parent Entities”), any direct or indirect subsidiaries of the Parent Entities or the Group Partnership, the general partner or similar controlling entities of any investment or vehicle that is managed, advised or sponsored by the KKR Group (a “KKR Fund”), and any other entity through which any of the foregoing directly or indirectly conduct its business, but shall exclude any company in which a KKR Fund has an investment. For purposes of this definition “subsidiary” means, with respect to any Person, any subsidiary of such Person that is or would be consolidated with such Person in the preparation of segment information with respect to the combined financial statements of such Person prepared in accordance with U.S. GAAP and shall not include (x) any private equity or other investment fund or vehicle or (y) any portfolio company of any such fund or vehicle.

“KKR Issuer Group” means the Corporation, the Group Partnership and any other entity that, as of the relevant time, is a guarantor to any series of KKR Senior Notes, and their direct and indirect subsidiaries (to the extent of their economic ownership interest in such subsidiaries) taken as a whole. For purposes of this definition “subsidiary” means, with respect to any Person, any subsidiary of such Person that is or would be consolidated with such Person in the preparation of segment information with respect to the combined financial statements of such Person prepared in accordance with U.S. GAAP and shall not include (x) any private equity or other investment fund or vehicle or (y) any portfolio company of any such fund or vehicle.

“KKR Senior Notes” means (i) the 6.375% Senior Notes due 2020 issued by KKR Group Finance Co. LLC, (ii) the 5.500% Senior Notes due 2043 issued by KKR Group Finance Co. II LLC and (iii) the 5.125% Senior Notes due 2044 issued by KKR Group Finance Co. III LLC, or similar series of senior unsecured debt securities, and in each case, guaranteed by the Corporation and the Group Partnership.

“Nonpayment” has the meaning set forth in Section 14.07(a).

“Parity Stock” means any stock of the Corporation, including Preferred Stock, that the Corporation has authorized or issued or may authorize or issue, the terms of which provide that such securities shall rank equally with the Series B Preferred Stock with respect to payment of dividends and distribution of assets upon a Dissolution Event.

“Person” means, with respect to this Article XIV only, an individual, a corporation, a partnership, a limited liability company, an association, a trust, or any other entity including government or political subdivision or an agency or instrumentality thereof.

“Rating Agency” means:

- (i) each of Fitch and S&P; and
- (ii) if either of Fitch or S&P ceases to rate any series of KKR Senior Notes (or, if no KKR Senior Notes are outstanding, ceases to assign a long-term issuer rating to the Corporation) or fails to make a rating of any series of KKR Senior Notes (or, if no KKR Senior Notes are outstanding, the long-term issuer rating of the Corporation) publicly available for reasons outside of the Corporation’s control, a “nationally recognized statistical rating organization” within the meaning of Section 3(a)(62) of the Exchange Act selected by the Board of Directors as a replacement agency for Fitch or S&P, or both, as the case may be.

“S&P” means Standard & Poor’s Ratings Services, a division of McGraw-Hill Financial, Inc., or any successor thereto.

“Series B Dividend Rate” means 6.50%.

“Series B Holder” means a holder of Series B Preferred Stock.

“Series B Liquidation Preference” means \$25.00 per share of Series B Preferred Stock.

“Series B Liquidation Value” means the sum of the Series B Liquidation Preference and declared and unpaid dividends, if any, to, but excluding, the date of the Dissolution Event on the Series B Preferred Stock.

“Series B Preferred Stock” means the 6.50% Series B Preferred Stock having the designations, rights, powers and preferences set forth in this Article XIV.

“Series B Record Date” means, with respect to any Dividend Payment Date, the March 1, June 1, September 1 or December 1, as the case may be, immediately preceding the relevant March 15, June 15, September 15 or December 15 Dividend Payment Date, respectively. These Series B Record Dates shall apply regardless of whether a particular Series B Record Date is a Business Day. The Series B Record Dates shall constitute record dates with respect to the Series B Preferred Stock for the purpose of dividends on the Series B Preferred Stock.

“Voting Preferred Stock” has the meaning set forth in Section 14.07(a).

#### Section 14.03 Dividends.

(a) The Series B Holders shall be entitled to receive with respect to each share of Series B Preferred Stock owned by such holder, when, as and if declared by the Board of Directors, or a duly authorized committee thereof, in its sole discretion out of funds legally available therefor, non-cumulative quarterly cash dividends, on the applicable Dividend Payment Date that corresponds to the record date for which the Board of Directors has declared a dividend, if any, at a rate per annum equal to the Series B Dividend Rate (subject to Section 14.06(c)) of the Series B Liquidation Preference. Such dividends shall be non-cumulative. If a Dividend Payment Date is not a Business Day, the related dividend (if declared) shall be paid on the next succeeding Business Day with the same force and effect as though paid on such Dividend Payment Date, without any increase to account for the period from such Dividend Payment Date through the date of actual payment. Dividends payable on the Series B Preferred Stock for any period less than a full Dividend Period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Declared dividends will be payable on the relevant Dividend Payment Date to Series B Holders as they appear on the Corporation’s register at the close of business, New York City time, on a Series B Record Date, provided that if the Series B Record Date is not a Business Day, the declared dividends will be payable on the relevant Dividend Payment Date to Series B Holders as they appear on the Corporation’s register at the close of business, New York City time on the Business Day immediately preceding such Series B Record Date.

(b) So long as any shares of Series B Preferred Stock are Outstanding, unless, in each case, dividends have been declared and paid or declared and set apart for payment on the Series B Preferred Stock for a quarterly Dividend Period, (i) no dividend, whether in cash or property, may be declared or paid or set apart for payment on the Junior Stock for the remainder of that quarterly Dividend Period (other than dividends paid in Junior Stock or options, warrants or rights to subscribe for or purchase Junior Stock) and (ii) the Corporation and its Subsidiaries shall not directly or indirectly repurchase, redeem or otherwise acquire for consideration any Junior Stock.

(c) The Board of Directors, or a duly authorized committee thereof, may, in its sole discretion, choose to pay dividends on the Series B Preferred Stock without the payment of any dividends on any Junior Stock.

(d) When dividends are not declared and paid (or duly provided for) on any Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates pertaining to the Series B Preferred Stock, on a dividend payment date falling within the related Dividend Period) in full upon the Series B Preferred Stock or any Parity Stock, all dividends declared upon the Series B Preferred Stock and all such

Parity Stock payable on such Dividend Payment Date (or, in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates, on a dividend payment date falling within the related Dividend Period) shall be declared pro rata so that the respective amounts of such dividends shall bear the same ratio to each other as all declared and unpaid dividends per share on the Series B Preferred Stock and all unpaid dividends, including any accumulations, on all Parity Stock payable on such Dividend Payment Date (or in the case of Parity Stock having dividend payment dates different from the Dividend Payment Dates pertaining to the Series B Preferred Stock, on a dividend payment date falling within the related Dividend Period) bear to each other.

(e) No dividends may be declared or paid or set apart for payment on any Series B Preferred Stock if at the same time any arrears exist or default exists in the payment of dividends on any Outstanding stock of the Corporation ranking, as to the payment of dividends and distribution of assets upon a Dissolution Event, senior to the Series B Preferred Stock, subject to any applicable terms of such Outstanding stock of the Corporation.

(f) Series B Holders shall not be entitled to any dividends, whether payable in cash or property, other than as provided in this Certificate of Incorporation and shall not be entitled to interest, or any sum in lieu of interest, in respect of any dividend payment, including any such payment which is delayed or foregone.

Section 14.04 Rank. The Series B Preferred Stock shall rank, with respect to payment of dividends and distribution of assets upon a Dissolution Event:

(a) junior to all of the Corporation's existing and future indebtedness and any equity securities, including Preferred Stock, that the Corporation may authorize or issue, the terms of which provide that such securities shall rank senior to the Series B Preferred Stock with respect to payment of dividends and distribution of assets upon a Dissolution Event;

(b) equally to any Parity Stock; and

(c) senior to any Junior Stock.

Section 14.05 Optional Redemption.

(a) Except as set forth in Section 14.06, the Series B Preferred Stock shall not be redeemable prior to September 15, 2021. At any time or from time to time on or after September 15, 2021, subject to any limitations that may be imposed by law, the Corporation may, in the sole discretion of the Board of Directors, redeem the Series B Preferred Stock, out of funds legally available therefor, in whole or in part, at a redemption price equal to the Series B Liquidation Preference per share of Series B Preferred Stock plus an amount equal to declared and unpaid dividends, if any, from the Dividend Payment Date immediately preceding the redemption date to, but excluding, the redemption date. If less than all of the Outstanding Series B Preferred Stock are to be redeemed, the Board of Directors shall select the Series B Preferred Stock to be redeemed from the Outstanding Series B Preferred Stock not previously called for redemption by lot or pro rata (as nearly as possible).

(b) In the event the Corporation shall redeem any or all of the Series B Preferred Stock as aforesaid in Section 14.05(a), the Corporation shall give notice of any such redemption to the Series B Holders (which such notice may be delivered prior to September 15, 2021) not more than 60 nor less than 30 days prior to the date fixed for such redemption. Failure to give notice to any Series B Holder shall not affect the validity of the proceedings for the redemption of any Series B Preferred Stock being redeemed.

(c) Notice having been given as herein provided and so long as funds legally available and sufficient to pay the redemption price for all of the Series B Preferred Stock called for redemption have been set aside for payment, from and after the redemption date, such Series B Preferred Stock called for redemption shall no longer be deemed Outstanding, and all rights of the Series B Holders thereof shall cease other than the right to receive the redemption price, without interest.

(d) The Series B Holders shall have no right to require redemption of any Series B Preferred Stock.

(e) Without limiting Section 14.05(c), if the Corporation shall deposit, on or prior to any date fixed for redemption of Series B Preferred Stock (pursuant to notice delivered in accordance with Section 14.05(b)), with any bank or trust company as a trust fund, a fund sufficient to redeem the Series B Preferred Stock called for redemption, with irrevocable instructions and authority to such bank or trust company to pay on and after the date fixed for redemption or such earlier date as the Board of Directors may determine, to the respective Series B Holders, the redemption price thereof, then from and after the date of such deposit (although prior to the date fixed for redemption) such Series B Preferred Stock so called shall be deemed to be redeemed and such deposit shall be deemed to constitute full payment of said Series B Preferred Stock to the holders thereof and from and after the date of such deposit said Series B Preferred Stock shall no longer be deemed to be Outstanding, and the holders thereof shall cease to be holders with respect to such Series B Preferred Stock, and shall have no rights with respect thereto except only the right to receive from said bank or trust company, on the redemption date or such earlier date as the Board of Directors may determine, payment of the redemption price of such Series B Preferred Stock without interest.

Section 14.06 Change of Control Redemption.

(a) If a Change of Control Event occurs prior to September 15, 2021, within 60 days of the occurrence of such Change of Control Event, the Corporation may, in the sole discretion of the Board of Directors, redeem the Series B Preferred Stock, in whole but not in part, out of funds legally available therefor, at a redemption price equal to \$25.25 per share of Series B Preferred Stock plus an amount equal to any declared and unpaid dividends to, but excluding, the redemption date.

(b) In the event the Corporation elects to redeem all of the Series B Preferred Stock as aforesaid in Section 14.06(a), the Corporation shall give notice of any such redemption to the Series B Holders at least 30 days prior to the date fixed for such redemption.

(c) If (i) a Change of Control Event occurs (whether before, on or after September 15, 2021) and (ii) the Corporation does not give notice to the Series B Holders prior to the 31st day following the Change of Control Event to redeem all the Outstanding Series B Preferred Stock, the Series B Dividend Rate shall increase by 5.00%, beginning on the 31st day following the consummation of such Change of Control Event.

(d) In connection with any Change of Control and any particular reduction in the rating on a series of the KKR Senior Notes (or, if no KKR Senior Notes are outstanding, a reduction in the Corporation's long-term issuer rating), the Board of Directors shall request from the Rating Agencies each such Rating Agency's written confirmation whether such reduction in the rating on each such series of KKR Senior Notes (or, if no KKR Senior Notes are outstanding, the Corporation's long-term issuer rating) was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of any Below Investment Grade Rating Event).

(e) The Series B Holders shall have no right to require redemption of any Series B Preferred Stock pursuant to this Section 14.06.

Section 14.07 Voting.

(a) Notwithstanding any provision in this Certificate of Incorporation to the contrary, and except as set forth in this Section 14.07, the Series B Preferred Stock shall not have any relative, participating, optional or other voting, consent or approval rights or powers, and the vote, consent or approval of the Series B Holders shall not be required for the taking of any action or inaction by the Corporation. If and whenever six quarterly dividends (whether or not consecutive) payable on the Series B Preferred Stock or six quarterly dividends (whether or not consecutive) payable on any series or class of Parity Stock have not been declared and paid (a "Nonpayment"), the number of directors then constituting the Board of Directors automatically shall be increased by two and the Series B Holders, voting together as a single class with the holders of any other class or series of Parity Stock then Outstanding upon which like voting rights have been conferred and are exercisable (any such other class or series, "Voting Preferred Stock"), shall have the right to elect these two additional directors at a meeting of the Series B Holders and the holders of such Voting Preferred Stock called as hereafter provided. When quarterly dividends have been declared and paid on the Series B Preferred Stock for four consecutive Dividend Periods following the Nonpayment, then the right of the Series B Holders and the holders of such Voting Preferred Stock to elect such two additional directors shall cease.

and all directors elected by the Series B Holders and holders of the Voting Preferred Stock shall forthwith cease to be qualified and their terms shall forthwith terminate immediately and the number of directors constituting the whole Board of Directors automatically shall be reduced by two. However, the right of the Series B Holders and the holders of the Voting Preferred Stock to elect two additional directors on the Board of Directors shall again vest if and whenever six additional quarterly dividends have not been declared and paid, as described above.

(b) If a Nonpayment or a subsequent Nonpayment shall have occurred, the Secretary of the Corporation may, and upon the written request of any holder of Series B Preferred Stock (addressed to the Secretary at the principal office of the Corporation) shall, call a special meeting of the Series B Holders and holders of the Voting Preferred Stock for the election of the two directors to be elected by them. The directors elected at any such special meeting shall hold office until the next annual meeting or special meeting held in lieu thereof if such office shall not have previously terminated as above provided. The Board of Directors shall, in its sole discretion, determine a date for a special meeting applying procedures consistent with Article VIII in connection with the expiration of the term of the two directors elected pursuant to this Section 14.07. The Series B Holders and holders of the Voting Preferred Stock, voting together as a class, may remove any director elected by the Series B Holders and holders of the Voting Preferred Stock pursuant to this Section 14.07. If any vacancy shall occur among the directors elected by the Series B Holders and holders of the Voting Preferred Stock, a successor shall be elected by the Board of Directors, upon the nomination of the then-remaining director elected by the Series B Holders and holders of the Voting Preferred Stock or the successor of such remaining director, to serve until the next special meeting (convened as set forth in the immediately preceding sentence) held in place thereof if such office shall not have previously terminated as above provided. Except to the extent expressly provided otherwise in this Section 14.07, any such annual or special meeting shall be called and held applying procedures consistent with the Article VIII of this Certificate of Incorporation and Sections 2.05, 2.06 and 2.07 of the Bylaws as if references to stockholders of the Corporation were references to Series B Holders and holders of Voting Preferred Stock.

(c) Notwithstanding anything to the contrary in Article VI or VIII or Section 15.03(b) but subject to Section 14.07(d), so long as any shares of Series B Preferred Stock are Outstanding, the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the Series B Holders and holders of the Voting Preferred Stock, at the time Outstanding, voting as a single class regardless of series, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be necessary:

- (i) to amend, alter or repeal any of the provisions of this Article XIV relating to the Series B Preferred Stock or any series of Voting Preferred Stock, whether by merger, consolidation or otherwise, to affect materially and adversely the rights, powers and preferences of the Series B Holders or holders of the Voting Preferred Stock; and
- (ii) to authorize, create or increase the authorized amount of, any class or series of Preferred Stock having rights senior to the Series B Preferred Stock with respect to the payment of dividends or amounts upon any Dissolution Event;

provided, however, that,

- (X) in the case of subparagraph (i) above, no such vote of the Series B Preferred Stock or the Voting Preferred Stock, as the case may be, shall be required if in connection with any such amendment, alteration or repeal, by merger, consolidation or otherwise, each Series B Preferred Stock and Voting Preferred Stock remains Outstanding without the terms thereof being materially and adversely changed in any respect to the holders thereof or is converted into or exchanged for preferred equity securities of the surviving entity having the rights, powers and preferences thereof substantially similar to those of such Series B Preferred Stock or the Voting Preferred Stock, as the case may be;
- (Y) in the case of subparagraph (i) above, if such amendment affects materially and adversely the rights, powers and preferences of one or more but not all of the classes or series of Voting Preferred Stock and the Series B Preferred Stock at

the time Outstanding, the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the holders of all such classes or series of Voting Preferred Stock and the Series B Preferred Stock so affected, voting as a single class regardless of class or series, given in person or by proxy, either in writing without a meeting or by vote at any meeting called for the purpose, shall be required in lieu of (or, if such consent is required by law, in addition to) the affirmative vote of at least 66-2/3% of the votes entitled to be cast by the Voting Preferred Stock and the Series B Preferred Stock otherwise entitled to vote as a single class in accordance herewith; and

(Z) in the case of subparagraph (i) or (ii) above, no such vote of the Series B Holders or holders of the Voting Preferred Stock, as the case may be, shall be required if, at or prior to the time when such action is to take effect, provision is made for the redemption of all Series B Preferred Stock or Voting Preferred Stock, as the case may be, at the time Outstanding.

(d) For the purposes of this Section 14.07, neither:

(i) the amendment of provisions of this Certificate of Incorporation so as to authorize or create or issue, or to increase the authorized amount of, any Junior Stock or any Parity Stock; nor

(ii) any merger, consolidation or otherwise, in which (1) the Corporation is the surviving entity and the Series B Preferred Stock remains Outstanding with the terms thereof materially unchanged in any respect adverse to the holders thereof; or (2) the resulting, surviving or transferee entity is organized under the laws of any state and substitutes or exchanges the Series B Preferred Stock for other preferred equity securities having rights, powers and preferences (including with respect to redemption thereof) substantially similar to that of the Series B Preferred Stock under this Certificate of Incorporation (except for changes that do not materially and adversely affect the Series B Preferred Stock considered as a whole) shall be deemed to materially and adversely affect the rights, powers and preferences of the Series B Preferred Stock or holders of Voting Preferred Stock.

(e) For purposes of the foregoing provisions of this Section 14.07, each Series B Holder shall have one vote per share of Series B Preferred Stock, except that when any other series of Preferred Stock shall have the right to vote with the Series B Preferred Stock as a single class on any matter, then the Series B Holders and the holders of such other series of Preferred Stock shall have with respect to such matters one vote per \$25.00 of stated liquidation preference.

(f) The Corporation may, from time to time, without notice to or consent of the Series B Holders or holders of other Parity Stock, issue additional shares of Series B Preferred Stock.

(g) The foregoing provisions of this Section 14.07 will not apply if, at or prior to the time when the act with respect to which a vote pursuant to this Section 14.07 would otherwise be required shall be effected, the Series B Preferred Stock shall have been redeemed.

#### Section 14.08 Liquidation Rights.

(a) Upon any Dissolution Event, after payment or provision for the liabilities of the Corporation (including the expenses of such Dissolution Event) and the satisfaction of all claims ranking senior to the Series B Preferred Stock in accordance with Section 5.04, the Series B Holders shall be entitled to receive out of the assets of the Corporation or proceeds thereof available for distribution to stockholders of the Corporation, before any payment or distribution of assets is made in respect of Junior Stock, distributions equal to the Series B Liquidation Value.

(b) If the assets of the Corporation available for distribution upon a Dissolution Event are insufficient to pay in full the aggregate amount payable to the Series B Holders and holders of all other Outstanding Parity Stock,



if any, such assets shall be distributed to the Series B Holders and holders of such Parity Stock pro rata, based on the full respective distributable amounts to which each such holder is entitled pursuant to this Section 14.08.

(c) Nothing in this Section 14.08 shall be understood to entitle the Series B Holders to be paid any amount upon the occurrence of a Dissolution Event until holders of any classes or series of stock ranking, as to the distribution of assets upon a Dissolution Event, senior to the Series B Preferred Stock have been paid all amounts to which such classes or series of stock are entitled.

(d) For the purposes of this Certificate of Incorporation, neither the sale, conveyance, exchange or transfer, for cash, stock, securities or other consideration, of all or substantially all of the Corporation's property or assets nor the consolidation, merger or amalgamation of the Corporation with or into any other entity or the consolidation, merger or amalgamation of any other entity with or into the Corporation shall be deemed to be a Dissolution Event, notwithstanding that for other purposes, such as for tax purposes, such an event may constitute a liquidation, dissolution or winding up. In addition, notwithstanding anything to the contrary in this Section 14.08, no payment will be made to the Series B Holders pursuant to this Section 14.08 (i) upon the voluntary or involuntary liquidation, dissolution or winding up of any of the Corporation's Subsidiaries or upon any reorganization of the Corporation into another limited liability entity pursuant to the provisions of this Certificate of Incorporation that allow the Corporation to convert, merge or convey its assets to another limited liability entity with or without approval of the stockholders of the Corporation (including a transaction pursuant to Section 6.02) or (ii) if the Corporation engages in a reorganization or other transaction in which a successor to the Corporation issues equity securities to the Series B Holders that have rights, powers and preferences that are substantially similar to the rights, powers and preferences of the Series B Preferred Stock pursuant to provisions of this Certificate of Incorporation that allow the Corporation to do so without approval of the stockholders of the Corporation. Notwithstanding any provision to the contrary in this Article XIV (including Section 14.07), the Board of Directors may, in its sole discretion and without the consent of any Series B Holder, amend this Article XIV to allow for the transactions in this Section 14.08(d).

Section 14.09 No Duties to Series B Holders. Notwithstanding anything to the contrary in this Certificate of Incorporation, to the fullest extent permitted by law, neither the Series I Preferred Stockholder nor any other Indemnitee shall have any duties or liabilities to the Series B Holders.

Section 14.10 Forum Selection. Each Person that holds or has held a share of Series B Preferred Stock and each Person that holds or has held any beneficial interest in a share of Series B Preferred Stock (whether through a broker, dealer, bank, trust company or clearing corporation or an agent of any of the foregoing or otherwise), to the fullest extent permitted by law, (i) irrevocably agrees that any claims, suits, actions or proceedings against the Corporation, or any director, officer, employee, control person, underwriter or agent of the Corporation asserted under United States federal securities laws, otherwise arising under such laws, or that could have been asserted as a claim arising under such laws, shall be exclusively brought in the federal district courts of the United States of America (except, and only to the extent, that any such claims, actions or proceedings are of a type for which a stockholder may not waive its right to maintain a legal action or proceeding in the courts of the State of Delaware with respect to matters relating to internal corporate claims of the Corporation as set forth under Section 115 of the DGCL); (ii) irrevocably submits to the exclusive jurisdiction of such courts in connection with any such claim, suit, action or proceeding; and (iii) irrevocably agrees not to, and waives any right to, assert in any such claim, suit, action or proceeding that (A) it is not personally subject to the jurisdiction of such courts or any other court to which proceedings in such courts may be appealed, (B) such claim, suit, action or proceeding is brought in an inconvenient forum, or (C) the venue of such claim, suit, action or proceeding is improper.

## ARTICLE XV

### TERMS OF SERIES I PREFERRED STOCK

Section 15.01 Designation. The Series I Preferred Stock is hereby designated and created as a series of Preferred Stock. The Series I Preferred Stock is not "Designated Stock" for purposes of this Certificate of Incorporation.

Section 15.02 Dividends. Except for any distribution required by the DGCL to be made upon a Dissolution Event pursuant to Section 15.07, dividends shall not be declared on the Series I Preferred Stock.

Section 15.03 Voting.

(a) Except as required by the DGCL or as expressly provided in this Certificate of Incorporation or the Bylaws, the exclusive voting power for all purposes relating to holders of Common Stock or Series II Preferred Stock shall be vested in the Series I Preferred Stockholder. The Series I Preferred Stockholder shall have one vote for each share of Series I Preferred Stock that is Outstanding in its name on the books of the Corporation on all matters on which the Series I Preferred Stockholder is entitled to vote.

(b) Notwithstanding anything to the contrary set forth in this Certificate of Incorporation, and except as otherwise expressly provided by applicable law, the Series I Preferred Stockholder shall have the sole right to vote on any amendment to this Certificate of Incorporation proposed by the Board of Directors that:

- (i) amends Section 6.07, Section 6.08, Section 15.04 or Section 15.05;
- (ii) is a change in the name of the Corporation, the registered agent of the Corporation or the registered office of the Corporation;
- (iii) the Board of Directors has determined to be necessary or appropriate to address changes in U.S. federal, state and local income tax regulations, legislation or interpretation;
- (iv) the Board of Directors has determined (A) does not adversely affect the stockholders considered as a whole (or adversely affect any particular class or series of stock of the Corporation as compared to another class or series of stock of the Corporation, treating the Common Stock as a separate class for this purpose except under clause (vii) below) in any material respect, (B) to be necessary or appropriate to (1) satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any U.S. federal, state, local or non-U.S. agency or judicial authority or contained in any U.S. federal, state, local or non-U.S. statute (including the DGCL) or (2) facilitate the trading of the stock of the Corporation (including the division of any class or classes of Outstanding stock of the Corporation into different classes to facilitate uniformity of tax consequences within such classes of stock of the Corporation) or comply with any rule, regulation, guideline or requirement of any National Securities Exchange on which the stock of the Corporation is or will be listed, (C) to be necessary or appropriate in connection with action taken pursuant to Section 6.05, or (D) is required to effect the intent expressed in the Registration Statement or the intent of the provisions of this Certificate of Incorporation or is otherwise contemplated by this Certificate of Incorporation;
- (v) is a change in the Fiscal Year or taxable year of the Corporation and any other changes that the Board of Directors has determined to be necessary or appropriate as a result of a change in the Fiscal Year or taxable year of the Corporation including, if the Board of Directors has so determined, subject to Articles XIII and XIV and any certificate of designation relating to any series of Preferred Stock, the periods of time with respect to which dividends are to be made by the Corporation;
- (vi) is necessary, in the Opinion of Counsel, to prevent the Corporation or the Indemnitees from having a material risk of being in any manner subjected to registration under the provisions of the U.S. Investment Company Act of 1940, as amended, the U.S. Investment Advisers Act of 1940, as amended, or “plan asset” regulations adopted under the U.S. Employee Retirement Income Security Act of 1974, as amended, regardless of whether such are substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor;
- (vii) the Board of Directors has determined to be necessary or appropriate in connection with the creation, authorization or issuance of any class or series of stock of the Corporation or options, rights, warrants or appreciation rights relating to stock of the Corporation;

- (viii) is expressly permitted in this Certificate of Incorporation to be voted on solely by the Series I Preferred Stockholder;
- (ix) is effected, necessitated or contemplated by a Merger Agreement permitted by Section 6.02;
- (x) the Board of Directors has determined to be necessary or appropriate to reflect and account for the formation by the Corporation of, or investment by the Corporation in, any corporation, partnership, joint venture, limited liability company or other Person, in connection with the conduct by the Corporation of activities permitted by the terms of Article III;
- (xi) is effected, necessitated or contemplated by an amendment to the Group Partnership Agreement that requires unitholders of the Group Partnership to provide a statement, certification or other proof of evidence to the Group Partnership regarding whether such unitholder is subject to U.S. federal income taxation on the income generated by the Group Partnership;
- (xii) reflects a merger or conveyance pursuant to Section 6.02(b);
- (xiii) the Board of Directors has determined to be necessary or appropriate to cure any ambiguity, omission, mistake, defect or inconsistency;  
or
- (xiv) is substantially similar to the foregoing.

The Series I Preferred Stockholder shall have no duty or obligation to consent to any amendment to this Certificate of Incorporation and may decline to do so in its sole and absolute discretion.

Section 15.04 Approval of Certain Other Matters. The Corporation shall not authorize, approve or ratify any of the following actions or any plan with respect thereto without the prior approval of the Series I Preferred Stockholder, which approval may be in the form of an action by written consent of the Series I Preferred Stockholder:

- (a) entry into a debt financing arrangement by the Corporation or any of its Designated Subsidiaries, in one transaction or a series of related transactions, in an amount in excess of 10% of the then existing long-term indebtedness of the Corporation (other than the entry into of a debt financing arrangement between or among any of the Corporation and its wholly owned Designated Subsidiaries);
- (b) the issuance by the Corporation or any of its Designated Subsidiaries, in one transaction or a series of related transactions, of any Securities that would (i) represent, after such issuance, or upon conversion, exchange or exercise, as the case may be, at least 5% on a fully diluted, as converted, exchanged or exercised basis, of any class of equity Securities of the Corporation or any of its Designated Subsidiaries or (ii) have designations, preferences, rights, priorities or powers that are more favorable than those of the Common Stock of the Corporation; provided that no such approval shall be required for issuance of Securities that are issuable upon conversion, exchange or exercise of any Securities that were issued and Outstanding as of the effective date of the Original Certificate;
- (c) the adoption of a shareholder rights plan by the Corporation;
- (d) the amendment of (i) this Certificate of Incorporation, (ii) Sections 2.05 through 2.07, Sections 3.02 through 3.15, Sections 5.03 through 5.05 and Articles IV, VI and VIII of the Bylaws, or (iii) the Group Partnership Agreement;
- (e) the exchange or disposition of all or substantially all of the assets, taken as a whole, of the Corporation or the Group Partnership in a single transaction or a series of related transactions;

- (f) the merger, sale or other combination of the Corporation or the Group Partnership with or into any other Person;
- (g) the transfer, mortgage, pledge, hypothecation or grant of a security interest in all or substantially all of the assets of the Group Partnership;
- (h) the removal of a Chief Executive Officer or a Co-Chief Executive Officer of the Corporation;
- (i) the termination of the employment of any officer of the Corporation or a Designated Subsidiary of the Corporation or the termination of the association of a partner with any Designated Subsidiary of the Corporation, in each case, without cause;
- (j) the liquidation or dissolution of the Corporation or the Group Partnership; and
- (k) the withdrawal, removal or substitution of any Person as the general partner of the Group Partnership, or the direct or indirect transfer of beneficial ownership of all or any part of a general partner interest in the Group Partnership to any Person other than a wholly owned Designated Subsidiary of the Corporation.

Section 15.05 Officers. The officers of the Corporation shall include a “Chief Executive Officer” or “Co-Chief Executive Officers,” each of whom shall be appointed by the Series I Preferred Stockholder, and who shall hold office for such terms as shall be determined by the Series I Preferred Stockholder or until his or her earlier death, resignation, retirement, disqualification or removal. Any other officer of the Corporation shall be selected and designated pursuant to the Bylaws. Any vacancies occurring in any office of the Chief Executive Officer or Co-Chief Executive Officer shall be filled by the Series I Preferred Stockholder in the same manner as such officers are appointed pursuant to this Section 15.05. Any vacancies occurring in any other offices shall be filled pursuant to the Bylaws. An officer of the Corporation may be removed from office with or without cause at any time by the Board of Directors (and, in case of the Chief Executive Officer or Co-Chief Executive Officers, only with the consent of the Series I Preferred Stockholder in accordance with Section 15.04).

Section 15.06 Outside Activities.

(a) The Series I Preferred Stockholder, for so long as it owns Series I Preferred Stock, (i) agrees that its sole business will be to act as the Series I Preferred Stockholder and as a general partner or managing member of any partnership or limited liability company of which the Corporation is, directly or indirectly, a partner, member, trustee or stockholder and to undertake activities that are ancillary or related thereto and (ii) shall not engage in any business or activity or incur any debts or liabilities except in connection with or incidental to (A) its performance as the Series I Preferred Stockholder and as a general partner, managing member, trustee or stockholder of one or more Group Members or as described in or contemplated by the Registration Statement or (B) the acquiring, owning or disposing of debt or equity securities in any Group Member.

(b) The Series I Preferred Stockholder and any of its Affiliates may acquire stock of the Corporation or options, rights, warrants or appreciation rights relating to stock of the Corporation and, except as otherwise expressly provided in this Certificate of Incorporation, shall be entitled to exercise all rights of a stockholder of the Corporation relating to such stock or options, rights, warrants or appreciation rights relating to stock of the Corporation.

Section 15.07 Liquidation Rights. Upon any Dissolution Event, after payment or provision for the liabilities of the Corporation (including the expenses of such Dissolution Event) and the satisfaction of all claims ranking senior to the Series I Preferred Stock in accordance with Sections 5.04, 13.08 and 14.08, the Series I Preferred Stockholder shall be entitled to receive out of the assets of the Corporation or proceeds thereof available for distribution to stockholders of the Corporation, before any payment or distribution of assets is made in respect of Common Stock, distributions equal to the Series I Liquidation Value. The Series I Preferred Stock ranks equally with the Series II Preferred Stock, and junior to the Series A Preferred Stock, the Series B Preferred Stock and any other series of Preferred Stock that is designated as senior to the Series I Preferred Stock from time to time, with respect to distributions of assets upon a Dissolution Event.

Section 15.08 Transfers of Series I Preferred Stock.

(a) The Series I Preferred Stockholder may transfer all or part of the shares of Series I Preferred Stock held by it without the approval of any other stockholder of the Corporation; provided that, notwithstanding anything herein to the contrary but subject to Section 15.08(c), no transfer by the Series I Preferred Stockholder of all or part of the shares of Series I Preferred Stock held by it to another Person shall be permitted unless (i) the written approval of the Board of Directors and a Majority in Interest of the Series I Preferred Stockholder is obtained prior to such transfer, (ii) the transferee agrees to assume the rights and duties of the Series I Preferred Stockholder under this Certificate of Incorporation and to be bound by the provisions of this Certificate of Incorporation and (iii) the Corporation receives an Opinion of Counsel that such transfer would not result in the loss of limited liability of any stockholder of the Corporation. Any purported transfer of shares of Series I Preferred Stock not made in accordance with this Section 15.08 shall be null and void and any shares of Series I Preferred Stock purportedly transferred in violation of this Section 15.08(a) shall be automatically redeemed by the Corporation without consideration and, notwithstanding anything herein to the contrary, shall become treasury shares and may only be disposed of by the Corporation with the approval of a Majority in Interest of the Series I Preferred Stockholder.

(b) Subject to (i) the provisions of this Section 15.08, (ii) any contractual provisions binding on the Series I Preferred Stockholder and (iii) provisions of applicable law, including the Securities Act, the shares of Series I Preferred Stock shall be freely transferable.

(c) Nothing contained in this Certificate of Incorporation shall be construed to prevent a disposition or any other type of transfer by any partner of the Series I Preferred Stockholder of any or all of the issued and outstanding equity or other interests in the Series I Preferred Stockholder.

(d) Notwithstanding the other provisions of this Section 15.08, no transfer of any shares of stock of the Corporation shall be made if such transfer would violate the then applicable U.S. federal or state securities laws or rules and regulations of the Commission, any U.S. state securities commission or any other governmental authority with jurisdiction over such transfer.

Section 15.09 Limitation on Duties and Reimbursement of Expenses.

(a) To the fullest extent permitted by law, stockholders of the Corporation expressly acknowledge that the Series I Preferred Stockholder is under no obligation to consider the separate interests of the other stockholders of the Corporation (including the tax consequences to such stockholders) in deciding whether to cause the Corporation to take (or decline to take) any action, and that, to the fullest extent permitted by law, the Series I Preferred Stockholder shall not be liable to the other stockholders of the Corporation for monetary damages or equitable relief for losses sustained, liabilities incurred or benefits not derived by such stockholders in connection with such decisions.

(b) To the fullest extent permitted by law, the Series I Preferred Stockholder may exercise any of the powers granted to it by this Certificate of Incorporation and perform any of the duties imposed upon it hereunder either directly or by or through its agents, and the Series I Preferred Stockholder shall not be responsible for any misconduct, negligence or wrongdoing on the part of any such agent appointed by the Series I Preferred Stockholder in good faith.

(c) To the fullest extent permitted by law, in connection with any action taken with respect to the Corporate Group, the Series I Preferred Stockholder may (i) rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties and (ii) consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisers selected by it, and, to the fullest extent permitted by law, any act taken or omitted to be taken in reliance upon the advice or opinion (including an Opinion of Counsel) of such Persons as to matters that the Series I Preferred Stockholder reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such advice or opinion.

(d) The Series I Preferred Stockholder may, upon written request to the Corporation, be reimbursed for all direct and indirect expenses the Series I Preferred Stockholder incurs in connection with any action taken with respect to the Corporate Group. Reimbursements pursuant to this Section 15.09 shall be in addition to any reimbursement to the Series I Preferred Stockholder as a result of indemnification pursuant to Section 11.01.

## ARTICLE XVI

### TERMS OF SERIES II PREFERRED STOCK

Section 16.01 Designation. The Series II Preferred Stock is hereby designated and created as a series of Preferred Stock. Except as otherwise required by law or as expressly provided in this Certificate of Incorporation, each share of Series II Preferred Stock shall be identical in all respects to every other share of Series II Preferred Stock. The Series II Preferred Stock is “Designated Stock” for purposes of this Certificate of Incorporation.

Section 16.02 Dividends. Except for any distribution required by the DGCL to be made upon a Dissolution Event pursuant to Section 16.04, dividends shall not be declared on the Series II Preferred Stock.

Section 16.03 Voting.

(a) Each holder of Series II Preferred Stock, as such, shall not have any voting rights or powers, either general or special, except as required by the DGCL or as expressly provided in this Section 16.03 or in Sections 6.01, 6.02 and 6.03. Notwithstanding any other provision of this Certificate of Incorporation (including but not limited to Article V), the Bylaws, the DGCL or any applicable law, rule or regulation, except as otherwise required by applicable law, the Series II Holders shall be entitled to receive notice of, be included in any requisite quorum for and participate in any and all approvals, votes or other actions of the holders of Common Stock of the Corporation on an equivalent basis as, and treating such Persons for all purposes as if they are, holders of Common Stock, including any and all notices, quorums, approvals, votes and other actions that may be taken pursuant to the requirements of the Certificate of Incorporation, the Bylaws, the DGCL or any other applicable law, rule or regulation. The Common Stock and the Series II Preferred Stock shall not constitute separate classes for the purpose of establishing a quorum except as otherwise required by applicable law. Except as otherwise required by applicable law, the Series II Holders shall vote together with the holders of Common Stock as a single class and, to the extent that the holders of Common Stock shall vote together with the holders of any other class, classes or series of stock of the Corporation, the Series II Holders shall also vote together with the holders of such other class, classes or series of stock on an equivalent basis as the holders of the Common Stock.

(b) On each matter submitted to a vote of the Series II Holders, each Series II Holder entitled to vote thereon shall be entitled, as such, to one vote for each share of Series II Preferred Stock that is Outstanding in his, her or its name on the books of the Corporation on all matters on which holders of Series II Preferred Stock are entitled to vote. The number of votes per share of Series II Preferred Stock shall be adjusted accordingly if (i) a stockholder of the Corporation holding Common Stock, as such, shall become entitled to a number of votes other than one for each share of Common Stock held and/or (ii) under the terms of the Exchange Agreement the holders of Group Partnership Units party thereto shall become entitled to exchange each such Group Partnership Unit for a number of shares of Common Stock other than one.

(c) Notwithstanding anything to the contrary contained in this Certificate of Incorporation, and in addition to any other vote required by the DGCL or this Certificate of Incorporation, the affirmative vote or consent of the holders of at least a majority of the voting power of the Series II Preferred Stock, voting separately as a series, shall be required to alter, amend or repeal this Section 16.03 or to adopt any provision inconsistent therewith.

Section 16.04 Liquidation Rights. Upon any Dissolution Event, after payment or provision for the liabilities of the Corporation (including the expenses of such Dissolution Event) and the satisfaction of all claims ranking senior to the Series II Preferred Stock in accordance with Sections 5.04, 13.08 and 14.08, the Series II Holders shall be entitled to receive out of the assets of the Corporation or proceeds thereof available for distribution to stockholders of the Corporation, before any payment or distribution of assets is made in respect of Common Stock, distributions equal to the Series II Liquidation Value. The Series II Preferred Stock ranks equally with the Series I Preferred Stock, and junior to the Series A Preferred Stock, the Series B Preferred Stock and any other series of

Preferred Stock that is designated as senior to the Series II Preferred Stock from time to time, with respect to distributions of assets upon a Dissolution Event.

Section 16.05 Transfers and Cancellations of Series II Preferred Stock.

(a) No shares of Series II Preferred Stock may be issued by the Corporation except to a holder of Group Partnership Units, such that after such issuance of Series II Preferred Stock such holder of Group Partnership Units holds an identical number of Group Partnership Units and shares of Series II Preferred Stock. No shares of Series II Preferred Stock may be transferred by the holder thereof except (i) for no consideration to the Corporation upon which transfer such shares shall automatically be cancelled pursuant to Section 16.05(b), or (ii) together with the transfer of an identical number of Group Partnership Units made to the transferee of such Group Partnership Units made in compliance with the Bylaws.

(b) Immediately upon the exchange of a Group Partnership Unit (together with a share of Series II Preferred Stock) for Common Stock pursuant to the terms of the Exchange Agreement, such share of Series II Preferred Stock held by such exchanging holder of Group Partnership Units shall automatically be canceled and retired with no consideration being paid or issued with respect thereto without any further action of any Person. Any such shares of Series II Preferred Stock so cancelled and retired shall no longer be outstanding and all rights with respect to such shares shall automatically cease and terminate.

(c) Any transfer of shares of Series II Preferred Stock shall also be subject to (i) any contractual provisions binding on the holder thereof and (ii) any provisions of applicable law, including the Securities Act, and notwithstanding the other provisions of this Section 16.05, no transfer of any shares of Series II Preferred Stock shall be made if such transfer would violate the then applicable U.S. federal or state securities laws or rules and regulations of the Commission, any U.S. state securities commission or any other governmental authority with jurisdiction over such transfer. No shares of Series II Preferred Stock shall be transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Section 16.05. Any transfer or purported transfer of any shares of Series II Preferred Stock not made in accordance with this Section 16.05 shall be null and void.

**ARTICLE XVII**

**MISCELLANEOUS**

Section 17.01 Definitions. The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Certificate of Incorporation:

“Advised Entity” means any fund or vehicle that is advised, sponsored, raised or managed by the Corporation or its Affiliates or any portfolio investment of any such fund or vehicle.

“Affiliate” means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries controls, is controlled by or is under common control with, the Person in question.

“Associate” means, when used to indicate a relationship with any Person, (a) any corporation, other entity or organization of which such Person is a director, officer or partner or is, directly or indirectly, the owner of 20% or more of any class of voting stock or other voting interest; (b) any trust or other estate in which such Person has at least a 20% beneficial interest or as to which such Person serves as trustee or in a similar fiduciary capacity; and (c) any relative or spouse of such Person, or any relative of such spouse, who has the same principal residence as such Person.

“beneficial owner” has the meaning assigned to such term in Rules 13d-3 and 13d-5 under the Exchange Act (and “beneficially own” and “beneficial ownership” shall each have a correlative meaning).

“Board of Directors” has the meaning assigned to such term in Section 4.02.

“Business Day” means each day that is not a Saturday, Sunday or other day on which banking institutions in New York City are authorized or required by law to close.

“Bylaws” means the bylaws of the Corporation as in effect from time to time.

“Certificate of Incorporation” means this Amended and Restated Certificate of Incorporation, as amended and/or restated from time to time, including pursuant to any certificate of designation relating to any series of Preferred Stock.

“Class A Common Stock” has the meaning assigned to such term in the Original Certificate.

“Class B Common Stock” has the meaning assigned to such term in the Original Certificate.

“Class B Stockholder” has the meaning assigned to such term in the Original Certificate.

“Class C Common Stock” has the meaning assigned to such term in the Original Certificate.

“Closing Price” for any day means the last sale price on such day, regular way, or in case no such sale takes place on such day, the average of the closing bid and asked prices on such day, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted for trading on the principal National Securities Exchange on which such class of stock of the Corporation is listed or admitted to trading or, if such class of stock of the Corporation is not listed or admitted to trading on any National Securities Exchange, the last quoted price on such day or, if not so quoted, the average of the high bid and low asked prices on such day in the over-the-counter market, as reported by the primary reporting system then in use in relation to such class of stock of the Corporation, or, if on any such day such class of stock of the Corporation is not quoted by any such organization, the average of the closing bid and asked prices on such day as furnished by a professional market maker making a market in such class of stock of the Corporation selected by the Corporation in its sole discretion, or if on any such day no market maker is making a market in such class of stock of the Corporation, the fair value of such class of stock of the Corporation on such day as determined by the Corporation in its sole discretion.

“Code” means the U.S. Internal Revenue Code of 1986, as amended and in effect from time to time. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of any successor law.

“Commission” means the U.S. Securities and Exchange Commission.

“Common Stock” has the meaning assigned to such term in Section 4.01(a)(i).

“Conflicts Committee” means a committee of the Board of Directors composed entirely of one or more directors who meet the independence standards (but not the financial literacy or financial expert qualifications) required to serve on an audit committee of a board of directors established by the Exchange Act and the rules and regulations of the Commission thereunder and by the National Securities Exchange on which the Common Stock is listed for trading.

“Contribution and Indemnification Agreement” means any contribution and indemnification agreement among the Group Partnership and the other parties thereto providing for the transfer by such other parties to the Group Partnership of all or part of the amounts borne by the Group Partnership, directly or indirectly, with respect to any “carried interest” or similar profit interest distributed by a Fund pursuant to the obligation of the general partner of a Fund to return such amounts to the Fund.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person, whether through the ability to exercise voting power, by contract or otherwise.

“Controlled Entity” when used with reference to a Person, means any Person controlled by such Person.

“Corporate Group” means the Corporation and its Subsidiaries.

“Corporation” has the meaning assigned to such term in Article I.



“Current Market Price” as of any date of any class of stock of the Corporation means the average of the daily Closing Prices per share of such class for the 20 consecutive Trading Days immediately prior to such date.

“Designated Stock” means the Common Stock, the Series II Preferred Stock and any other stock of the Corporation that is designated as “Designated Stock” from time to time pursuant to this Certificate of Incorporation (including any certificate of designation relating to any series of Preferred Stock). The Series I Preferred Stock is not Designated Stock as of the effectiveness of this Certificate of Incorporation.

“Designated Subsidiary” of any Person means (a) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of capital stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or Persons performing similar functions) or (b) any partnership, joint venture, limited liability company or similar entity of which more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, is, in the case of clauses (a) and (b), at the time owned or controlled, directly or indirectly, by (1) such Person, (2) such Person and one or more Designated Subsidiaries of such Person or (3) one or more Designated Subsidiaries of such Person. Unless otherwise specified herein, each reference to a Designated Subsidiary will refer to a Designated Subsidiary of the Corporation (which shall be deemed to include the Group Partnership and its Designated Subsidiaries), but shall exclude any Advised Entity, irrespective of whether such Advised Entity is consolidated in the financial statements of the Corporation or such Affiliate.

“DGCL” means the Delaware General Corporation Law, as the same exists or as may hereafter be amended from time to time.

“Dissolution Event” means an event giving rise to the dissolution, liquidation or winding up of the Corporation.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended, supplemented or restated from time to time and any successor to such statute.

“Exchange Agreement” means the Third Amended and Restated Exchange Agreement, dated as of January 1, 2020, among KKR Group Partnership, KKR Holdings, the Corporation, and KKR Group Holdings Corp., as it may be amended, supplemented or restated from time to time.

“Fiscal Year” means a fiscal year of the Corporation.

“Former Managing Partner” means KKR Management LLP, in its capacity as the former general partner of KKR & Co. L.P., the predecessor of the Corporation and formerly a Delaware limited partnership.

“Fund” means any fund, investment vehicle or account whose investments are managed or advised by the Corporation (if any) or an Affiliate thereof.

“Group” means a Person that with or through any of its Affiliates or Associates has any contract, arrangement, understanding or relationship for the purpose of acquiring, holding, voting, exercising investment power or disposing of any stock of the Corporation with any other Person that beneficially owns, or whose Affiliates or Associates beneficially own, directly or indirectly, stock of the Corporation.

“Group Member” means a member of the Corporate Group.

“Group Partnership” means, collectively, KKR Group Partnership L.P. and any future partnership designated by the Board of Directors as a Group Partnership.

“Group Partnership Agreement” means, collectively, the Fourth Amended and Restated Limited Partnership Agreement of the Group Partnership (and the partnership agreement then in effect of any future partnership designated

by the Board of Directors as a Group Partnership), as they may each be amended, supplemented or restated from time to time.

“Group Partnership Unit” means, collectively, one Class A partnership unit in each of Group Partnership and any future partnership designated by the Board of Directors as a Group Partnership issued under its respective Group Partnership Agreement.

“Incorporation Date” means July 1, 2018.

“Indemnitee” means, to the fullest extent permitted by law, (a) the Series I Preferred Stockholder, (b) the Former Managing Partner, (c) any Person who is or was an Affiliate of the Series I Preferred Stockholder or the Former Managing Partner, (d) any Person who is or was a member, partner, Tax Matters Partner (as defined in the Code as in effect prior to 2018), Partnership Representative (as defined in the Code), officer, director, employee, agent, fiduciary or trustee of any Group Member, the Group Partnership, the Corporation and its Subsidiaries, the Series I Preferred Stockholder or the Former Managing Partner or any Affiliate of any Group Member, the Series I Preferred Stockholder or the Former Managing Partner, (e) any Person who is or was serving at the request of the Corporation or the Former Managing Partner or any Affiliate of the Corporation or the Former Managing Partner as an officer, director, employee, member, partner, Tax Matters Partner, Partnership Representative, agent, fiduciary or trustee of another Person; provided that a Person shall not be an Indemnitee by reason of providing, on a fee-for-services basis or similar arms-length compensatory basis, agency, advisory, consulting, trustee, fiduciary or custodial services and (f) any Person the Corporation in its sole discretion designates as an “Indemnitee” as permitted by applicable law.

“Independent Directors” means the members of the Board of Directors who are “independent” as that term is defined in the rules of the New York Stock Exchange from time to time.

“Investment Agreement” means the amended and restated investment agreement between KKR & Co. L.P., KKR & Co. (Guernsey) L.P., a Guernsey limited partnership, formerly known as KKR Private Equity Investors, L.P., and the other parties thereto, dated October 1, 2009, as amended from time to time.

“KKR Associates Holdings” means KKR Associates Holdings L.P., a Cayman limited partnership, and any successor thereto.

“KKR Group Holdings Corp.” means KKR Group Holdings Corp., a Delaware corporation, and any successor thereto.

“KKR Group Partnership” means KKR Group Partnership L.P., a Cayman limited partnership, and any successor thereto.

“KKR Holdings” means KKR Holdings L.P., a Cayman limited partnership, and any successor thereto.

“KKR Intermediate Partnership” means KKR Intermediate Partnership L.P., a Cayman limited partnership, or any successor thereto.

“KKR Management LLP” means KKR Management LLP, a Delaware limited liability partnership (formerly known as KKR Management LLC, a Delaware limited liability company), or any successor thereto.

“Majority in Interest of the Series I Preferred Stockholder” means a majority in interest of Class A partners of KKR Management LLP (or persons deemed to represent such interest) or, with respect to any other successor entity that becomes the Series I Preferred Stockholder, a majority of the common equity interests of such successor entity.

“Merger Agreement” means a written agreement of merger, consolidation or other similar business combination providing for the merger, consolidation or other combination of the Corporation with or into one or more corporations, limited liability companies, statutory trusts or associations, real estate investment trusts, common law trusts, unincorporated businesses or other Person permitted by the DGCL, including a partnership (whether general or

limited (including a limited liability partnership or a limited liability limited partnership)), formed under the laws of the State of Delaware or any other state of the United States of America.

“National Securities Exchange” means an exchange registered with the Commission under Section 6(a) of the Exchange Act or any successor thereto and any other securities exchange (whether or not registered with the Commission under Section 6(a) of the Exchange Act) that the Board of Directors shall designate as a National Securities Exchange for purposes of this Certificate of Incorporation and the Bylaws.

“Non-Voting Preferred Stock” means any series of Preferred Stock of the Corporation, other than the Series I Preferred Stock, the Series II Preferred Stock or any other series of Preferred Stock of the Corporation that is designated as voting Preferred Stock from time to time pursuant to this Certificate of Incorporation or any certificate of designation relating to any series of Preferred Stock. The Series A Preferred Stock and Series B Preferred Stock are the only Non-Voting Preferred Stock Outstanding as of the effectiveness of this Certificate of Incorporation.

“Notice of Election to Purchase” has the meaning assigned to such term in Section 7.01(b).

“Opinion of Counsel” means a written opinion of counsel acceptable to the Board of Directors in its discretion.

“Original Certificate” means the original certificate of incorporation of the Corporation, as filed with the Secretary of State of the State of Delaware on May 3, 2018 and effective on July 1, 2018.

“Outstanding” means, with respect to stock of the Corporation, all shares of stock that are issued by the Corporation and reflected as outstanding on the Corporation’s books and records as of the date of determination; provided, however, that if at any time any Person or Group (other than the Series I Preferred Stockholder or its Affiliates) beneficially owns 20% or more of any class of stock (treating each of the Series I Preferred Stock and Series II Preferred Stock as separate classes, and not part of the class of Preferred Stock, for this purpose), all such shares of stock owned by such Person or Group shall not be entitled to be voted on any matter and shall not be considered to be Outstanding when sending notices of a meeting of stockholders of the Corporation to vote on any matter (unless otherwise required by law), calculating required votes, determining the presence of a quorum or for other similar purposes under this Certificate of Incorporation (such shares of stock shall not, however, be treated as a separate class of stock for purposes of this Certificate of Incorporation); provided further, that the foregoing limitation shall not apply (i) to any Person or Group who acquired 20% or more of any shares of stock of any class then Outstanding directly from the Series I Preferred Stockholder or its Affiliates, (ii) to any Person or Group who acquired 20% or more of any shares of stock of any class then Outstanding directly or indirectly from a Person or Group described in clause (i) provided that the Board of Directors shall have notified such Person or Group in writing that such limitation shall not apply or (iii) to any Person or Group who acquired 20% or more of any such shares of stock with the prior approval of the Board of Directors. The determinations of the matters described in clauses (i), (ii) and (iii) of the foregoing sentence shall be conclusively determined by the Board of Directors, which determination shall be final and binding on all stockholders of the Corporation.

“Person” means an individual or a corporation, limited liability company, partnership, joint venture, trust, unincorporated organization, association (including any group, organization, co-tenancy, plan, board, council or committee), government (including a country, state, county, or any other governmental or political subdivision, agency or instrumentality thereof) or other entity (or series thereof).

“Preferred Stock” has the meaning set forth in Section 4.01(a)(ii).

“Purchase Date” means the date determined by the Corporation as the date for purchase of all Outstanding stock of a certain class (other than shares owned by the Series I Preferred Stockholder and its Affiliates) pursuant to Article VII.

“Registration Statement” shall have the meaning set forth in the Investment Agreement.

“Securities” means any debt or equity securities of an issuer and its Designated Subsidiaries and other Controlled Entities, including common and preferred stock, interests in limited partnerships and interests in limited liability companies (including warrants, rights, put and call options and other options relating thereto or any combination thereof), notes, bonds, debentures, trust receipts and other obligations, instruments or evidences of indebtedness, choses in action, other property or interests commonly regarded as securities, interests in real property, whether improved or unimproved, interests in oil and gas properties and mineral properties, short-term investments commonly regarded as money-market investments, bank deposits and interests in personal property of all kinds, whether tangible or intangible, and any securities convertible into, or exercisable or exchangeable for, any of the foregoing.

“Securities Act” means the U.S. Securities Act of 1933, as amended, supplemented or restated from time to time and any successor to such statute.

“Series A Preferred Stock” has the meaning set forth in Section 4.01(a)(ii).

“Series B Preferred Stock” has the meaning set forth in Section 4.01(a)(ii).

“Series I Liquidation Value” means \$0.01 per share of Series I Preferred Stock.

“Series I Preferred Stock” means the Series I Preferred Stock having the designations, rights, powers and preferences set forth in Article XV.

“Series I Preferred Stockholder” means KKR Management LLP (including in its prior role and status as the Class B Stockholder of the Corporation pursuant to the Original Certificate) and any successor or permitted assign that owns the Series I Preferred Stock at the applicable time.

“Series II Holder” means a holder of Series II Preferred Stock.

“Series II Liquidation Value” means \$0.00000001 per share of Series II Preferred Stock.

“Series II Preferred Stock” means the Series II Preferred Stock having the designations, rights, powers and preferences set forth in Article XVI.

“Subsidiary” means, with respect to any Person, (a) a corporation of which more than 50% of the voting power of shares entitled (without regard to the occurrence of any contingency) to vote in the election of directors or other governing body of such corporation is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person or a combination thereof, (b) a partnership (whether general or limited) in which such Person or a Subsidiary of such Person is, at the date of determination, a general or limited partner of such partnership, but only if more than 50% of the partnership interests of such partnership (considering all of the partnership interests of the partnership as a single class) is owned, directly or indirectly, at the date of determination, by such Person, by one or more Subsidiaries of such Person, or a combination thereof, (c) any other Person (other than a corporation or a partnership) in which such Person, one or more Subsidiaries of such Person, or a combination thereof, directly or indirectly, at the date of determination, has (i) at least a majority ownership interest or (ii) the power to elect or direct the election of a majority of the directors or other governing body of such Person or (d) any other Person the financial information of which is consolidated by such Person for financial reporting purposes under U.S. GAAP.

“Trading Day” means a day on which the principal National Securities Exchange on which such stock of the Corporation of any class is listed or admitted to trading is open for the transaction of business or, if a class of stock of the Corporation is not listed or admitted to trading on any National Securities Exchange, a day on which banking institutions in New York City generally are open.

“transfer”, when used in this Certificate of Incorporation with respect to shares of stock of the Corporation, shall include (i) with respect to any share of Series I Preferred Stock held by the Series I Preferred Stockholder, a sale, assignment, gift, pledge, encumbrance, hypothecation, mortgage, exchange or any other disposition by law or

otherwise, and (ii) with respect to shares of any other stock of the Corporation, a sale, assignment, gift, exchange or any other disposition by law or otherwise, including any transfer upon foreclosure of any pledge, encumbrance, hypothecation or mortgage.

“Transfer Agent” means such bank, trust company or other Person (including the Series I Preferred Stockholder or one of its Affiliates) as shall be appointed from time to time by the Board of Directors to act as registrar and transfer agent for the Common Stock and the Preferred Stock (other than Series I Preferred Stock and Series II Preferred Stock).

“U.S. GAAP” means U.S. generally accepted accounting principles consistently applied.

Section 17.02 Invalidity of Provisions. If any provision of this Certificate of Incorporation is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 17.03 Construction: Section Headings. For purposes of this Certificate of Incorporation, unless the context otherwise requires, (i) references to “Articles”, “Sections” and “clauses” refer to articles, sections and clauses of this Certificate of Incorporation and (ii) the term “include” or “includes” means includes, without limitation, and “including” means including, without limitation. Section headings in this Certificate of Incorporation are for convenience of reference only and shall not be given any substantive effect in limiting or otherwise construing any provision herein.

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, KKR & Co. Inc. has caused this Amended and Restated Certificate of Incorporation to be executed by its duly authorized officer this 8th day of May, 2020.

KKR & CO. INC.

By: /s/ David J. Sorkin  
Name: David J. Sorkin  
Title: Secretary

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AMENDED AND RESTATED BYLAWS

OF

KKR & CO. INC.

(Effective May 8, 2020)

ARTICLE I

OFFICES

Section 1.01 Registered Office. The registered office and registered agent of KKR & Co. Inc. (the “Corporation”) shall be as set forth in the Certificate of Incorporation of the Corporation (as in effect from time to time, the “Certificate of Incorporation”). The Corporation may also have offices in such other places in the United States or elsewhere as the Board of Directors of the Corporation (the “Board of Directors”) may, from time to time, determine or as the business of the Corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 2.01 Annual Meetings. If required, annual meetings of stockholders may be held at such place, if any, either within or without the State of Delaware, on such date and at such time as the Board of Directors shall determine. The Board of Directors may, in its sole discretion, determine that annual meetings of stockholders shall not be held at any place, but may instead be held solely by means of remote communication in accordance with Section 211(a)(2) of the DGCL. The Board of Directors may postpone, reschedule or cancel any annual meeting of stockholders previously scheduled by the Board of Directors.

Section 2.02 Special Meetings. Special meetings of stockholders may only be called in the manner provided in the Certificate of Incorporation and may be held at such place, if any, either within or without the State of Delaware, on such date and at such time, and for such purpose or purposes, as the Board of Directors shall determine and state in the notice of meeting, if any. The Board of Directors may postpone, reschedule or cancel any special meeting of stockholders previously scheduled by the Board of Directors subject to the requirements of the Certificate of Incorporation.

Section 2.03 Notice of Stockholder Business and Nominations

(a) Nominations of Persons for election to the Board of Directors and the proposal of other business to be considered by the stockholders may be made at an annual meeting of stockholders only (i) pursuant to the Corporation’s notice of meeting (or any supplement thereto) delivered pursuant to Section 2.04, (ii) by or at the direction of the Board of Directors or any authorized committee thereof or (iii) by the Series I Preferred Stockholder.

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(b) Notwithstanding Section 2.03(a), if at any time applicable law provides stockholders of the Corporation other than the Series I Preferred Stockholder the right to propose business to be brought before a meeting of stockholders at an annual meeting, then any such stockholder may bring any such business before such meeting only if such stockholder (i) is entitled to vote at the annual meeting on the proposal of such business, (ii) has complied with the notice procedures set forth in paragraphs (c) and (d) of this Section 2.03, (iii) was a stockholder of record as of the time such notice is delivered to the Secretary of the Corporation and as of the record date for notice and voting at the annual meeting and (iv) is a stockholder of record as of the date of the annual meeting. Nothing in this Section 2.03 shall be deemed to provide any voting or other rights or powers to the stockholders of the Corporation, but shall instead set forth the procedures and requirements applicable to stockholders of the Corporation other than the Series I Preferred Stockholder with respect to bringing business before an annual meeting in circumstances in which they are entitled by law to do so.

(c) For business to be properly brought before an annual meeting by a stockholder pursuant to Section 2.03(b), the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such business must constitute a proper matter for action by stockholders. To be timely, a stockholder's notice shall be delivered to the Secretary of the Corporation at the principal executive offices of the Corporation not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year's annual meeting (which date shall, for purposes of the Corporation's first annual meeting of stockholders after the Incorporation Date, be deemed to have occurred on July 1, 2018); provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days, or delayed by more than 70 days, from the anniversary date of the previous year's meeting, or if no annual meeting was held in the preceding year, notice by the stockholder to be timely must be so delivered not earlier than 120 days prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the 10th day following the day on which public announcement of the date of such meeting is first made. Public announcement of an adjournment or postponement of an annual meeting shall not commence a new time period (or extend any time period) for the giving of a stockholder's notice.

(d) Such stockholder's notice shall set forth (a) a brief description of the business desired to be brought before the annual meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration), the reasons for conducting such business at the annual meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (b) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books and records, and of such beneficial owner, (ii) the class or series and number of shares of stock of the Corporation which are owned, directly or indirectly, beneficially and of record by such stockholder and such beneficial owner, (iii) a representation that the stockholder (x) is a holder of record of the stock of the Corporation at the time of the giving of the notice, (y) will be entitled to vote at such meeting on the proposal of such business such stockholder intends to bring before the annual meeting and (z) will appear in person or by proxy at the annual meeting to propose such business, (iv) a representation whether the stockholder or the beneficial owner, if any, will be or is part of a group which will (x) deliver a proxy statement and/or form of proxy to holders of at least the percentage of the voting power of the Corporation's outstanding stock required to approve or adopt the proposal and/or (y)



otherwise solicit proxies or votes from stockholders in support of such proposal, (v) a certification regarding whether such stockholder and beneficial owner, if any, have complied with all applicable federal, state and other legal requirements in connection with the stockholder's and/or beneficial owner's acquisition of shares of stock or other securities of the Corporation and/or the stockholder's and/or beneficial owner's acts or omissions as a stockholder of the Corporation and (vi) any other information relating to such stockholder and beneficial owner, if any, required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal. A stockholder providing notice of business proposed to be brought before an annual meeting shall update and supplement such notice from time to time to the extent necessary so that the information provided or required to be provided in such notice shall be true and correct.

(e) Except as provided in Sections 2.03(g), 2.03(h) and 3.02, only such Persons who are nominated in accordance with the procedures set forth in Section 2.03(a) shall be eligible to serve as directors and only such business shall be conducted at an annual meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the Board of Directors or the chairman of the meeting shall, in addition to making any other determination that may be appropriate for the conduct of the annual meeting of stockholders, have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, to declare that such defective proposal or nomination shall be disregarded. Notwithstanding the foregoing provisions of this Section 2.03, unless otherwise required by law, if the stockholder making a proposal (or a qualified representative of the stockholder) does not appear at the annual meeting of stockholders of the Corporation to present such business, such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 2.03, to be considered a qualified representative of the stockholder, a Person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the annual meeting of stockholders and such Person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the annual meeting of stockholders.

(f) For purposes of this Section 2.03, public announcement may be made by any means permitted by applicable law, including disclosure in a press release, on the website of the Corporation or in a document publicly filed with the Commission pursuant to the Exchange Act and the rules and regulations of the Commission thereunder.

(g) Notwithstanding the foregoing provisions of this Section 2.03, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations promulgated thereunder with respect to the matters set forth in this Section 2.03; provided, however, that, to the fullest extent permitted by law, any references in these Bylaws to the Exchange Act or the rules and regulations promulgated thereunder are not intended to and shall not limit any requirements applicable to proposals as to any business to be considered pursuant to these Bylaws, and compliance with Section 2.03(b) shall be the exclusive means for a stockholder

other than the Series I Preferred Stockholder to submit business to the extent permitted pursuant to Section 2.03(b).

(h) Notwithstanding anything to the contrary contained in the provisions of this Section 2.03, the Series I Preferred Stockholder shall not be subject to the notice procedures or other requirements set forth in this Section 2.03.

Section 2.04 Notice of Meetings. If required by law, whenever stockholders are required to take any action at an annual or special meeting of stockholders, a timely notice in writing or by electronic transmission of the meeting, which shall state the place, if any, date and time of the meeting, the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, the record date for determining the stockholders entitled to vote at the meeting, if such date is different from the record date for determining stockholders entitled to notice of the meeting, shall be mailed to or transmitted electronically by the Secretary of the Corporation to each stockholder of record entitled to vote thereat as of the record date for determining the stockholders entitled to notice of the meeting. Unless otherwise provided by law, the Certificate of Incorporation or these Bylaws, any such notice shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting.

Section 2.05 Adjournment. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting and a new record date need not be fixed, if the time and place thereof are announced at the meeting at which the adjournment is taken, unless such adjournment shall be for more than 30 days. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for determination of stockholders entitled to vote is fixed for the adjourned meeting, the Board of Directors shall fix as the record date for determining stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote at the adjourned meeting, and shall give notice of the adjourned meeting to each stockholder of record as of the record date so fixed for notice of such adjourned meeting.

Section 2.06 Quorum. The stockholders of the Corporation holding a majority of the voting power of the Outstanding stock of the class or classes entitled to vote at a meeting (including stock of the Corporation deemed owned by the Series I Preferred Stockholder) represented in person or by proxy shall constitute a quorum at a meeting of stockholders of such class or classes unless any such action by the stockholders of the Corporation requires approval by stockholders holding a greater percentage of the voting power of such stock, in which case the quorum shall be such greater percentage. The Common Stock and the Series II Preferred Stock shall not constitute separate classes for this purpose except as otherwise required by applicable law. At any meeting of the stockholders of the Corporation duly called and held in accordance with the Certificate of Incorporation and these Bylaws at which a quorum is present, the act of stockholders holding Outstanding stock of the Corporation that in the aggregate represents a majority of the voting power of the Outstanding stock entitled to vote at such meeting shall be deemed to constitute the act of all stockholders, unless a greater or different percentage is required with respect to such

action under the Certificate of Incorporation or applicable law, in which case the act of the stockholders holding Outstanding stock that in the aggregate represents at least such greater or different percentage of the voting power shall be required. The stockholders present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum, if any action taken (other than adjournment) is approved by the required percentage of the voting power of Outstanding stock of the Corporation specified in the Certificate of Incorporation or these Bylaws (including stock of the Corporation deemed owned by the Series I Preferred Stockholder). In the absence of a quorum, any meeting of stockholders may be adjourned from time to time by the affirmative vote of stockholders holding at least a majority of the voting power of the Outstanding stock of the Corporation present and entitled to vote at such meeting (including stock of the Corporation deemed owned by the Series I Preferred Stockholder) represented either in person or by proxy, but no other business may be transacted, except as provided in Section 2.05 of these Bylaws.

Section 2.07 Conduct of a Meeting. To the fullest extent permitted by law, the Board of Directors shall have full power and authority concerning the manner of conducting any meeting of the stockholders of the Corporation or solicitation of written consents in lieu of a meeting of stockholders, including the determination of Persons entitled to vote, the existence of a quorum, the satisfaction of the requirements of Section 8.01 of the Certificate of Incorporation, the conduct of voting, the validity and effect of any proxies, the determination of any controversies, votes or challenges arising in connection with or during the meeting or voting and similar matters. The Board of Directors shall designate a Person to serve as chairman of any meeting, who, to the fullest extent permitted by law, shall, among other things, be entitled to exercise the powers of the Board of Directors set forth in this Section 2.07. The Board of Directors may make such other regulations consistent with applicable law, the Certificate of Incorporation and these Bylaws as it may deem necessary or advisable concerning the conduct of any meeting of the stockholders or solicitation of stockholder action by written consent in lieu of a meeting, including regulations in regard to the appointment of proxies, the appointment and duties of inspectors of votes and approvals, the submission and examination of proxies and other evidence of the right to vote, and the revocation of ballots, proxies and written consents.

Section 2.08 Inspectors of Election. The Corporation may, and shall if required by law, in advance of any meeting of stockholders, appoint one or more inspectors of election, who may be employees of the Corporation, to act at the meeting or any adjournment thereof and to make a written report thereof. The Corporation may designate one or more Persons as alternate inspectors to replace any inspector who fails to act. In the event that no inspector so appointed or designated is able to act at a meeting of stockholders, the Person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of his or her ability. The inspector or inspectors so appointed or designated shall (i) ascertain the number of shares of stock of the Corporation Outstanding and the voting power of each such share, (ii) determine the shares of stock of the Corporation represented at the meeting and the validity of proxies and ballots, (iii) count all votes and ballots, (iv) determine and retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors, and (v) certify their determination of the number of shares of stock of the Corporation represented at the meeting and such inspectors' count of all votes and

ballots. Such certification and report shall specify such other information as may be required by law. In determining the validity and counting of proxies and ballots cast at any meeting of stockholders of the Corporation, the inspectors may consider such information as is permitted by applicable law. No Person who is a candidate for an office at an election may serve as an inspector at such election.

### ARTICLE III

#### **BOARD OF DIRECTORS**

Section 3.01 **Powers.** The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. The Board of Directors may exercise all such authority and powers of the Corporation and do all such lawful acts and things as are not directed or required by the DGCL or the Certificate of Incorporation to be exercised or done by the stockholders. The Board of Directors shall not be responsible for the day-to-day business, operations and affairs of the Designated Subsidiaries and Advised Entities, including transactions entered into by a Designated Subsidiary or an Advised Entity in the ordinary course.

Section 3.02 **Number of Directors; Removal; Vacancies and Newly Created Directorships.** Subject to the rights of holders of Preferred Stock, the Series I Preferred Stockholder shall have full authority unilaterally to approve the number of directors to constitute the Board of Directors (which number of directors may be increased or decreased solely by the Series I Preferred Stockholder). Subject to any limitations then set forth in the Certificate of Incorporation, and other than with respect to any directors elected solely by the holders of Preferred Stock, the Series I Preferred Stockholder shall have full authority unilaterally to remove and replace any director, with or without cause, at any time and for any reason or no reason. Except as otherwise provided by the Certificate of Incorporation, any directorships created as a result of an increase in the size of the Board of Directors or vacancies (whether by death, resignation, retirement, disqualification, removal or other cause) shall be filled by the Series I Preferred Stockholder. Each director, including each appointed to fill a vacancy or newly created directorship, shall hold office until the next annual meeting of stockholders for the election of directors or action by written consent of stockholders in lieu of annual meeting for the purpose of electing directors and until such director's successor is elected and qualified or until such director's earlier death, resignation, retirement, disqualification or removal. Directors need not be stockholders.

Section 3.03 **Independence.** A majority of the directors of the Corporation shall be Independent Directors.

Section 3.04 **Resignations.** Any director may resign at any time by giving notice of such director's resignation in writing or by electronic transmission to the Chairman or Co-Chairman of the Board of Directors or the Secretary of the Board of Directors. Any such resignation shall take effect at the time specified therein, or if the time when it shall become effective shall not be specified therein, then it shall take effect immediately upon its receipt by the Corporation. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.05 Compensation. The Board of Directors shall have the authority to fix the compensation of directors or to establish policies for the compensation of directors and for the reimbursement of expenses of directors, in each case, in connection with services provided by directors to the Corporation. The directors may be paid their expenses, if any, of attendance at such meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings, or their service as committee members may be compensated as part of their stated salary as a director.

Section 3.06 Meetings; Chairman, Vice Chairman and Secretary. The Board of Directors may hold meetings, both regular and special, within or outside the State of Delaware. Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by any Chairman or Co-Chairman of the Board of Directors or, in the absence of a Chairman or Co-Chairman of the Board of Directors, by any director on at least 24 hours' (or less in times of emergency) notice to each director, either personally or by telephone or by mail, telegraph, telex, cable, wireless or other form of electronic transmission or communication at such time and at such place as shall from time to time be determined by the Board of Directors. Notice of any such meeting need not be given to any director, however, if waived by such director in writing or by telegraph, telex, cable, wireless or other form of electronic transmission or communication, or if such director shall be present at such meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting. The Board of Directors, with the approval of the Series I Preferred Stockholder, may appoint a "Chairman," "Co-Chairman," "Vice Chairman" and "Secretary" of the Board of Directors, who shall have the powers and perform such duties as provided in these Bylaws and as the Board of Directors may from time to time prescribe. At each meeting of the Board of Directors, any Chairman or Co-Chairman of the Board of Directors or, in the absence of a Chairman or Co-Chairman of the Board of Directors, a director chosen by a majority of the directors present, shall act as chairman of the meeting. In case the Secretary of the Board of Directors shall be absent from any meeting of the Board of Directors, a director or officer chosen by a majority of the directors present shall act as secretary of the meeting.

Section 3.07 Quorum; Voting; Adjournment. Subject to the requirements of the Certificate of Incorporation and Section 3.08, at all meetings of the Board of Directors, a majority of the then total number of directors shall constitute a quorum for the transaction of business and, except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the act of a majority of the then total number of directors shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present at such meeting may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 3.08 Conflict of Interest. If a director abstains from voting on any matter in which he or she has a conflict of interest, the vote of a majority of the then total number of directors who have not so abstained shall be the act of the Board of Directors.

Section 3.09 Committees; Committee Rules. Except as expressly set forth in these Bylaws, the Board of Directors may, by resolution or resolutions passed by a majority of the then total number of members of the Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the Corporation, which, to the extent provided in such resolution or resolutions, shall have and may exercise, subject to applicable law, the Certificate of Incorporation and these Bylaws, the powers and authority of the Board of Directors. A majority of all the members of any such committee shall constitute a quorum for the transaction of business by the committee. A majority of all the members of any such committee present at a meeting at which a quorum is present may determine its action and fix the time and place, if any, of its meetings and specify what notice thereof, if any, shall be given, unless the Board of Directors shall otherwise provide. The Board of Directors shall have the power to change the members of any such committee at any time, to fill vacancies and to discharge any such committee, either with or without cause, at any time. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

Section 3.10 Audit Committee. The Board of Directors shall have an Audit Committee. Such committee shall have and exercise such power and authority as the Board of Directors shall specify from time to time. Upon consideration of the criteria contained in Section 10A(m)(3) and Rule 10A-3(b)(1) of the Exchange Act, and Section 303A of the NYSE Listed Company Manual, in each case including any amendments, replacements or successors thereto, each director that is a member of such committee shall be independent. Each director that is a member of such committee shall be “financially literate” pursuant to the requirements of Section 303A.07 of the NYSE Listed Company Manual, including any amendments, replacements or successors thereto.

Section 3.11 Conflicts Committee. The Board of Directors shall have a Conflicts Committee. Such committee shall have and exercise such power and authority as the Board of Directors shall specify from time to time. Upon consideration of the criteria contained in Section 10A(m)(3) and Rule 10A-3(b)(1) of the Exchange Act and Section 303A of the NYSE Listed Company Manual, in each case including any amendments, replacements or successors thereto, each director that is a member of such committee shall be independent. Such committee shall be required to approve any amendment to a Covered Agreement that, in the reasonable judgment of the Board of Directors, is or will result in a conflict of interest. Such committee shall be authorized to take any action (x) to enforce the rights of the Corporation, directly or through one or more entities controlled by the Corporation, under any Covered Agreement against KKR Holdings (and any subsidiary or other designee of KKR Holdings through which KKR Holdings holds any Common Stock, Series I Preferred Stock or Series II Preferred Stock of the Corporation or Group Partnership Units), any KKR Holdings Affiliated Person, KKR & Co. L.L.C., KKR Associates Holdings (and any subsidiary or other designee of KKR Associates Holdings through which KKR Associates Holdings holds Group Partnership Units, including KKR Intermediate Partnership), any KKR Associates Holdings Affiliated Person or each other party to the Contribution and Indemnification Agreements, or (y) pursuant to any authority or rights granted to such committee

under any Covered Agreement or with respect to any amendment, supplement, modification or waiver to any such agreement that would purport to modify such authority or rights.

Section 3.12 Nominating and Corporate Governance Committee. The Board of Directors shall have a Nominating and Corporate Governance Committee. Upon consideration of the criteria contained in Section 10A(m)(3) and Rule 10A-3(b)(1) of the Exchange Act and Section 303A.04 of the NYSE Listed Company Manual, in each case including any amendments, replacements or successors thereto, at least one director that is a member of such committee shall be independent. Such committee shall have and exercise such power and authority as the Board of Directors shall specify from time to time.

Section 3.13 Executive Committee. The Board of Directors shall have an Executive Committee. Such committee shall be comprised of the Chairman or Co-Chairmen of the Board of Directors and any other director or directors selected by the Chairman or Co-Chairmen from time to time. Such committee shall have and exercise such power and authority as the Board of Directors shall specify from time to time; provided, that the Executive Committee shall not be authorized or empowered to take actions that have been specifically delegated to other committees of the Board of Directors or to take actions with respect to (A) the declaration of dividends on the common stock of the Corporation; (B) a merger, sale or combination of the Corporation with or into another Person; (C) a sale, lease or exchange of all or substantially all of the assets, taken as a whole, of the Corporation; (D) a liquidation or dissolution of the Corporation; (E) any action that must be submitted to a vote of the holders of the stock of the Corporation; or (F) any action that may not be delegated to a committee of the Board of Directors under the Certificate of Incorporation, these Bylaws or the DGCL.

Section 3.14 Remote Meeting. Unless otherwise restricted by the Certificate of Incorporation, members of the Board of Directors, or members of any committee designated by the Board of Directors, may participate in meetings of the Board of Directors, or any committee thereof, by means of telephone conference or similar communications equipment that allows all Persons participating in the meeting to hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Section 3.15 Action Without a Meeting. Unless otherwise restricted by the Certificate of Incorporation, any action required or permitted to be taken at any meeting by the Board of Directors or any committee thereof, as the case may be, may be taken without a meeting if a consent thereto is signed or transmitted electronically, as the case may be, by all members of the Board of Directors or of such committee, as the case may be. After any such action is taken, the writing or writings or electronic transmission or transmissions shall be filed with the minutes of proceedings of the Board of Directors or such committee. Such filing shall be in paper form if the minutes are maintained in paper form or shall be in electronic form if the minutes are maintained in electronic form.

Section 3.16 Reliance on Books and Records. A member of the Board of Directors, or a member of any committee designated by the Board of Directors shall, in the performance of such Person's duties, be fully protected in relying in good faith upon records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of the Corporation's officers or employees, or committees of the Board of Directors, or by any other

Person as to matters the member reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

## ARTICLE IV

### OFFICERS

Section 4.01 Appointment, Selection and Designation of Officers Other Than Chief Executive Officer or Co-Chief Executive Officers. The Chief Executive Officer or Co-Chief Executive Officers may, from time to time as they deem advisable, select and designate other officers of the Corporation and assign titles to any such Persons, including "President," "Co-President," "Chief Operating Officer," "Co-Chief Operating Officer," "Chief Financial Officer," "General Counsel," "Chief Legal Officer," "Chief Administrative Officer," "Chief Compliance Officer," "Principal Accounting Officer," "Vice President," "Treasurer," "Assistant Treasurer," "Secretary," "Assistant Secretary," "General Manager," "Senior Managing Director," "Managing Director," "Director" or "Principal." Any vacancies occurring in any office other than the offices of Chief Executive Officer or Co-Chief Executive Officer may be filled by the Chief Executive Officer or Co-Chief Executive Officers in the same manner as such officers are appointed and selected pursuant to this Section 4.01.

Section 4.02 Delegation of Duties. Unless the Board of Directors determines otherwise, if a title is one commonly used for officers of a corporation formed under the DGCL, the assignment of such title shall constitute the delegation to such Person of the authorities and duties that are normally associated with that office. The Board of Directors may delegate to any officer any of the Board of Director's powers to the extent permitted by applicable law, including the power to bind the Corporation. Any delegation pursuant to this Section 4.02 may be revoked at any time by the Board of Directors.

Section 4.03 Officers As Agents. The officers, to the extent of their powers set forth under applicable law, the Certificate of Incorporation or these Bylaws or otherwise vested in them by action of the Board of Directors not inconsistent with applicable law, the Certificate of Incorporation or these Bylaws, are agents of the Corporation for the purpose of the Corporation's business and the actions of the officers taken in accordance with such powers shall bind the Corporation.

## ARTICLE V

### STOCK

Section 5.01 List of Stockholders Entitled To Vote. The Corporation shall prepare, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting (provided, however, that if the record date for determining the stockholders entitled to vote at the meeting is less than 10 days before the date of the meeting, the list shall reflect the stockholders entitled to vote at the meeting as of the 10th day before the meeting date), arranged in alphabetical order and showing the address of each stockholder and the number of



shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting at least 10 days prior to the meeting (a) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of meeting, if any, or (b) during ordinary business hours at the principal place of business of the Corporation. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If the meeting is to be held at a place, then a list of stockholders entitled to vote at the meeting shall be produced and kept at the time and place of the meeting during the whole time thereof and may be examined by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting, if any, if required by law. Except as otherwise provided by law, the stock ledger shall be the only evidence as to who are the stockholders entitled to examine the list of stockholders required by this Section 5.01 or to vote in Person or by proxy at any meeting of stockholders.

Section 5.02      Fixing Date for Determination of Stockholders of Record.

(a)      In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, unless otherwise required by law, not be more than 60 nor less than 10 days before the date of such meeting. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at or attend such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determinations. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at or attend a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at or attend a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for determination of stockholders entitled to vote at or attend the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance herewith at or attend the adjourned meeting.

(b)      In order that the Corporation may determine the stockholders entitled to express consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date for determining stockholders entitled to express consent to corporate action in writing without a meeting is fixed by the Board of Directors, (i) when no prior action of the Board of Directors is required by law, the record date for such purpose shall be the first date on which a

signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in accordance with applicable law, and (ii) if prior action by the Board of Directors is required by law, the record date for such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall not be more than 60 days prior to such action. If no such record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 5.03 Stock Certificates. Unless the Board of Directors shall provide by resolution or resolutions otherwise in respect of some or all of any or all classes or series of stock of the Corporation, the stock of the Corporation shall not be evidenced by certificates. Stock certificates that may be issued shall be executed on behalf of the Corporation by any two duly authorized officers of the Corporation. No certificate evidencing shares of Common Stock or Preferred Stock shall be valid for any purpose until it has been countersigned by the Transfer Agent; provided, however, that if the Board of Directors resolves to issue certificates evidencing shares of Common Stock or Preferred Stock in global form, the certificates evidencing such shares of Common Stock or Preferred Stock shall be valid upon receipt of a certificate from the Transfer Agent certifying that the certificates evidencing such shares of Common Stock or Preferred Stock have been duly registered in accordance with the directions of the Corporation. The use of facsimile signatures affixed in the name and on behalf of the Transfer Agent on certificates, if any, representing shares of stock of the Corporation is expressly permitted.

Section 5.04 Mutilated, Destroyed, Lost or Stolen Stock Certificates.

(a) If any mutilated certificate evidencing shares of stock of the Corporation is surrendered to the Transfer Agent, two authorized officers of the Corporation shall execute, and, if applicable, the Transfer Agent shall countersign and deliver in exchange therefor, a new certificate evidencing the same number and class of stock as the certificate so surrendered.

(b) Any two authorized officers of the Corporation shall execute and deliver, and, if applicable, the Transfer Agent shall countersign a new certificate in place of any certificate previously issued if the record holder of shares represented by the certificate

- (i) makes proof by affidavit, in form and substance satisfactory to the Corporation, that a previously issued certificate has been lost, destroyed or stolen;
- (ii) requests the issuance of a new certificate before the Corporation has notice that the certificate has been acquired by a purchaser for value in good faith and without notice of an adverse claim;

- (iii) if requested by the Corporation, delivers to the Corporation a bond, in form and substance satisfactory to the Corporation, with surety or sureties and with fixed or open penalty as the Corporation may direct to indemnify the Corporation, the stockholders and, if applicable, the Transfer Agent against any claim that may be made on account of the alleged loss, destruction or theft of the certificate; and
- (iv) satisfies any other reasonable requirements imposed by the Corporation.

(c) As a condition to the issuance of any new certificate under this Section 5.04, the Corporation may require the payment of a sum sufficient to cover any tax or other charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Transfer Agent, if applicable) reasonably connected therewith.

Section 5.05 Registration and Transfer of Stock.

(a) The Corporation shall keep or cause to be kept on behalf of the Corporation a stock ledger in which, subject to such reasonable regulations as it may prescribe and subject to the provisions of this Section 5.05, the Corporation will provide for the registration and transfer of stock of the Corporation. The Transfer Agent is hereby appointed registrar and transfer agent for the purpose of registering Common Stock and Preferred Stock (other than Series I Preferred Stock and Series II Preferred Stock) and transfers of such stock as herein provided. The Corporation shall not recognize transfers of certificates evidencing shares of stock of the Corporation unless such transfers are effected in the manner described in this Section 5.05. Upon surrender of a certificate for registration or transfer of any shares of stock of the Corporation evidenced by a certificate, and subject to the provisions of Section 5.05(b), any two authorized officers of the Corporation shall execute and deliver, and in the case of Common Stock and Preferred Stock (other than Series I Preferred Stock and Series II Preferred Stock), the Transfer Agent shall countersign and deliver, in the name of the holder or the designated transferee or transferees, as required pursuant to the holder's instructions, one or more new certificates evidencing the same aggregate number and type of stock of the Corporation as was evidenced by the certificate so surrendered.

(b) The Corporation shall not recognize any transfer of shares of stock of the Corporation evidenced by certificates until the certificates evidencing such shares of stock are surrendered for registration or transfer. No charge shall be imposed by the Corporation for such transfer; provided that as a condition to the issuance of any new certificate, the Corporation may require the payment of a sum sufficient to cover any tax or other charge that may be imposed with respect thereto.

(c) Subject to (i) the provisions of the Certificate of Incorporation (including, with respect to any series of Preferred Stock of the Corporation, the provisions of any certificate of designations establishing such series), (ii) Section 5.05(d), (iii) any contractual provisions binding on any holder of shares of stock of the Corporation and (iv) provisions of applicable law, including the Securities Act, the stock of the Corporation shall be freely transferable. Stock of the Corporation issued pursuant to any employee-related policies or equity benefit plans, programs or practices adopted by the Corporation may be subject to any transfer restrictions contained therein.

(d) Notwithstanding the other provisions of this Section 5.05, no transfer of any shares of stock of the Corporation shall be made if such transfer would violate the then applicable U.S. federal or state securities laws or rules and regulations of the Commission, any U.S. state securities commission or any other governmental authority with jurisdiction over such transfer; provided, that nothing in this Section 5.05 shall preclude the settlement of any transactions involving shares of stock of the Corporation entered into through the facilities of any National Securities Exchange on which such shares of stock are listed for trading.

## ARTICLE VI

### BOOKS, RECORDS, ACCOUNTING

Section 6.01 Records and Accounting. The Corporation shall keep or cause to be kept appropriate books and records with respect to the Corporation's business. Any books and records maintained by or on behalf of the Corporation in the regular course of its business, including its stock ledger, books of account, and minute books, may be kept on, or by means of, or be in the form of, any information storage device, method, or 1 or more electronic networks or databases (including one or more distributed electronic networks or databases), provided that the records so kept can be converted into clearly legible paper form within a reasonable time, and, with respect to the stock ledger, conforms with the requirements of the DGCL. The books of the Corporation shall be maintained, for financial reporting purposes, on an accrual basis in accordance with U.S. GAAP.

Section 6.02 Fiscal Year. The fiscal year of the Corporation (each, a "Fiscal Year") shall be a year ending December 31. The Board of Directors, subject to the approval of the Series I Preferred Stockholder in accordance with Section 15.03(b)(v) of the Certificate of Incorporation, may change the Fiscal Year of the Corporation at any time and from time to time in each case as may be required or permitted under the Code or applicable United States Treasury Regulations and shall notify the stockholders of such change in the next regular communication to stockholders.

## ARTICLE VII

### MISCELLANEOUS

Section 7.01 Definitions. Terms used in these Bylaws and not defined herein shall have the meanings assigned to such terms in the Certificate of Incorporation. The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in these Bylaws:

"Advised Entity" means any fund or vehicle that is advised, sponsored, raised or managed by the Corporation or its Affiliates or any portfolio investment of any such fund or vehicle.

"Board of Directors" has the meaning assigned to such term in Section 1.01.

"Certificate of Incorporation" has the meaning assigned to such term in Section 1.01.

"Corporation" has the meaning assigned to such term in Section 1.01.

“Covered Agreement” means any of the Exchange Agreement, the Tax Receivable Agreement, the Group Partnership Agreement, the Certificate of Incorporation or Contribution and Indemnification Agreement.

“electronic transmission” means any form of communication, not directly involving the physical transmission of paper, including the use of, or participation in, one or more electronic networks or databases (including one or more distributed electronic networks or databases), that creates a record that may be retained, retrieved, and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

“Fiscal Year” has the meaning assigned to such term in Section 6.02.

“KKR & Co. L.L.C.” means KKR & Co. L.L.C., a Delaware limited liability company, prior to the acquisition of it by a subsidiary of the Corporation on January 1, 2020.

“KKR Associates Holdings Affiliated Person” means each Person that is as of the effective date of these Bylaws or becomes from time to time (i) a general partner or limited partner of KKR Associates Holdings or (ii) a general partner, limited partner or holder of any other type of equity interest of any Person included in clause (i) above.

“KKR Holdings Affiliated Person” means each Person that is as of the date of these Bylaws or becomes from time to time (i) a general partner or a limited partner of KKR Holdings or (ii) a general partner, limited partner or holder of any other type of equity interest of any Person included in clause (i) above.

“Designated Subsidiary” of any Person shall have the meaning assigned to such term in the Certificate of Incorporation.

“Tax Receivable Agreement” means the Tax Receivable Agreement, dated as of July 14, 2010, among KKR Holdings, KKR Management Holdings Corp., the Partnership and KKR Management Holdings L.P., as it may be further amended, supplemented or restated from time to time.

Section 7.02      Corporate Seal. The Board of Directors may provide a suitable seal, containing the name of the Corporation.

Section 7.03      Delivery to the Corporation. Whenever these Bylaws require any holder of Common Stock (including a record or beneficial owner thereof) to deliver a document or information to the Corporation or any officer, employee or agent thereof (including any notice, request, questionnaire, revocation, representation or other document or agreement), such document or information shall be in writing exclusively (and not in an electronic transmission) and shall be delivered exclusively by hand (including, without limitation, overnight courier service) or by certified or registered mail, return receipt requested and the Corporation shall not be required to accept delivery of any document not in such written form or so delivered. For the avoidance of doubt, with respect to any notice from any record or beneficial owner of Common Stock under the Certificate of Incorporation, these Bylaws or the DGCL, to the fullest extent permitted by law, the Corporation expressly opts out of Section 116 of the DGCL.

Section 7.04 Construction; Section Headings. For purposes of these Bylaws, unless the context otherwise requires, (i) references to “Articles”, “Sections” and “clauses” refer to articles, sections and clauses of these Bylaws and (ii) the term “include” or “includes” means includes, without limitation, and “including” means including, without limitation. Section headings in these Bylaws are for convenience of reference only and shall not be given any substantive effect in limiting or otherwise construing any provision herein.

Section 7.05 Inconsistent Provisions. In the event that any provision of these Bylaws is or becomes inconsistent with any provision of the Certificate of Incorporation, the DGCL or any other applicable law, such provision of these Bylaws shall not be given any effect to the extent of such inconsistency but shall otherwise be given full force and effect.

## ARTICLE VIII

### AMENDMENTS

Section 8.01 Amendments. Except as provided in Section 8.02 of these Bylaws or the Certificate of Incorporation, the Board of Directors is expressly authorized to adopt, amend and repeal, in whole or in part, these Bylaws without the assent or vote of the stockholders in any manner not inconsistent with the DGCL or the Certificate of Incorporation.

Section 8.02 Series I Preferred Stockholder Approval. In addition to any vote or consent required by the Certificate of Incorporation, these Bylaws or applicable law, the amendment or repeal, in whole or in part, of Sections 2.05 through 2.07, Sections 3.02 through 3.15, Sections 5.03 through 5.05 and Article IV, Article VI and this Article VIII, or the adoption of any provision inconsistent therewith, shall require the prior approval of the Series I Preferred Stockholder.

Section 8.03 Independent Director Approval. Any adoption, amendment or repeal of these Bylaws that expressly modifies or prejudices the rights of the Independent Directors shall require the affirmative vote or consent of the majority of the Independent Directors.

\* \* \*

CERTAIN INFORMATION, IDENTIFIED BY, AND REPLACED WITH, A MARK OF “[\*\*]” HAS BEEN EXCLUDED FROM THIS DOCUMENT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED.

\$500,000,000

**THIRD AMENDED AND RESTATED 5-YEAR REVOLVING CREDIT AGREEMENT**

Dated as of March 20, 2020

Among

**KKR CAPITAL MARKETS HOLDINGS L.P.,**  
**KKR CORPORATE LENDING LLC,**  
**KKR CORPORATE LENDING (CA) LLC,**  
**KKR CORPORATE LENDING (TN) LLC**  
*and*  
**KKR CORPORATE LENDING (UK) LLC**  
*as Borrowers,*

**THE LENDERS PARTY HERETO**

*and*

**MIZUHO BANK, LTD.,**  
*as Administrative Agent*

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**MIZUHO BANK, LTD.,**  
*as Sole Lead Arranger and Sole Bookrunner*

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### THIRD AMENDED AND RESTATED REVOLVING CREDIT

**AGREEMENT** dated as of March 20, 2020 (as further amended or otherwise modified from time to time, this "Agreement") among KKR CAPITAL MARKETS HOLDINGS L.P., a Delaware limited partnership ("KCMH"), KKR CORPORATE LENDING LLC, a Delaware limited liability company ("KCL U.S."), KKR CORPORATE LENDING (CA) LLC, a Delaware limited liability company ("KCL C.A."), KKR CORPORATE LENDING (TN) LLC, a Delaware limited liability company ("KCL T.N.") and KKR CORPORATE LENDING (UK) LLC, a Delaware limited liability company ("KCL U.K."); KCMH, KCL U.S., KCL C.A., KCL T.N. and KCL U.K. and any Additional Borrower are collectively referred to herein as the "Borrowers" and individually sometimes as a "Borrower", each of the Lenders (as defined below), and MIZUHO BANK, LTD., as administrative agent for the Lenders (in such capacity, the "Administrative Agent").

WHEREAS, KCMH, the Existing Lenders (as defined below) and the Administrative Agent are parties to the Existing Credit Agreement (as defined below); and

WHEREAS, the Borrowers have requested, and the Lenders have consented to, the amendment and restatement of the Existing Credit Agreement upon the terms and subject to the conditions set forth herein.

NOW THEREFORE, effective as of the Closing Date, the Existing Credit Agreement is hereby amended and restated in its entirety, and the parties hereto hereby agree, as follows:

#### ARTICLE I

#### DEFINITIONS

SECTION 1.01. Defined Terms . As used in this Agreement, the following terms shall have the following respective meanings:

"364-Day Credit Agreement" means that certain 364-Day Revolving Credit Agreement dated June 27, 2019, among KCMH, KCL U.S., KCL C.A., KCL T.N., KCL U.K., MHC B as administrative agent and the lenders party thereto, as from time to time amended, modified, supplemented, refinanced or replaced.

"ABR" means a fluctuating interest rate per annum which shall at any time be the higher of:

- (a) the rate of interest established by the Administrative Agent as its "prime rate" in effect at its principal office in New York, New York; and
- (b) 1/2 of 1.00% per annum above the Federal Funds Rate.

The "prime rate" is a rate established by MHC B based upon various factors including MHC B's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below

such announced rate. Any change in such rate established by MHCBS shall take effect at the opening of business on the day specified by MHCBS of such change.

“ABR Loan” means, at any time, a Loan which bears interest at rates based upon the ABR.

“Additional Borrower” shall mean any Person who shall from time to time after the Closing Date become a party hereto as a “Borrower” hereunder upon the satisfaction of the conditions set forth in Section 6.01(i)(ii).

“Additional Borrower Joinder Agreement” shall mean the joinder agreement substantially in the form of Exhibit E.

“Administrative Agent” has the meaning specified in the introduction hereto.

“Administrative Agent’s Account” means, with respect to any Currency, the account of the Administrative Agent for such Currency most recently designated by it as such by notice to KCMH and the Lenders.

“Administrative Questionnaire” means an Administrative Questionnaire in a form supplied by the Administrative Agent.

“Affected Financial Institution” means (a) any EEA Financial Institution or (b) any UK Financial Institution.

“Affiliate” means, with respect to a specified Person, another Person that directly or indirectly Controls or is Controlled by or is under common Control with such specified Person.

“Aggregate Borrowing Availability” means, at any time, the Aggregate Facility Amount at such time minus the Total Credit Exposure at such time.

“Aggregate Facility Amount” means, at any time, the aggregate amount of the Commitments then in effect. The initial Aggregate Facility Amount is \$500,000,000.

“Allocable Amount” has the meaning specified in Section 2.06(b).

“Alternate Currency” means the Euro, British Pounds Sterling and any other currency acceptable to the Lenders that is freely convertible into Dollars and available to be borrowed in the interbank market in London or the Principal Financial Center for such currency, so long as no central bank or other governmental authorization in the country of issue of such currency (including, in the case of the Euro, any authorization by the European Central Bank) is required to permit the use of such currency by any Lender for making any Loan hereunder and/or permit a Borrower to borrow and repay the principal thereof and to pay the interest thereon, unless such authorization has been obtained and is in full force and effect.

“Alternate Currency Equivalent” means, on any date, with respect to any amount denominated in a given currency, the amount of Alternate Currency that would be required to purchase such amount of such given currency at or about 11:00 a.m., Local Time, on such date, for delivery two Business Days later, as determined by the Administrative Agent on the basis of the spot selling rate for the offering of such given currency for Alternate Currency in the Principal Financial Center for the applicable given currency, all determinations thereof by the Administrative Agent to be conclusive and binding on the parties in the absence of manifest error.

“Applicable Lending Office” means, with respect to any Lender, such Lender’s Domestic Lending Office in the case of an ABR Loan and such Lender’s Eurocurrency Lending Office in the case of a Eurocurrency Loan.

“Applicable Margin” has the meaning specified in Annex A.

“Approved Fund” means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“Assignment and Assumption” means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 9.06(b)) and accepted by the Administrative Agent, substantially in the form of Exhibit D or any other form approved by the Administrative Agent.

“Availability Period” means the period from the Closing Date until the earlier of (a) the Commitment Termination Date and (b) the date of termination of the Commitments.

“Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable Resolution Authority in respect of any liability of an Affected Financial Institution.

“Bail-In Legislation” means (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, regulation rule or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

“Borrowers” and “Borrower” have the respective meanings specified in the heading hereof.

“Borrowing” means a borrowing consisting of simultaneous Loans of the same Type made by the Lenders to a Borrower pursuant to Section 2.01.

“Borrowing Category” means a Category I Borrowing, a Category II Borrowing, a Category III Borrowing, a Category IV Borrowing or a Category V Borrowing.

“Broker-Dealer Subsidiary” means each of KCM U.K., KCM U.S., KCM Asia, KCM Japan, KCM Ireland and any other direct or indirect broker-dealer Subsidiary of KCMH.

“Business Day” means (a) a day on which commercial banks are not authorized by law or required to close in New York City, (b) if such day relates to a Eurocurrency Loan denominated in Dollars, that is also a day on which dealings in Dollar deposits are carried out in the London interbank market, (c) if such day relates to a Borrowing of, or a payment or prepayment of principal of or interest on or an Interest Period for a Eurocurrency Loan denominated in an Alternate Currency (other than Euros), or a notice with respect thereto, that is also a day on which commercial banks and foreign exchange markets settle payments in the Principal Financial Center for such Currency, and (d) if such day relates to a Borrowing of, or a payment or prepayment of principal of or interest on or an Interest Period for, a Eurocurrency Loan denominated in Euros, or a notice with respect thereto, that is also a Target Operating Day (as defined in Section 9.17).

“Cash Equivalents” means:

- (a) securities issued or unconditionally guaranteed by the United States government or any agency or instrumentality thereof, in each case having maturities of not more than 12 months from the date of acquisition thereof;
- (b) securities issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof or any political subdivision of any such state or any public instrumentality thereof having maturities of not more than 12 months from the date of acquisition thereof and, at the time of acquisition, having an investment grade rating generally obtainable from either S&P or Moody’s (or, if at any time neither S&P nor Moody’s shall be rating such obligations, then from another nationally recognized rating service);
- (c) commercial paper issued by any Lender or any bank holding company owning any Lender;
- (d) commercial paper maturing no more than 12 months after the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 or P-1 from either S&P or Moody’s (or, if at any time neither S&P nor Moody’s shall be rating such obligations, an equivalent rating from another nationally recognized rating service);
- (e) domestic and LIBOR certificates of deposit or bankers’ acceptances, having a rating of at least A-1 or P-1 from either S&P or Moody’s (or, if at any time neither S&P nor Moody’s shall be rating such obligations, an equivalent rating from another nationally recognized rating service), maturing no more than one year after the date of acquisition thereof issued by any Lender or any other bank having combined capital and surplus of not less than \$200,000,000 in the case of domestic banks and \$100,000,000 (or the Dollar Equivalent thereof) in the case of foreign banks;

(f) repurchase agreements with a term of not more than 90 days for underlying securities of the type described in clauses (a), (b) and (e) above entered into with any bank meeting the qualifications specified in clause (e) above or securities dealers of recognized national standing;

(g) marketable short-term money market and similar funds having a rating of at least A-1 or P-1 from either S&P or Moody's (or, if at any time neither S&P nor Moody's shall be rating such obligations, an equivalent rating from another nationally recognized rating service);

(h) shares of investment companies that are registered under the Investment Company Act of 1940 and substantially all the investments of which are one or more of the types of securities described in clauses (a) through (g) above; and

(i) in the case of any non-U.S. organized Subsidiary or investment made in a country outside the United States, other customarily utilized high-quality investment in the country where such non-U.S. organized Subsidiary is located or in which such investment is made and of a type analogous to the foregoing.

“Category I Borrowing” means a Borrowing made or a Letter of Credit issued for general corporate purposes or to finance the working capital needs of KCMH or any Subsidiary of KCMH, including financing the regulatory capital requirements of any Broker-Dealer Subsidiary.

“Category II Borrowing” means a Borrowing made or a Letter of Credit issued to finance obligations of KCMH or any Subsidiary of KCMH relating to any Senior Debt Transaction.

“Category III Borrowing” means a Borrowing made or a Letter of Credit issued to finance obligations of KCMH or any Subsidiary of KCMH relating to a Subordinated Debt Transaction.

“Category IV Borrowing” means a Borrowing made or a Letter of Credit issued to finance obligations of KCMH or any Subsidiary of KCMH relating to an Equity Bridge Transaction.

“Category V Borrowing” means a Borrowing made to finance KCMH's, or any Subsidiary of KCMH's, facilitation of a debt capital markets “fronting” arrangement pursuant to which KCMH or such Subsidiary is acting as the initial purchaser or lender of a debt instrument that has been reserved by KCMH or such Subsidiary for purchase by another Person from whom an order has been received and such arrangement involves terms that are customary in the market for “fronting” transactions (and such Borrowing, for the avoidance of doubt, shall not be deemed to be outstanding under any other Borrowing Category unless such Borrowing remains outstanding for 45 days after the date on which such Borrowing was initially made, at which time the outstanding amount of such Borrowing shall be converted to, and deemed to be outstanding under, the Borrowing Category that otherwise would have applied based upon the type of transaction being financed); provided that only the portion of a Borrowing constituting



such “fronting” arrangement may be deemed a Category V Borrowing, with the portion not constituting such “fronting” arrangement being allocated to such other applicable Borrowing Category. On or prior to the making of a Borrowing any portion of which constitutes a Category V Borrowing, the applicable Borrower shall deliver the certificate required pursuant to Section 4.02(e), which shall specify the “fronting” portion of such Borrowing and the applicable Borrowing Category for any portion that is not a “fronting” portion.

“Change in Law” means the occurrence, after the date of this Agreement, of the adoption of any law, rule, regulation or treaty, or of any change in applicable law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority having jurisdiction or the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (a) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (b) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued; provided further, that any increased costs associated with a Change in Law based on the foregoing clauses (a) and/or (b) may only be imposed to the extent the relevant Lender or Issuing Lender, as applicable, imposes the same charges generally on other similarly situated borrowers under comparable credit facilities.

“Change of Control” means, and shall be deemed to have occurred if, (a) KKR and/or its Affiliates shall at any time not own, directly or indirectly, beneficially and of record, (i) more than 50% of the voting power of the outstanding Voting Shares of KCMH and (ii) at least 25% of the outstanding Equity Interests of KCMH; (b) KCMH shall at any time not own, directly or indirectly, beneficially and of record, more than 50% of the voting power of the outstanding Voting Shares of KCM U.S., KCM U.K. or KCM Asia; or (c) during any period of 12 consecutive months, a majority of the members of the board of directors or other equivalent governing body of KCMH cease to be composed of individuals who are employees, partners, members, directors or officers of KKR or its Affiliates.

“Closing Date” means March 20, 2020.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Collateral” has the meaning specified in the Guarantee and Security Agreement.

“Commitment” means, as to each Lender, the commitment of such Lender to make Loans to the Borrowers under Section 2.01(a)(i) and purchase participations in L/C Exposure in an aggregate amount at any one time outstanding up to the amount set forth opposite such Lender’s name on Schedule I or, if such Lender has entered into an

Assignment and Assumption, set forth for such Lender in the Register, as such amount may be reduced pursuant to Section 2.04(b).

“Commitment Percentage” means, with respect to any Lender, at any time, the percentage of the Aggregate Facility Amount represented by such Lender’s Commitment; provided, that if the Commitments have terminated or expired, the Commitment Percentages shall equal the percentage of aggregate outstanding Loans and L/C Exposure held by such Lender and if there is no outstanding Loans and L/C Exposure, the Commitment Percentage shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

“Commitment Termination Date” means the date five years after the Closing Date, provided that if such date is not a Business Day, the Commitment Termination Date shall be the immediately preceding Business Day.

“Concentration Limits” has the meaning specified in Annex B.

“Continuation”, “Continue” and “Continued” refer to a continuation of Eurocurrency Loans from one Interest Period to the next Interest Period pursuant to Section 3.05(b).

“Control” of a Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ability to exercise voting power, by contract or otherwise, and “Controlling” and “Controlled” have meanings correlative thereto.

“Convert”, “Conversion” and “Converted” refer to a conversion of Loans of one Type into Loans of the other Type pursuant to Section 3.04 or Section 3.05.

“Cure Right” has the meaning specified in Section 7.02.

“Currencies” means, collectively, Dollars and the Alternate Currencies.

“Debt to Equity Ratio” means, as of any date of determination, the ratio of Total Debt to Total Equity.

“Default” means any event or condition that constitutes an Event of Default or that, with notice or lapse of time or both, would become an Event of Default.

“Defaulting Lender” means, subject to Section 3.14(b), any Lender that (a) has failed to (i) fund all or any portion of its Loans within two Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the requesting Borrower in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, the Issuing Lender or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit)

within two Business Days of the date when due, (b) has notified KCMH, the Administrative Agent or the Issuing Lender in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender's obligation to fund a Loan hereunder and states that such position is based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after written request by the Administrative Agent or KCMH, to confirm in writing to the Administrative Agent and KCMH that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and KCMH), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any bankruptcy, insolvency, reorganization or similar law, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity or (iii) become the subject of a Bail-In Action; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any Equity Interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 3.14(b)) upon delivery of written notice of such determination to KCMH, the Issuing Lender and each Lender.

"Designated Entity" means at any time, any corporation, partnership, limited liability company or other entity formed or acquired after the Closing Date that is not a Borrower and of which at least a majority but less than 100% of the Voting Shares are at the time directly or indirectly owned or controlled by KCMH or one or more Subsidiaries of KCMH, which has been designated in a written notice from KCMH to the Administrative Agent as a Designated Entity; provided that at the time of such designation (a) no Default or Event of Default would result from such designation and (b) after giving pro forma effect to such designation the Debt to Equity Ratio is less than or equal to **[\*\*]** to 1.00. KCMH may, by written notice to the Administrative Agent, de-designate any Designated Entity and thereafter such entity shall not longer constitute a Designated Entity, but only if (a) no Default or Event of Default would result from such de-designation and (b) after giving pro forma effect to such de-designation the Debt to Equity Ratio is less than or equal to **[\*\*]** to 1.00; provided further that notwithstanding the foregoing, KKR-MM Vector GP LLC, KKR-MM Vector L.P., Merchant Capital Solutions LLC, MCS Corporate Lending LLC, MCS Capital Markets LLC, **[\*\*]**, **[\*\*]**, any entity formed for the purpose of acting in an

**[\*\*]** = Certain information contained in this document, marked by "[\*\*]" has been excluded because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

administrative or other agency roles in respect of financings (with written notice thereof provided by KCMH to the Administrative Agent) and any of their respective direct or indirect subsidiaries, now existing or hereafter formed, shall each be deemed a Designated Entity (unless otherwise de-designated by KCMH in accordance with this definition).

“Disqualified Equity Interests” means any Equity Interest which, by its terms (or by the terms of any security or other Equity Interests into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition (a) matures or is mandatorily redeemable (other than solely for Equity Interests other than Disqualified Equity Interests), pursuant to a sinking fund obligation or otherwise, (b) is redeemable at the option of the holder thereof (other than solely for Equity Interests other than Disqualified Equity Interests), in whole or in part, (c) provides for the scheduled payments of dividends in cash, or (d) is or becomes convertible into or exchangeable for Indebtedness or any other Equity Interests that would constitute Disqualified Equity Interests, in each case of clauses (a) through (d) above, prior to the date that is ninety-one days after the Commitment Termination Date.

“Dollar Equivalent” means, on any date, with respect to any amount denominated in an Alternate Currency, the amount of Dollars that would be required to purchase such amount of such Alternate Currency at or about 11:00 a.m., Local Time, on such date, for delivery two Business Days later, as determined by the Administrative Agent on the basis of the spot selling rate for the offering of such Alternate Currency for Dollars in the Principal Financial Center for the applicable Alternate Currency, all determinations thereof by the Administrative Agent to be conclusive and binding on the parties in the absence of manifest error.

“Dollars” and “\$” refers to lawful money of the United States.

“Domestic Lending Office” means, with respect to any Lender, the office of such Lender specified as its “Domestic Lending Office” in the Administrative Questionnaire of such Lender or in the Assignment and Assumption pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to KCMH and the Administrative Agent.

“Domestic Subsidiary” means any Subsidiary that is organized under the Laws of the United States, any state thereof or the District of Columbia.

“EEA Financial Institution” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“EEA Member Country” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“EEA Resolution Authority” means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“Eligible Assignee” means (a) a Lender, (b) an Affiliate of a Lender, (c) an Approved Fund, and (d) any other Person (other than a natural person) approved by the Administrative Agent and the Issuing Lender and, unless an Event of Default of the kind referred to in Section 7.01(a), 7.01(b), 7.01(g) or 7.01(h) has occurred and is continuing, by KCMH (each such approval not to be unreasonably withheld or delayed); provided, that notwithstanding the foregoing, assignments to any private equity fund, credit fund, hedge fund or other similar investment vehicle shall require the consent of KCMH in its sole discretion.

“Equity Bridge Transaction” means an equity underwriting or commitment of KCMH or any Subsidiary of KCMH.

“Equity Interests” means shares of capital stock, partnership interests, membership interests in a limited liability company (including any securities convertible or exchangeable for such stock or interests), beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time.

“ERISA Affiliate” means any Person that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

“ERISA Event” means (a) any “reportable event”, as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than those events for which the 30-day notice period is waived pursuant to Department of Labor Reg. Section 4043 as in effect on the date hereof); (b) the failure of any Plan to satisfy the minimum funding standards (as defined in Section 412 of the Code or Section 302 of ERISA) applicable to such Plan, whether or not waived; (c) the filing pursuant to Section 412(c) of the Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Borrower or any of its ERISA Affiliates from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or

partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Borrower or any of its ERISA Affiliates of any notice, or the receipt by any Multiemployer Plan from the Borrower or any of its ERISA Affiliates of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent within the meaning of Title IV of ERISA.

“EU Bail-In Legislation Schedule” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

“Euro” has the meaning specified in Section 9.17.

“Eurocurrency Liabilities” has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

“Eurocurrency Lending Office” means, with respect to any Lender, the office of such Lender specified as its “Eurocurrency Lending Office” in the Administrative Questionnaire of such Lender or in the Assignment and Assumption pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to KCMH and the Administrative Agent. It is understood and agreed that unless otherwise hereafter notified, the Eurocurrency Lending Office for MHCB and its Affiliates shall be its New York branch.

“Eurocurrency Loan” means, at any time, a Loan which bears interest at rates based upon the Eurocurrency Rate.

“Eurocurrency Rate” means, for any Interest Period for each Eurocurrency Loan denominated in a particular Currency comprising part of the same Borrowing, an interest rate per annum equal to the rate per annum for deposits in such Currency having a maturity closest to such Interest Period which appears on the relevant Screen Page as of 11:00 a.m., London time, on the day two Business Days prior to the first day of such Interest Period.

“Events of Default” has the meaning specified in Section 7.01.

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time.

“Excluded Taxes” means, with respect to any recipient of any payment to be made by or on such recipient’s account of any obligation of the Borrowers hereunder to the Administrative Agent and each Lender, Taxes (a) imposed on or measured by its overall net income (however denominated), franchise Taxes and branch profit Taxes, in each case, imposed by a jurisdiction (or any political subdivision thereof) as a result of a present or former connection between such recipient and the jurisdiction (or political subdivision thereof) imposing such tax (other than any such connection arising solely as a result of such recipient having executed, delivered or performed its obligations under or

received a payment pursuant to this Agreement), (b) that are attributable to such recipient's failure to comply with the requirements of paragraph (e) or (f) of Section 3.11, (c) that are withholding taxes imposed on amounts payable to such recipient pursuant to a law in effect on the date on which (i) such recipient acquires an applicable interest in a Loan or Commitment or (ii) such recipient changes its lending office, except in each case to the extent that such recipient's assignor (if any) was entitled, immediately before the time of assignment, to receive additional amounts from the Borrower with respect to such Taxes pursuant to Section 3.11(b) or immediately before it changed its lending office and (d) any withholding Taxes imposed under FATCA.

"Existing Credit Agreement" means that certain Second Amended and Restated 5-Year Revolving Credit Agreement dated March 30, 2016 among KCMH, KCL U.S., KCL C.A., KCL T.N., KCL U.K., MHCB as administrative agent and the lenders party thereto, as amended from time to time prior to the date hereof.

"Existing Lenders" means the "Lenders" as defined in the Existing Credit Agreement.

"Existing Letter of Credit" means each letter of credit issued prior to the Closing Date and listed on Schedule III.

"Existing Loans" means any Loans (as defined in the Existing Credit Agreement) outstanding on the Closing Date under the Existing Credit Agreement immediately before the closing of this Agreement.

"FATCA" means Sections 1471 through 1474 of the Code, as of the Closing Date (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Internal Revenue Code and any law, regulation, rule, promulgation, or official agreement implementing an official government agreement with respect to the foregoing.

"Federal Funds Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Finance Lease Obligation" shall mean, as applied to any Person, an obligation that is required to be accounted for as a finance or capital lease (and not an operating lease) on both the balance sheet and income statement for financial reporting purposes in accordance with GAAP. At the time any determination thereof is to be made, the amount of the liability in respect of a finance or capital lease would be the amount required to be

reflected as a liability on such balance sheet (excluding the footnotes thereto) in accordance with GAAP.

“Finance Subsidiary” means KCL U.K., KCL U.S., KCL C.A., KCL T.N., KCL Cayman, KKR Nitro and any other direct or indirect Subsidiary of KCMH formed for the purpose of providing financing in KCMH’s financing business.

“Finance Subsidiary Debt” means Indebtedness under any warehouse credit facility or other similar line of credit entered into for the purpose of funding Indebtedness originated or extended by any Finance Subsidiary.

“Financial Officer” means the chief financial officer, principal financial officer, treasurer, controller or a director of a Borrower.

“Financing Transaction” means any Equity Bridge Transaction, Senior Debt Transaction or Subordinated Debt Transaction.

“Financing Transaction Borrowing” means any Category II Borrowing, Category III Borrowing or Category IV Borrowing.

“FINRA” means the Financial Industry Regulatory Authority, or any other Self Regulatory Organization that succeeds to the functions thereof.

“Foreign Subsidiary” means any Subsidiary that is not a Domestic Subsidiary.

“Fund” means any Person (other than a natural person) that is or will be engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

“General Partner” means KKR Capital Markets Holdings GP LLC, a Delaware limited liability company.

“GAAP” means accounting principles generally accepted in the United States as in effect from time to time.

“Governmental Authority” means the government of the United States, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“Guarantee” of or by any Person (the “guarantor”) means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness of any other Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or to advance or supply funds for the purchase or payment of) such Indebtedness or to purchase (or to advance or supply funds for the



purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guarantee issued to support such Indebtedness; provided that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made (or, if such Guarantee is limited by its terms to a lesser amount, such lesser amount) or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith.

“Guarantee and Security Agreement” means the Third Amended and Restated Guaranty and Security Agreement, dated as of the date hereof, among the Obligors and the Administrative Agent in substantially the form of Exhibit B, as from time to time amended, modified or supplemented.

“Guarantors” means, at any time, collectively, those Subsidiaries of KCMH that are parties to the Guarantee and Security Agreement.

“Hedging Agreement” means any interest rate protection agreement, foreign currency exchange agreement or other derivative transaction.

“Indebtedness” of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or similar instruments, (b) the deferred purchase price of assets or services that in accordance with GAAP would be included as a liability on the balance sheet of such Person, (c) the face amount of all letters of credit issued for the account of such Person and, without duplication, all drafts drawn thereunder and all direct obligations arising under bankers’ acceptances, bank guaranties, surety bonds and similar instruments, (d) all Indebtedness of any other Person secured by any Lien on any property owned by such Person, whether or not such Indebtedness has been assumed by such Person, (e) the principal component of all Finance Lease Obligations, (f) all obligations of such Person under interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts, commodity price protection agreements or other commodity price hedging agreements and other similar agreements, (g) without duplication, all Guarantees by such Person of Indebtedness of others and (h) all obligations of such Person in respect of Disqualified Equity Interests, provided that Indebtedness shall not include (i) trade and other ordinary course payables and accrued expenses arising in the ordinary course of business, (ii) deferred or prepaid revenue and (iii) purchase price holdbacks in respect of a portion of the purchase price of an asset to satisfy warranty or other unperformed obligations of the respective seller. The amount of Indebtedness of any Person for purposes of clause (d) shall be deemed to be equal to the lesser of (i) the aggregate unpaid amount of such

Indebtedness and (ii) the fair market value of the property encumbered thereby as determined by such Person in good faith.

“Indemnified Taxes” means Taxes other than Excluded Taxes.

“Indemnitee” has the meaning specified in Section 9.04(b).

“Intercreditor Agreement” means that certain First Lien Intercreditor Agreement dated March 20, 2020, among the Administrative Agent, the administrative agent in respect of the 364-Day Credit Agreement, the other parties thereto from time to time and acknowledged by the Obligor, as from time to time amended, modified, supplemented or replaced.

“Interest Period” means, for any Eurocurrency Loan, the period beginning on the date such Eurocurrency Loan is made, or Continued or Converted from an ABR Loan, and ending on the last day of the period selected by the Borrower pursuant to the provisions below, and thereafter each subsequent period commencing on the last day of the immediately preceding Interest Period therefor and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each Interest Period shall be one, two, three or six months (or if available to all relevant Lenders, nine or twelve months), as the Borrower may select by notice to the Administrative Agent no later than 11:00 a.m. (New York time) on the third Business Day (or, with respect to such nine- or twelve-month periods, fourth Business Day) prior to the first day of such Interest Period.

Notwithstanding the foregoing:

(w) if any Interest Period would otherwise commence before and end after the Commitment Termination Date, such Interest Period shall end on the Commitment Termination Date,

(x) each Interest Period that would otherwise end on a day that is not a Business Day shall end on the next succeeding Business Day, unless such next succeeding Business Day would fall in the succeeding month, in which case such Interest Period shall end on the next preceding Business Day,

(y) each Interest Period that commences on the last day of a month (or on any day for which there is no numerically corresponding day in the appropriate subsequent month) shall end on the last Business Day of the appropriate subsequent calendar month, and

(z) Interest Periods commencing on the same day for Eurocurrency Loans comprising part of the same Borrowing shall be of the same duration.

“Investment” means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of Equity Interests of another Person, (b) a loan, advance or capital contribution to, Guarantee or assumption of debt of, or purchase or other acquisition of any other debt or

interest in, another Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute a business unit or all or a substantial part of the business of, such Person.

“Issuing Lender” means MHCB, and/or any other Lender from time to time designated as an Issuing Lender in a writing signed by such Lender, KCMH and the Administrative Agent (MHCB and such other Lender being collectively referred to herein as the “Issuing Lender” unless the context otherwise requires).

“KCL Cayman” means KKR Corporate Lending (Cayman) Ltd., a Cayman limited liability company, and includes any successor thereto in accordance with this Agreement.

“KCL C.A.” has the meaning specified in the heading hereof, and includes any successor thereto in accordance with this Agreement.

“KCL T.N.” has the meaning specified in the heading hereof, and includes any successor thereto in accordance with this Agreement.

“KCL U.K.” has the meaning specified in the heading hereof, and includes any successor thereto in accordance with this Agreement.

“KCL U.S.” has the meaning specified in the heading hereof, and includes any successor thereto in accordance with this Agreement.

“KCMH” has the meaning specified in the heading hereof, and includes any successor thereto in accordance with this Agreement.

“KCM Asia” means KKR Capital Markets Asia Limited, a Hong Kong limited liability company, and includes any successor thereto in accordance with this Agreement.

“KCM Group Entity” means KCMH and any entity in which KCMH, directly or indirectly, owns an Equity Interest.

“KCM Ireland” means KKR Capital Markets (Ireland) Limited, an Ireland limited liability company, and includes any successor thereto in accordance with this Agreement.

“KCM Japan” means KKR Capital Markets Japan Holdings LLC, a Delaware limited liability company, and includes any successor thereto in accordance with this Agreement.

“KCM U.S.” means KKR Capital Markets LLC, a Delaware limited liability company, and includes any successor thereto in accordance with this Agreement.

“KCM U.K.” means KKR Capital Markets Limited, a United Kingdom limited liability company, and includes any successor thereto in accordance with this Agreement.

“KKR” means Kohlberg Kravis Roberts & Co. L.P., a Delaware limited partnership and includes any successor thereto in accordance with this Agreement.

“KKR Nitro” means KKR Nitro Holdings Limited, a Cayman limited liability company, and includes any successor thereto in accordance with this Agreement.

“L/C Exposure” means, at any time, the sum of (a) the aggregate undrawn face amount of all outstanding Letters of Credit and (b) the aggregate amount of unreimbursed L/C Payments under all outstanding Letters of Credit (or, if applicable with respect to clauses (a) and (b), the Dollar Equivalent thereof).

“L/C Payment” means a payment by an Issuing Lender of a draft or demand drawn under a Letter of Credit.

“L/C Reimbursement Obligation” means the obligation of a Borrower to reimburse an Issuing Lender for an L/C Payment pursuant to Section 2.02(d)(ii).

“L/C Related Documents” has the meaning specified in Section 2.02(c)(i).

“Laws” means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case, whether or not having the force of law.

“Lead Arranger” means MHCBC, in its capacity as sole lead arranger and sole bookrunner.

“Lender” means each bank or other financial institution listed on the signature pages hereof and each Person that shall become a party hereto pursuant to 9.06.

“Letter of Credit” has the meaning specified in Section 2.02(a)(i) and shall include each Existing Letter of Credit.

“Letter of Credit Facility Amount” means the lesser of (a) \$500,000,000 and (b) the Aggregate Facility Amount.

“Lien” means any mortgage, deed of trust, pledge, hypothecation, collateral assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

“Loan” has the meaning specified in Section 2.01(a)(i).

“Loan Documents” means, collectively, this Agreement, the Notes, the Guarantee and Security Agreement and the Intercreditor Agreement.

“Local Time” means (a) with respect to any Loan denominated or any payment to be made in Dollars, New York time, and (b) with respect to any Eurocurrency Loan denominated or any payment to be made in an Alternate Currency, the local time in the Principal Financial Center for such Alternate Currency.

“London Banking Day” means any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London.

“Majority Lenders” means, at any time, (a) Lenders holding more than 50% of the Commitments, or (b) if the Commitments have terminated or expired, Lenders having collectively more than 50% of the sum of (i) aggregate amount of the unpaid principal amount of the Loans and (ii) L/C Exposure (computed at any time, in the case of Loans and L/C Exposure denominated in an Alternate Currency, as the Dollar Equivalent thereof as determined by the Administrative Agent); provided that the unused Commitment of, and the portion of the Total Credit Exposure held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Majority Lenders.

“Material Adverse Effect” means a material adverse effect on (a) the business, financial condition, properties or operations of KCMH and its Subsidiaries taken as a whole, (b) the ability of any Obligor to perform any of its material obligations under any Loan Document or (c) the material rights and remedies of, or benefits available, to the Administrative Agent or the Lenders under any Loan Document.

“Material Domestic Subsidiary” means any Domestic Subsidiary that is a Material Subsidiary.

“Material Foreign Subsidiary” means any Foreign Subsidiary (inclusive of its Subsidiaries) that, as of the last day of the fiscal quarter of KCMH most recently ended for which financial statements have been delivered pursuant to Section 6.01(a)(i) or (ii), (a) generated over 25% of consolidated revenues of KCMH and its Subsidiaries for the period of two years ended at the end of such fiscal quarter or (b) to which more than \$[\*\*] of the Aggregate Facility Amount has been funded as of such date and has been funded for the period of six months immediately preceding such date.

“Material Indebtedness” means Indebtedness of the type described in clause (a) of the definition thereof issued or incurred under any agreement or instrument in an aggregate outstanding principal amount of \$[\*\*] or more.

“Material Subsidiary” means any Subsidiary that constitutes a “significant subsidiary” as defined under Regulation S-X promulgated by the SEC, as in effect from time to time; provided that each of KCM U.S. and KCM U.K. shall be a Material Subsidiary.

[\*\*] = *Certain information contained in this document, marked by “[\*\*]” has been excluded because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.*

“MHCB” means Mizuho Bank, Ltd. or any successor thereto.

“Moody’s” means Moody’s Investors Service, Inc. or any successor thereto.

“Multiemployer Plan” means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

“Non-Defaulting Lender” means, at any time, each Lender that is not a Defaulting Lender at such time.

“Non-U.S. Lender” has the meaning specified in Section 3.11(e).

“Note” has the meaning specified in Section 2.01(e).

“Notice of Borrowing” has the meaning specified in Section 2.01(b)(ii).

“Notice of Issuance” has the meaning specified in Section 2.02(c)(i).

“Obligations” means (a) all obligations of the Borrowers under the Loan Documents to pay the principal of and interest on the Loans and the L/C Reimbursement Obligations and all fees, premiums, costs, expenses, indemnification payments and other amounts or obligations whatsoever, whether direct or indirect, absolute or contingent, now or hereafter from time to time owing to the Secured Creditors arising under, out of, or in connection with the Loan Documents and all obligations of the Borrowers to any Lender (or any Affiliate thereof) under any Hedging Agreement and (b) in the case of each of the foregoing, including all interest thereon and expenses related thereto, including any interest or expenses accruing or arising after the commencement of any case with respect to any Obligor under the United States Bankruptcy Code or any other bankruptcy or insolvency law (whether or not such interest or expenses are allowed or allowable as a claim in whole or in part in such case).

“Obligors” means, collectively, the Borrowers and the Guarantors.

“Other Taxes” means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made under any Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, any Loan Document.

“Participant” has the meaning specified in Section 9.06(d).

“Patriot Act” has the meaning specified in Section 9.15.

“PBGC” means the Pension Benefit Guaranty Corporation referred to and defined in Section 4002 of ERISA and any successor entity performing similar functions.

“Permitted Liens” means:

(a) Liens for taxes, assessments or governmental charges or claims not yet overdue for a period of more than 30 days or that are being contested in good faith and by appropriate proceedings for which appropriate reserves have been established to the extent required by and in accordance with GAAP, or for property taxes on property that the Borrower or one of its Subsidiaries has determined to abandon if the sole recourse for such tax, assessment, charge or claim is to such property;

(b) Liens in respect of property or assets of KCMH or any of its Subsidiaries imposed by law, such as carriers', warehousemen's and mechanics' Liens and other similar Liens arising in the ordinary course of business, in each case so long as such Liens arise in the ordinary course of business and do not individually or in the aggregate have a Material Adverse Effect;

(c) Liens arising from judgments or decrees in circumstances not constituting an Event of Default under 7.01(j);

(d) Liens incurred or deposits made in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations incurred in the ordinary course of business;

(e) ground leases in respect of real property on which facilities owned or leased by the Borrower or any of its Subsidiaries are located;

(f) easements, rights-of-way, restrictions, minor defects or irregularities in title and other similar charges or encumbrances not interfering in any material respect with the business of KCMH and its Subsidiaries, taken as a whole;

(g) any interest or title of a lessor or secured by a lessor's interest under any lease permitted by this Agreement;

(h) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(i) leases, licenses, subleases or sublicenses granted to others not interfering in any material respect with the business of KCMH and its Subsidiaries, taken as a whole;

(j) Liens arising from precautionary UCC financing statement or similar filings made in respect of operating leases entered into by the Borrower or any of its Subsidiaries;

(k) Liens created in the ordinary course of business in favor of banks and other financial institutions over credit balances of any bank accounts, brokerage accounts or commodities accounts of KCMH and its Subsidiaries held at such banks or financial institutions, including any accounts maintained with any clearing or settlement bank or other financial institution; and

(l) any zoning or similar law or right reserved to or vested in any Governmental Authority to control or regulate the use of any real property that does not materially interfere with the ordinary conduct of the business of KCMH and its Subsidiaries, taken as a whole.

“Permitted Subordinated Debt” shall mean senior subordinated notes, or other senior subordinated Indebtedness, issued by a Borrower or any Guarantor, (a) the terms of which (i) do not provide for any scheduled repayment, mandatory redemption or sinking fund obligation prior to a date 91 days after Commitment Termination Date (other than customary offers to purchase upon a change of control, asset sale or event of loss and customary acceleration rights after an event of default) and (ii) provide for customary subordination to the obligations of the Obligor under the Loan Documents, (b) the covenants, events of default, guarantees, collateral and other terms of which (other than interest rate and redemption premiums), taken as a whole, are not more restrictive to KCMH and its Subsidiaries than those herein; provided that a certificate of a Financial Officer of KCMH is delivered to the Administrative Agent at least seven Business Days (or such shorter period as the Administrative Agent may reasonably agree) prior to the incurrence of such Indebtedness, together with a reasonably detailed description of the material terms and conditions of such Indebtedness or drafts of the documentation relating thereto, stating that KCMH has determined in good faith that such terms and conditions satisfy the foregoing requirement shall be conclusive evidence that such terms and conditions satisfy the foregoing requirement unless the Administrative Agent notifies KCMH within such period that it disagrees with such determination (including a reasonable description of the basis upon which it disagrees), (c) of which no Subsidiary of KCMH (other than a Guarantor) is an obligor and (d) after giving pro forma effect to the issuance thereof, KCMH shall be in compliance with the financial covenant set forth in Section 6.03.

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Plan” means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an “employer” as defined in Section 3(5) of ERISA.

“Pledged Equity” has the meaning specified in the Guarantee and Security Agreement.

“Principal Financial Center” means, for any Currency, the principal financial center in the country of issue of such Currency, as reasonably determined by the Administrative Agent.

“Property” of any Person means any property or assets, or interest therein, of such Person.



“Register” has the meaning specified in Section 9.06(c).

“Regulations T, U and X” means, respectively, Regulations T, U and X of the Board of Governors of the Federal Reserve System (or any successor), as from time to time amended, modified or supplemented.

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person’s Affiliates.

“Resolution Authority” means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

“Restricted Payment” means any dividend or other distribution (whether in cash, securities or other property) with respect to any capital stock or other Equity Interest of any Person, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such capital stock or other Equity Interest, or on account of any return of capital to any Person’s stockholders, partners or members (or the equivalent Person thereof).

“Rule 15c3-1” means Rule 15c3-1 of the General Rules and Regulations promulgated by the SEC under the Exchange Act (17 CFR 240, 15c3-1), as from time to time amended, modified or supplemented, or such other rule or regulation of the SEC which replaces Rule 15c3-1.

“S&P” means Standard & Poor’s Rating Services or any successor thereto.

“Screen Page” means the Reuters Page LIBOR01 or LIBOR02 or such other Reuters screen page displaying interbank offered rates for the applicable Currency (or, in the event such rate does not appear on a Reuters page or screen, on any successor or substitute page on such screen that displays such rate, on the appropriate page of such other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion); provided that if the Screen Rate as so determined would be less than zero, such rate shall be deemed to zero for the purposes of this Agreement. If at least two relevant rates appear on said page with respect to an Interest Period, the Eurocurrency Rate for that Interest Period will be based upon the arithmetic mean of such rates.

“Secured Creditors” means, collectively, the Lenders (including each Issuing Lender) and the Administrative Agent, any other holder from time to time of any of the Obligations and, in each case, their respective successors and assigns.

“Senior Debt Transaction” means a senior debt underwriting or commitment of KCMH or any Subsidiary of KCMH.

“SEC” means the Securities and Exchange Commission, or any Governmental Authority succeeding to the principal functions thereof.

“Self Regulatory Organization” has the meaning assigned to such term in Section 3(a)(26) of the Exchange Act.

“SIPA” means the Securities Investor Protection Act of 1970, as from time to time amended, modified or supplemented.

“SIPC” means the Securities Investor Protection Corporation established pursuant to SIPA or any other corporation succeeding to the principal functions thereof.

“Solvent” and “Solvency” mean, with respect to any Person, that as of the Closing Date, (a) (i) the sum of such Person’s debts (including contingent liabilities) does not exceed the present fair saleable value of such Person’s present assets; (ii) such Person’s capital is not unreasonably small in relation to its business as contemplated on the Closing Date; and (iii) such Person has not incurred and does not intend to incur, or believe that it will incur, debts including current obligations beyond its ability to pay such debts as they become due (whether at maturity or otherwise); and (b) such Person is “solvent” within the meaning given that term and similar terms under applicable laws relating to fraudulent transfers and conveyances. For purposes of this definition, the amount of any contingent liability at any time shall be computed as the amount that, in light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability (irrespective of whether such contingent liabilities meet the criteria for accrual under Statement of Financial Accounting Standard No. 5).

“Subordinated Debt Transaction” means a subordinated debt underwriting or commitment of KCMH or any Subsidiary of KCMH.

“Subordinated Indebtedness” means any Permitted Subordinated Debt or any other Indebtedness the terms of which provide for customary subordination in right of payment to the obligations of a Borrower or any of its Subsidiaries, as applicable, under this Agreement and the other Loan Documents.

“Subsidiary” means, at any time, any corporation, partnership, limited liability company or other entity of which at least a majority of the Voting Shares are at the time directly or indirectly owned or controlled by KCMH or one or more Subsidiaries of KCMH; provided that no Designated Entity shall be a Subsidiary.

“Support Payment” has the meaning specified in Section 2.06(a).

“Taxes” means all present and future taxes, duties, levies, imposts, deductions, charges or withholdings or similar charges, with respect to any amount payable on or in respect of any Loan Document, Loans, Notes or Letters of Credit, and all interest, penalties and similar amounts with respect thereto, now or thereafter imposed, assessed, levied or collected by any jurisdiction from which any amount payable under the Loan Documents is paid, or any political subdivision or taxing authority thereof or therein, or any organization or federation of which any of the foregoing may be a member or associated.

“Total Credit Exposure” means, at any time, the sum of (a) the aggregate outstanding principal amount of the Loans (being the Dollar Equivalent thereof in the case of Eurocurrency Loans denominated in an Alternate Currency) plus (b) the aggregate outstanding L/C Exposure.

“Total Debt” means, at any date, (a) all Indebtedness of the types described in clause (a), clause (c) (but, in the case of clause (c), only to the extent of any unreimbursed drawings under any letter of credit) and clause (e) of the definition thereof actually owing by KCMH and/or its Subsidiaries on such date to the extent appearing on the consolidated balance sheet of KCMH determined in accordance with GAAP (provided that the amount of any Finance Lease Obligations or any such Indebtedness issued at a discount to its face value shall be determined in accordance with GAAP) minus (b) the aggregate cash and Cash Equivalents included on the consolidated balance sheet of KCMH as at such date to the extent the use thereof for application to the payment of Indebtedness is not prohibited by law or any contract to which KCMH or any Subsidiary is a party; provided that for the purposes of this definition, Indebtedness shall not include (i) any Finance Subsidiary Debt (unless such Indebtedness is incurred by a Finance Subsidiary that is also a Borrower under this Agreement), (ii) any liabilities includable solely based on the application of ASC 810 or ASC 860 and (iii) any Indebtedness of any Designated Entity.

“Total Equity” means, as of any date of determination, (a) KCMH’s consolidated partners’ capital (or stockholders’ equity, as the case may be) measured on a GAAP basis, minus (b) the sum of (i) any declared but unpaid distribution or dividend to KCMH’s general or limited partners (or any other equity holders) and (ii) any loans or advances made to KCMH’s general or limited partners (or any other equity holders); provided that Total Equity shall not include KCMH’s partners’ capital (or stockholders’ equity, as the case may be) attributable to any Designated Entity and, in the event all or a substantial portion of the equity in a Finance Subsidiary is pledged to a third party, such Finance Subsidiary.

“Type” refers to whether a Loan is an ABR Loan or a Eurocurrency Loan.

“UCC” means the Uniform Commercial Code as in effect in the State of New York; provided that, if perfection or the effect of perfection or non-perfection or the priority of any security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, “UCC” means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

“UK Financial Institution” means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

“UK Resolution Authority” means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

“United States” or “U.S.” means the United States of America.

“Voting Shares” means, with respect to any Person, such Person’s Equity Interests having the right to vote for the election of directors, or other individuals performing similar functions, of such Person under ordinary circumstances.

“Wholly-Owned Subsidiary” means, with respect to any Person, any Subsidiary of which all of the Equity Interests (other than, in the case of a corporation, directors’ qualifying shares) are directly or indirectly owned or controlled by such Person or one or more Wholly-Owned Subsidiaries of such Person or by such Person and one or more Wholly-Owned Subsidiaries of such Person.

“Withdrawal Liability” means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

“Write-Down and Conversion Powers” means, (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule, and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

SECTION 1.02. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including” and the words “to” and “until” mean “to but excluding”. The words “include”, “includes” and “including” shall be deemed in each case to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed in each case as referring to such agreement, instrument or other document as from time to time amended, modified or supplemented, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed in each case to include such Person’s successors and assigns, (c) the words “herein”, “hereof” and “hereunder”, and words of similar import shall be construed in each case to refer to this Agreement in its entirety and not to any particular provision hereof, and (d) all references herein

to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement. For the avoidance of doubt, references in Articles VIII and IX to the Lenders shall include in each case the Issuing Lender, unless the context otherwise requires. For the purposes of Section 2.05 only, the term “Borrower” or “Borrowers” shall exclude any Broker-Dealer Subsidiary.

SECTION 1.03. Accounting Terms; GAAP; Calculation of Debt to Equity Ratio

(a) Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that if the Borrower notifies the Administrative Agent that it requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Majority Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

(b) Calculation of the Debt to Equity Ratio shall be based on relevant information in the financial statements and asset schedules delivered pursuant to Sections 6.01(a)(i), (ii) and (vi) giving pro forma effect to such information where appropriate; provided that the amount of Total Debt shall be the amount outstanding as of the date of determination after giving effect to the incurrence of any Indebtedness on such date of determination.

SECTION 1.04. Divisions. For all purposes under the Loan Documents, in connection with any division or plan of division under Delaware law (or any comparable event under a different jurisdiction’s laws): (a) if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person, and (b) if any new Person comes into existence, such new Person shall be deemed to have been organized on the first date of its existence by the holders of its Equity Interests at such time.

ARTICLE II

THE COMMITMENTS

SECTION 2.01. The Loans.

(a) (i) Each Lender severally agrees, on and subject to the terms and conditions of this Agreement, to make loans to the Borrowers under this Section 2.01(a)(i) (each, a “Loan”) from time to time on any Business Day during the Availability Period, in an aggregate principal amount at any one time outstanding up to but not exceeding the Commitment of such Lender and, as to all Lenders and all Borrowers, in an aggregate principal amount at any one time outstanding up to but not exceeding the Aggregate Borrowing Availability (or the Alternate Currency Equivalent thereof).

(ii) ABR Loans shall be denominated in Dollars, and Eurocurrency Loans may be denominated in Dollars or one or more Alternate Currencies.

(iii) Anything in this Agreement to the contrary notwithstanding, (A) the Total Credit Exposure shall not at any time exceed the then Aggregate Facility Amount and (B) the obligation of the Lenders to make Loans is subject to the Concentration Limits.

(iv) Within such limits, the Borrowers may from time to time borrow under this Section 2.01, prepay Loans in whole or in part pursuant to Section 3.06(a) and reborrow under this Section 2.01.

(v) The Borrowers shall be co-borrowers with respect to each Borrowing, and shall be jointly and severally liable for all obligations and liabilities with respect thereto in accordance with Sections 2.05 and 2.06.

(b) Borrowing Procedure. (i) Each Borrowing shall be in a minimum amount of \$5,000,000 in the case of a Borrowing of Eurocurrency Loans, or \$1,000,000, in the case of a Borrowing of ABR Loans, or in each case an integral multiple of \$1,000,000 in excess thereof (or, in the case of a Borrowing denominated in an Alternate Currency, the Alternate Currency Equivalent thereof, rounded to the nearest 1,000 units of such Alternate Currency), and shall be made on notice by the requesting Borrower to the Administrative Agent not later than 11:00 a.m. (New York time) on the third Business Day (or, with respect to Interest Periods other than one, two, three or six months, fourth Business Day) prior to the date of such Borrowing in the case of a Borrowing consisting of Eurocurrency Loans or not later than 11:00 a.m. (New York time) on the date of such Borrowing in the case of a Borrowing consisting of ABR Loans, and the Administrative Agent shall give each Lender prompt notice thereof.

(ii) Each such notice of a Borrowing (a "Notice of Borrowing") shall be irrevocable and binding on the Borrowers and shall be in substantially the form of Exhibit C, specifying therein the requested (1) date of such Borrowing (which shall be a Business Day), (2) Type of Loans comprising such Borrowing, (3) the applicable Borrowing Category (or as applicable Borrowing Categories), (4) aggregate amount of such Borrowing, stated in Dollars, and the Currency thereof and (5) in the case of a Borrowing of Eurocurrency Loans, initial Interest Period for such Loans.

(iii) Each Lender shall, before 1:00 p.m. (New York time) on the date of such Borrowing, make available for the account of its Applicable Lending Office to the Administrative Agent at the Administrative Agent's Account, in same day funds, such Lender's ratable portion of such Borrowing.

(iv) After the Administrative Agent's receipt of such funds, and subject to the satisfaction of the applicable conditions set forth in Article IV, the Administrative Agent will make such funds available to the requesting Borrower by promptly crediting the amounts so received, in like funds, to such account of such Borrower as the Administrative Agent and such Borrower may agree.

(v) If the requesting Borrower fails to specify a Type of Loan in a Notice of Borrowing, then the applicable Loans shall be made as ABR Loans. If the requesting Borrower fails to provide a timely notice of Conversion or Continuation with respect to a Borrowing of Eurocurrency Loans, then such Borrower shall be deemed to have requested a Continuation with respect thereto with an Interest Period of one month. If the requesting Borrower requests a Borrowing of, Conversion to, or Continuation of Eurocurrency Loans in any such Notice of Borrowing, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month. If the requesting Borrower requests a Borrowing of, Conversion to, or Continuation of Eurocurrency Loans in any such Notice of Borrowing, but fails to specify the Currency thereof, it will be deemed to have specified such Loans in Dollars.

(vi) After giving effect to all Borrowings, all Conversions and all Continuations, there shall not be more than 15 Interest Periods in effect.

(c) Types of Loans. Each Borrowing and each Conversion or Continuation thereof shall consist of Loans of the same Type (and, if such Loans are Eurocurrency Loans, having the same Interest Period) made, Continued or Converted on the same day by the Lenders ratably according to their Commitment Percentages.

(d) Accounts. (i) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrowers to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(ii) The Administrative Agent shall maintain accounts in which it shall record (x) the amount of each Loan, the Type thereof, the Borrowing Category applicable thereto and the Interest Period applicable thereto, (y) the amount of any principal or interest due and payable or to become due and payable from the Borrowers to each Lender hereunder and (z) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(iii) The entries made in the accounts maintained pursuant to this clause (d) shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided, that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrowers to repay the Loans made to any Borrower or make payments for other obligations (including L/C Reimbursement Obligations) in accordance with the terms of this Agreement.

(e) Notes. Any Lender may, through the Administrative Agent, request that the Loans to be made by it be evidenced by a promissory note of the Borrowers. In such event, the Borrowers shall prepare, execute and deliver to such Lender a joint and several promissory note payable to such Lender (or its registered assigns), substantially in the form of Exhibit A (each, a "Note"), in the amount of the Commitment of such Lender, dated the Closing Date and otherwise appropriately completed.

(f) To the extent that prior to the Closing Date, Existing Loans were made to the Borrower under the Existing Credit Agreement which remain outstanding as of the Closing Date, subject to the terms and conditions set forth in this Agreement, the parties hereto agree that on the Closing Date, the Existing Loans shall be re-evidenced as Loans under this Agreement and the terms of the Existing Loans shall be evidenced by this Agreement.

SECTION 2.02. Letter of Credit Facility.

(a) Letters of Credit. (i) Each Issuing Lender agrees, on and subject to the terms and conditions of this Agreement, to issue one or more letters of credit (each, a "Letter of Credit") for the account of a Borrower from time to time on any Business Day during the period from the Closing Date until the date ten Business Days before the Commitment Termination Date, provided, that the total L/C Exposure with respect to Letters of Credit may not at any time exceed the Letter of Credit Facility Amount.

(ii) Letters of Credit may be denominated in Dollars or any Alternate Currency, as requested in writing by the Borrower.

(iii) Anything in this Agreement to the contrary notwithstanding, the issuance of Letters of Credit shall be subject to the limitations set forth in Section 2.01(a)(iii) and to the Concentration Limits.

(iv) Within the foregoing limits, and subject to the terms and conditions hereof, a Borrower's ability to obtain Letters of Credit shall be revolving, and accordingly a Borrower may, during the period referred to in clause (i) above, obtain Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed.

(v) The Borrowers shall be co-obligors with respect to each Letter of Credit, and shall be jointly and severally liable for all obligations and liabilities with respect thereto in accordance with Sections 2.05 and 2.06.

(b) Terms: Issuance. (i) Each Letter of Credit shall be in a form reasonably satisfactory to the relevant Issuing Lender and have a stated expiration date that is no later than the earlier of (x) one year after its date of issuance and (y) five Business Days prior to the Commitment Termination Date; provided that a Letter of Credit with a one-year tenor may provide for the renewal thereof for additional one-year periods (which shall in no event extend beyond a date five Business Days prior to the Commitment Termination Date (except that one or more Letters of Credit may expire up to one year after the Commitment Termination Date if each such Letter of Credit has been cash collateralized or otherwise backstopped on terms reasonably satisfactory to the Borrowers, the relevant Issuing Lender and the Administrative Agent)).

(ii) An Issuing Lender shall be under no obligation to issue any Letter of Credit if (A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain such Issuing Lender from issuing such Letter of Credit, or any law applicable to such Issuing Lender or any directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such Issuing Lender shall prohibit, or direct that such Issuing Lender refrain from, the



issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such Issuing Lender with respect to such Letter of Credit any restriction, reserve or capital requirement (for which such Issuing Lender is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon such Issuing Lender any unreimbursed loss, cost or expense which was not applicable on the Closing Date (for which such Issuing Lender is not otherwise compensated hereunder), or (B) the issuance of such Letter of Credit would violate any laws binding upon such Issuing Lender.

(c) Issuance Procedure. (i) Each Letter of Credit shall be issued upon notice, given not later than 11:00 a.m. (New York time) on the third Business Day prior to the proposed issuance date of such Letter of Credit, by the requesting Borrower to the relevant Issuing Lender (or such shorter notice as shall be acceptable to such Issuing Lender), with a copy to the Administrative Agent, and the Administrative Agent shall give to each Lender prompt notice thereof by telecopier or email. Each such notice from the requesting Borrower (a "Notice of Issuance") shall be by telecopier or email, confirmed promptly by hard copy, specifying therein the Issuing Lender and the requested date of issuance (which shall be a Business Day) of such Letter of Credit, its face amount and expiration date and the name and address of the beneficiary thereof, and shall attach the proposed form thereof (or such other information as shall be necessary to prepare such Letter of Credit). If requested by the applicable Issuing Lender, the requesting Borrower shall supply such application and agreement for letter of credit, in the form reasonably satisfactory to the relevant Issuing Lender, as the relevant Issuing Lender may require in connection with such requested Letter of Credit ("L/C Related Documents") along with such other information reasonably related to the requested Letter of Credit.

(ii) If the proposed Letter of Credit complies with the requirements of this Section 2.02, such Issuing Lender will, unless the Issuing Lender has received written notice from the Administrative Agent, that one or more of the applicable conditions set forth in Article IV shall not be satisfied, make such Letter of Credit available to the requesting Borrower as agreed with the requesting Borrower in connection with such issuance. In the event and to the extent that the provisions of any L/C Related Documents shall conflict with this Agreement, the provisions of this Agreement shall govern.

(iii) Each Issuing Lender shall furnish (A) upon request of the Administrative Agent, copies of the Letters of Credit issued by it hereunder, and (B) to the Administrative Agent on the first Business Day of each fiscal quarter a written report setting forth the Letters of Credit issued in Alternate Currencies, solely for purposes of determining the Dollar Equivalent thereof.

(d) Reimbursement; Syndicate Participation. (i) Automatically upon the issuance of each Letter of Credit, each Lender shall be deemed to have automatically and unconditionally acquired a participation therein to the extent of such Lender's Commitment Percentage on the terms provided in this clause (d) without any further action.

(ii) Upon receipt from the beneficiary of any Letter of Credit of any notice of drawing under such Letter of Credit, the relevant Issuing Lender shall notify the

requesting Borrower and the Administrative Agent thereof. Not later than 1:00 p.m. (New York time) on the second Business Day following any L/C Payment by an Issuing Lender (the “Honor Date”), the Borrowers jointly and severally agree to reimburse such Issuing Lender directly in an amount equal to the amount of such L/C Payment.

(iii) If the Borrowers fail to so reimburse such Issuing Lender by such date, or if any amounts reimbursed by any Borrower are required to be returned or disgorged for any reason, such Issuing Lender shall promptly notify the Administrative Agent and the Administrative Agent shall promptly notify each Lender of the Honor Date, the unreimbursed amount of such L/C Payment (the “Unreimbursed Amount”), and the amount of such Lender’s pro rata share thereof. In such event, such Borrower shall be irrevocably deemed to have requested a Borrowing of ABR Loans to be disbursed on the Honor Date in an aggregate Dollar Equivalent amount equal to the Unreimbursed Amount (without regard to the minimum and multiples specified in Section 2.01(b)); provided that, notwithstanding any other provision to the contrary in this Section 2.02, no such Borrowing of ABR Loans shall be permitted unless the Debt to Equity Ratio shall be less than or equal to [\*\*] to 1.00 after giving pro forma effect to such Borrowing and the conditions specified in clauses (a) and (b) of Section 4.02 have been satisfied on or as of the date of such Borrowing. Any notice given by an Issuing Lender or the Administrative Agent pursuant to this Section 2.02(d)(iii) may be given by telephone if immediately confirmed in writing; provided, that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(iv) Subject to the proviso in Section 2.02(d)(iii), each Lender (including any Lender acting as an Issuing Lender) unconditionally agrees upon any notice pursuant to Section 2.02(d)(iii) to make funds available to the Administrative Agent for the account of the relevant Issuing Lender at the Administrative Agent’s Account in an amount equal to its Commitment Percentage of the unpaid L/C Reimbursement Obligation not later than 1:00 p.m. (New York time) on the Business Day specified in such notice by the Administrative Agent, whereupon each Lender that so makes funds available shall be deemed to have made an ABR Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the relevant Issuing Lender.

(v) The Borrowers jointly and severally agree to pay interest on the unreimbursed amount of each L/C Reimbursement Obligation to the relevant Issuing Lender, for each day from the date of the relevant L/C Payment until such L/C Reimbursement Obligation is reimbursed or refinanced in full as herein provided, at the rate provided in Section 3.02(b)(ii).

(vi) Subject to the proviso in Section 2.02(d)(iii), each Lender’s obligation to make the payments provided in clause (iv) above to reimburse an Issuing Lender for any L/C Payment shall be absolute and unconditional and shall not be affected by (A) any setoff or counterclaim which such Lender may have against an Issuing Lender, any Borrower or any other Person, (B) the occurrence or continuance of a Default or any reduction or termination of the Commitments or any of them, (C) any of the matters referred to in clause (e) below or (D) any other circumstance whatsoever.

[\*\*] = *Certain information contained in this document, marked by “[\*\*]” has been excluded because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.*

(vii) If any Lender fails timely to make available to the Administrative Agent for the account of an Issuing Lender any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.02, such Issuing Lender shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to such Issuing Lender at a rate per annum equal to the Federal Funds Rate from time to time in effect (without duplication of amounts paid by any Borrower under clause (v) above). A certificate of such Issuing Lender submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this clause (vii) shall be conclusive absent manifest error.

(viii) At any time after an Issuing Lender has made an L/C Payment and has received funds from a Lender in respect of such payment in accordance with Section 2.02, if the Administrative Agent receives for the account of such Issuing Lender any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from a Borrower or otherwise, including proceeds of cash collateral applied thereto by the Administrative Agent), the Administrative Agent will promptly distribute to such Lender its pro rata share thereof in the same funds as those received by the Administrative Agent.

(e) Borrowers Obligations Unconditional. The joint and several obligation of the Borrowers to reimburse each Issuing Lender for each L/C Payment under each Letter of Credit shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances whatsoever, including the following:

- (i) any lack of validity or enforceability of such Letter of Credit, any Loan Document or any other agreement or instrument relating thereto;
- (ii) the existence of any claim, counterclaim, set-off, defense or other right that the Borrower may have at any time against any beneficiary of such Letter of Credit (or any Person for whom any such beneficiary may be acting), such Issuing Lender or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto; or
- (iii) any sight draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect, or any loss or delay in the transmission or otherwise of any document required in order to obtain an L/C Payment under such Letter of Credit; or
- (iv) any payment by such Issuing Lender under such Letter of Credit against presentation of a sight draft or certificate that does not strictly comply with the terms of such Letter of Credit or any payment made by such Issuing Lender under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or

successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any bankruptcy, insolvency, reorganization or similar law.

(f) Issuing Lender Rights. Each Lender and each Borrower agrees that, in making any L/C Payment under a Letter of Credit, the relevant Issuing Lender shall not have any responsibility to obtain any document (other than any sight draft, certificate and other document expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering the same. None of the Issuing Lenders, the Administrative Agent, any of the respective Related Parties, nor any correspondents, participants or assignees of the Issuing Lender shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Majority Lenders, as applicable, (ii) any action taken or omitted in the absence of bad faith, gross negligence or willful misconduct, or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or L/C Related Document. None of the Issuing Lenders, the Administrative Agent, any of the respective Related Parties, nor any correspondents, participants or assignees of the Issuing Lender, shall be liable or responsible for any of the matters described in Section 2.02(e); provided that anything therein or elsewhere in this Agreement to the contrary notwithstanding, the Borrowers may have a claim against an Issuing Lender, and such Issuing Lender may be liable to the Borrowers, to the extent, but only to the extent, of any direct (as opposed to special, indirect, consequential or punitive) damages suffered by the Borrowers which were directly caused by such Issuing Lender's bad faith, willful misconduct or gross negligence as determined by a final and nonappealable ruling of a court of competent jurisdiction. In furtherance and not in limitation of the foregoing, each Issuing Lender may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

(g) Applicability of ISP98. Unless otherwise expressly agreed by an Issuing Lender and the requesting Borrower when a Letter of Credit is issued, the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance) shall apply to each Letter of Credit.

#### SECTION 2.03. Fees.

(a) Agency Fee. The Borrowers jointly and severally agree to pay to the Administrative Agent, for the Administrative Agent's own account, an administrative agency fee at the times and in the amounts as agreed in writing by KCMH and the Administrative Agent.

(b) Facility Fee. The Borrowers jointly and severally agree to pay to the Administrative Agent, for the account of each Lender, a facility fee on the amount of the Commitment of such Lender for each day during the period from the date hereof until the Commitment Termination Date, at the rate calculated based on usage of the Aggregate Facility Amount in accordance with the fee schedule set forth on Annex A, payable quarterly in arrears on the entire Aggregate Facility Amount (irrespective of usage) on the last Business Day of March, June, September and December of each year, on the Commitment Termination Date and on the date of termination of the Commitments.

(c) Letter of Credit Fees.

(i) The Borrowers jointly and severally agree to pay to the Administrative Agent, for the pro rata account of the Lenders based on their respective Commitment Percentages, a commission on the average daily undrawn amount of each outstanding Letter of Credit at a rate equal to the Applicable Margin then in effect for Eurocurrency Loans (minus the amount of the fronting fee referred to below), payable quarterly in arrears on the last Business Day of March, June, September and December of each year and on the Commitment Termination Date, commencing on the first such date after the date hereof.

(ii) The Borrowers jointly and severally agree to pay to each Issuing Lender, for the sole account of such Issuing Lender, (x) a fronting fee with respect to each Letter of Credit issued by such Issuing Lender, payable quarterly in arrears on the last Business Day of each March, June, September and December and on the Commitment Termination Date, in an amount equal to [\*\*]% per annum of the average daily available amount of such Letter of Credit and (y) such customary fees and charges in connection with the issuance or administration of each Letter of Credit issued by such Issuing Lender as may be agreed in writing between KCMH and such Issuing Lender from time to time. The Issuing Lender will notify the Borrowers of any and all such fees and charges payable under this Section.

(d) Other Fees. The Borrower shall pay to the Administrative Agent and the Lead Arranger for their own respective accounts such other fees in the amounts and at the times as may be agreed in writing between KCMH and the Administrative Agent and/or the Lead Arranger.

SECTION 2.04. Changes of Commitments.

(a) Commitment Termination Date. The Commitment of each Lender shall be automatically reduced to zero on the Commitment Termination Date.

(b) Commitment Termination or Reduction. KCMH shall have the right, upon at least three Business Days' notice to the Administrative Agent, to terminate in whole or reduce ratably in part the unused portions of the Commitments; provided, that (i) each partial reduction shall be in a minimum aggregate amount of \$5,000,000 and (ii) after giving effect to such termination or reduction, (A) the Total Credit Exposure does not exceed the Aggregate Facility Amount and (B) the L/C Exposure does not exceed the Letter of Credit Facility Amount. Once terminated or reduced, the Commitments may not be reinstated.

SECTION 2.05. Concerning Joint and Several Liability of the Borrowers.

(a) Each of the Borrowers is accepting joint and several liability hereunder and under the other Loan Documents in consideration of the financial accommodations to be provided by the Lenders and the Administrative Agent under this Agreement, for the mutual benefit, directly and indirectly, of each of the Borrowers and in consideration of the undertakings of each other Borrower to accept joint and several liability for the Obligations.

[\*\*] = *Certain information contained in this document, marked by "[\*\*]" has been excluded because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.*

(b) Each of the Borrowers, jointly and severally, hereby irrevocably and unconditionally accepts, not merely as a surety but also as a primary obligor and co-debtor, joint and several liability with each other Borrower, with respect to the payment and performance of all of the Obligations (including, without limitation, any Obligations arising under this Section 2.05), it being the intention of the parties hereto that all the Obligations shall be the joint and several obligations of each of the Borrowers without preferences or distinction among them.

(c) If and to the extent that any of the Borrowers shall fail to make any payment with respect to any of the Obligations as and when due or to perform any of the Obligations in accordance with the terms thereof, then, in each such event, the other Borrowers will make such payment with respect to, or perform, such Obligation.

(d) The Obligations of each of the Borrowers under the provisions of this Section 2.05 constitute the full recourse Obligations of each of the Borrowers enforceable against each such Person to the full extent of its properties and assets, irrespective of the validity, regularity or enforceability of this Agreement or the other Loan Documents or any other circumstance whatsoever.

(e) Except as otherwise expressly provided herein, each Borrower hereby waives promptness, diligence, presentment, demand, protest, notice of acceptance of its joint and several liability, notice of any and all advances of the Loans made under this Agreement and any promissory note issued hereunder, notice of occurrence of any Default or Event of Default (except to the extent notice is expressly required to be given pursuant to the terms of this Agreement or any of the other Loan Documents), or of any demand for any payment under this Agreement, notice of any action at any time taken or omitted by the Administrative Agent or the Lenders under or in respect of any of the Obligations hereunder, any requirement of diligence and, generally, all demands, notices and other formalities of every kind in connection with this Agreement and the other Loan Documents. Each Borrower hereby waives all defenses which may be available by virtue of any valuation, stay, moratorium law or other similar law now or hereafter in effect, any right to require the marshaling of assets of the Borrowers and any other entity or Person primarily or secondarily liable with respect to any of the Obligations, and all surety ship defenses generally. Each Borrower hereby assents to, and waives notice of, any extension or postponement of the time for the payment, or place or manner for payment, compromise, refinancing, consolidation or renewals of any of the Obligations hereunder, the acceptance of any partial payment thereon, any waiver, consent or other action or acquiescence by the Administrative Agent and the Lenders at any time or times in respect of any default by any Borrower in the performance or satisfaction of any term, covenant, condition or provision of this Agreement and the other Loan Documents, any and all other indulgences whatsoever by the Administrative Agent and the Lenders in respect of any of the Obligations hereunder, and the taking, addition, substitution or release, in whole or in part, at any time or times, of any security for any of such Obligations or the addition, substitution or release, in whole or in part, of any Borrower or any other entity or Person primarily or secondarily liable for any Obligation. Each Borrower further agrees that its Obligations shall not be released or discharged, in whole or in part, or otherwise affected by the adequacy of any rights which the Administrative Agent or any Lender may have against any collateral security, guaranty or other means of obtaining repayment of any of the Obligations, the impairment of any collateral security securing or guaranty supporting the Obligations, including, without limitation, the failure to protect or preserve any

rights which any Administrative Agent or any Lender may have in such collateral security or guaranty or the substitution, exchange, surrender, release, loss or destruction of any such collateral security, any other act or omission which might in any manner or to any extent vary the risk of such Borrower, or otherwise operate as a release or discharge of such Borrower, all of which may be done without notice to such Borrower. If for any reason any other Borrower has no legal existence or is under no legal obligation to discharge any of the Obligations, or if any of the Obligations have become irrecoverable from any other Borrower by reason of such other Borrower's insolvency, bankruptcy or reorganization or by other operation of law or for any reason, this Agreement and the other Loan Documents to which it is a party shall nevertheless be binding on such Borrower to the same extent as if such Borrower at all times had been the sole obligor on such Obligations. Without limiting the generality of the foregoing, each Borrower assents to any other action or delay in acting or failure to act on the part of the Administrative Agent and the Lenders, including, without limitation, any failure strictly or diligently to assert any right or to pursue any remedy or to comply fully with applicable laws or regulations thereunder which might, but for the provisions of this Section 2.05, afford grounds for terminating, discharging or relieving such Borrower, in whole or in part, from any of its obligations under this Section 2.05, it being the intention of each Borrower that, so long as any of the Obligations hereunder remain unsatisfied, the obligations of such Borrower under this Section 2.05 shall not be discharged except by performance and then only to the extent of such performance. The Obligations of each Borrower under this Section 2.05 shall not be diminished or rendered unenforceable by any winding up, reorganization, arrangement, liquidation, reconstruction or similar proceeding with respect to any reconstruction or similar proceeding with respect to any other Borrower, or any of the Lenders. The joint and several liability of the Borrowers hereunder shall continue in full force and effect notwithstanding any absorption, merger, amalgamation or any other change whatsoever in the name, ownership, membership, constitution or place of formation of any Borrower or the Lenders. Each of the Borrowers acknowledges and confirms that it has itself established its own adequate means of obtaining from the other Borrowers on a continuing basis all information desired by such Borrower concerning the financial condition of the other Borrowers and that each such Borrower will look to the other Borrowers and not to the Administrative Agent or any Lender in order for such Borrower to keep adequately informed of changes in the other Borrowers' respective financial conditions.

(f) The provisions of this Section 2.05 are made for the benefit of the Lenders and the Administrative Agent and their respective permitted successors and assigns, and may be enforced by it or them from time to time against any or all of the Borrowers as often as occasion therefor may arise and without requirement on the part of the Lenders, the Administrative Agent or such successor or assign first to marshal any of its or their claims or to exercise any of its or their rights against the other Borrowers or to exhaust any remedies available to it or them against any other Borrower or to resort to any other source or means of obtaining payment of any of the Obligations hereunder or to elect any other remedy. The provisions of this Section 2.05 shall remain in effect until all of the Obligations shall have been paid in full or otherwise fully satisfied and all Commitments terminated. If at any time, any payment, or any part thereof made in respect of any of the Obligations, is rescinded or must otherwise be restored or returned by any Lender or the Administrative Agent upon the insolvency, bankruptcy or reorganization of any of the Borrowers, or otherwise, the provisions of this Section 2.05 will forthwith be reinstated in effect, as though such payment had not been made.

(g) Each of the Borrowers hereby agrees that it will not enforce any of its rights of reimbursement, contribution, subrogation or the like against any other Borrower with respect to any liability incurred by it hereunder or under any of the other Loan Documents, any payments made by it to any of the Lenders or the Administrative Agent with respect to any of the Obligations or any collateral security therefor until such time as all of the Obligations have been indefeasibly paid in full in cash and all Commitments terminated. Any claim which any Borrower may have against any other Borrower with respect to any payments to the Lenders or the Administrative Agent hereunder or under any other Loan Documents are hereby expressly made subordinate and junior in right of payment, without limitation as to any increases in the Obligations arising hereunder or thereunder, to the prior payment in full of the Obligations and, in the event of any insolvency, bankruptcy, receivership, liquidation, reorganization or other similar proceeding under the laws of any jurisdiction relating to any Borrower, its debts or its assets, whether voluntary or involuntary, all such Obligations shall be paid in full before any payment or distribution of any character, whether in cash, securities or other property, shall be made to any other Borrower therefor.

(h) Each of the Borrowers hereby agrees that the payment of any amounts due with respect to the indebtedness owing by any Borrower to any other Borrower is hereby subordinated to the prior payment in full in cash of the Obligations and the termination of the all Commitments. Each Borrower hereby agrees that after the occurrence and during the continuance of any Event of Default, unless the Administrative Agent otherwise agrees, such Borrower will not demand, sue for or otherwise attempt to collect any indebtedness of any other Borrower owing to such Borrower until the Obligations shall have been paid in full in cash. If, notwithstanding the foregoing sentence, such Borrower shall collect, enforce or receive any amounts in respect of such indebtedness, such amounts shall be collected, enforced and received by such Borrower as trustee for the Administrative Agent on account of the Obligations and shall be paid promptly after receipt to the Administrative Agent.

SECTION 2.06. Contribution.

(a) To the extent that any Borrower shall make a payment under Section 2.05 of all or any of the Obligations (other than Loans made to that Borrower for which it is primarily liable) (a "Support Payment") that, taking into account all other Support Payments then previously or concurrently made by any other Borrower, exceeds the amount that such Borrower would otherwise have paid if each Borrower had paid the aggregate Obligations satisfied by such Support Payment in the same portion that such Borrower's Allocable Amount (as determined immediately prior to such Support Payment) bore to the aggregate Allocable Amounts of each of the Borrowers as determined immediately prior to the making of such Support Payment, then, following indefeasible payment in full in cash of the Obligations and termination of the Commitments, such Borrower shall be entitled to receive contribution and indemnification payments from, and be reimbursed by, the other Borrowers for the net amount of such excess, pro rata based upon their respective Allocable Amounts in effect immediately prior to such Support Payment.

(b) As of any date of determination, the "Allocable Amount" of any Borrower shall be equal to the maximum amount of the claim that could then be recovered from such



Borrower under Section 2.06(a) without rendering such claim voidable or avoidable under Section 548 of Chapter 11 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law.

(c) This Section 2.06 is intended only to define the relative rights of Borrowers and nothing set forth in this Section 2.06 is intended or shall impair the obligations of the Borrowers, jointly and severally, to pay any amounts as and when the same shall become due and payable in accordance with the terms of this Agreement, including Section 2.05. Nothing contained in this Section 2.06 shall limit the liability of any Borrower to pay the Loans or L/C Reimbursement Obligations made directly or indirectly to or for the benefit of that Borrower and accrued interest, fees and expenses with respect thereto for which such Borrower shall be primarily liable.

(d) The parties hereto acknowledge that the rights of contribution and indemnification of any Borrower under this Section 2.06 shall constitute assets of such Borrower.

(e) The rights of an indemnifying Borrower against the other Borrowers under this Section 2.06 shall be exercisable upon the full and indefeasible payment of the Obligations and the termination of Commitments.

### ARTICLE III

#### PAYMENTS

SECTION 3.01. Repayment. Each Borrower agrees to repay the full principal amount of each Loan by each Lender, and each such Loan shall mature, on the Commitment Termination Date.

#### SECTION 3.02. Interest.

(a) Ordinary Interest. The Borrowers jointly and severally agree to pay interest on the unpaid principal amount of each Loan, from the date of such Loan until such principal amount shall be paid in full, at the following rates per annum:

(i) ABR Loans. While such Loan is an ABR Loan, a rate per annum equal to the ABR in effect from time to time plus the Applicable Margin as in effect from time to time, interest under this clause (i) to be payable quarterly in arrears on the last Business Day of each March, June, September and December and on the date such ABR Loan shall be Converted and on the date of each payment of principal thereof.

(ii) Eurocurrency Loans. While such Loan is a Eurocurrency Loan, a rate per annum for each Interest Period for such Loan equal to the Eurocurrency Rate for such Interest Period plus the Applicable Margin as in effect from time to time, interest under this clause (ii) to be payable on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on the date three months after the first day of such Interest Period, and on each date on which such Eurocurrency Loan shall be Continued or Converted and on the date of each payment of principal thereof.

(b) Default Interest. Notwithstanding the foregoing, the Borrowers jointly and severally shall pay interest on:

(i) any principal of any Loan that is not paid when due (whether at scheduled maturity or otherwise), payable on demand and in any event on the date such amount shall be paid, at a rate per annum equal at all times to two percent (2%) per annum above the rate per annum required to be paid on such Loan pursuant to said Section 3.02(a)(i) or (a)(ii), as applicable; and

(ii) any interest, fee or other amount thereof (other than any principal) that is not paid when due, from the due date thereof until such amount shall be paid, payable on demand and in any event on the date such amount shall be paid in full, at a rate per annum equal at all times to two percent (2%) per annum above the rate per annum then required to be paid on ABR Loans.

SECTION 3.03. Eurocurrency Reserves. The Borrowers jointly and severally shall pay to each Lender, as long as such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as “Eurocurrency Liabilities”), additional interest on the unpaid principal amount of each Eurocurrency Loan equal to the actual costs of such reserves allocated to such Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive), which shall be due and payable on each date on which interest is payable on such Loan, provided KCMH shall have received at least 10 days’ prior notice (with a copy to the Administrative Agent) of such additional interest from such Lender. If a Lender fails to give notice 10 days prior to the relevant interest payment date, such additional interest shall be due and payable 10 days from receipt of such notice.

SECTION 3.04. Interest Rate Determinations.

(a) Notice of Interest Rates. The Administrative Agent shall give prompt notice to KCMH and the Lenders of the applicable interest rates determined by the Administrative Agent.

(b) Eurocurrency Rate Inadequate. If, with respect to any Eurocurrency Loan, (x) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Eurocurrency Rate (including because the Screen Page is not available or published on a current basis), for such Interest Period or (y) the Majority Lenders notify the Administrative Agent that the Eurocurrency Rate for any Interest Period for such Loans will not fairly reflect the cost to such Majority Lenders of making, funding or maintaining their respective Eurocurrency Loans for such Interest Period, the Administrative Agent shall so notify KCMH and the Lenders, whereupon:

(i) any Notice of Borrowing requesting a Borrowing comprised of Eurocurrency Loans shall be ineffective;

(ii) each Eurocurrency Loan will automatically, on the last day of the then current Interest Period therefor, be Converted into an ABR Loan;  
and

(iii) the obligation of the Lenders to make or Continue, or to Convert Loans into, Eurocurrency Loans shall be suspended until the Administrative Agent shall notify KCMH and such Lenders that the circumstances causing such suspension no longer exist.

(c) Alternative Rate of Interest. If at any time the Administrative Agent determines (which determination shall be conclusive absent manifest error) that (i) the circumstances set forth in clause (b)(x) have arisen and such circumstances are unlikely to be temporary or (ii) the circumstances set forth in clause (b)(x) have not arisen but either (w) the supervisor for the administrator of the Screen Page has made a public statement that the administrator of the Screen Page is insolvent (and there is no successor administrator that will continue publication of the Screen Page), (x) the administrator of the Screen Page has made a public statement identifying a specific date after which the Screen Page will permanently or indefinitely cease to be published by it (and there is no successor administrator that will continue publication of the Screen Page), (y) the supervisor for the administrator of the Screen Page has made a public statement identifying a specific date after which the Screen Page will permanently or indefinitely cease to be published or (z) the supervisor for the administrator of the Screen Page or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which the Screen Page may no longer be used for determining interest rates for loans, then the Administrative Agent and the Borrowers shall endeavor to establish an alternate rate of interest to the Eurocurrency Rate that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the United States at such time, and shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable (but for the avoidance of doubt, such related changes shall not include a reduction of the Applicable Margin); provided that, if such alternate rate of interest as so determined would be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement. Notwithstanding anything to the contrary in Section 9.01, such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Administrative Agent shall not have received, within five Business Days of the date notice of such alternate rate of interest is provided to the Lenders, a written notice from the Majority Lenders stating that such Majority Lenders object to such amendment. Until an alternate rate of interest shall be determined in accordance with this clause (c) (but, in the case of the circumstances described in clause (ii)(w), clause (ii)(x) or clause (ii)(y) of the first sentence of this Section 3.04(c), only to the extent the Screen Page for such Interest Period is not available or published at such time on a current basis), (x) any Notice of Borrowing that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing shall be ineffective and (y) if any Notice of Borrowing requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

(d) Certain Mandatory Conversions.

(i) Upon the occurrence and during the continuance of any Event of Default, (x) each Eurocurrency Loan will automatically, on the last day of the then current Interest Period therefor, be Converted into an ABR Loan and (y) the obligation of the

Lenders to make or Continue, or to Convert Loans into, Eurocurrency Loans shall be suspended.

(ii) If this Agreement shall require that any Eurocurrency Loan be Converted to an ABR Loan and such Eurocurrency Loan is denominated in an Alternate Currency, the Borrowers jointly and severally shall on the last day of the current Interest Period pay or prepay the full amount of such Eurocurrency Loan (provided, that the foregoing shall not prevent the Borrower from borrowing additional Loans to the extent otherwise permitted hereunder).

SECTION 3.05. Voluntary Conversion or Continuation of Loans.

(a) Conversions. The requesting Borrower may on any Business Day, upon written notice (or telephonic notice promptly confirmed in writing) given to the Administrative Agent not later than 11:00 a.m. (New York time) on the third Business Day (or, with respect to Interest Periods other than one, two, three or six months, fourth Business Day) prior to the date of the proposed Conversion, Convert all or any portion of the outstanding Loans of one Type comprising part of the same Borrowing into Loans of the other Type; provided that in the case of any such Conversion of a Eurocurrency Loan into an ABR Loan on a day other than the last day of an Interest Period therefor, the Borrowers jointly and severally shall promptly reimburse the Lenders the amounts provided in Section 3.12 relating to such prepayment. Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Loans to be Converted, and (z) if such Conversion is into Eurocurrency Loans, the duration of the initial Interest Period for each such Loan. Each notice of Conversion shall be irrevocable and binding on the Borrowers.

(b) Continuations. The requesting Borrower may, on any Business Day, upon written notice (or telephonic notice promptly confirmed in writing) given to the Administrative Agent not later than 11:00 a.m. (New York time) on the third Business Day (or, with respect to Interest Periods other than one, two, three or six months, fourth Business Day) prior to the date of the proposed Continuation, Continue all or any portion of the outstanding Eurocurrency Loans comprising part of the same Borrowing for one or more Interest Periods. Each such notice of a Continuation shall, within the restrictions specified above, specify (i) the date of such Continuation, (ii) the Eurocurrency Loans to be Continued and (y) the duration of the next Interest Period for the Eurocurrency Loans subject to such Continuation. Each notice of Continuation shall be irrevocable and binding on the Borrowers.

SECTION 3.06. Prepayments of Loans.

(a) Optional Prepayment. The requesting Borrower may, on notice (given not later than 11:00 a.m. (New York time) on the Business Day of the proposed prepayment of Loans, with respect to ABR Loans, and on the third Business Day prior to the date of prepayment with respect to Eurocurrency Loans) stating the proposed date and aggregate principal amount (stated in Dollars) of the prepayment, and if such notice is given the Borrowers jointly and severally shall, prepay the outstanding principal amounts of the Loans comprising part of the same Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (i) each partial

prepayment shall be in an aggregate principal amount not less than \$5,000,000 or integral multiples of \$1,000,000 in excess thereof (or, in the case of Loans denominated in an Alternate Currency, the Alternate Currency Equivalent thereof in such Alternate Currency) and (ii) in the case of any such prepayment of a Eurocurrency Loan on a day other than the last day of an Interest Period therefor, the Borrowers jointly and severally shall reimburse the Lenders the amounts provided in Section 3.12 relating to such prepayment.

(b) Alternate Currency Revaluation. If at any time by reason of fluctuations in foreign exchange rates the Total Credit Exposure exceeds 105% of the then aggregate amount of the Commitments, and the Majority Lenders so request, the Administrative Agent shall use all reasonable efforts to give prompt written notice thereof to KCMH, specifying the amount to be prepaid under this clause (b), and the Borrowers jointly and severally shall prepay Loans or, if no Loans are outstanding, provide cash collateral for or otherwise backstop outstanding Letters of Credit on terms reasonably satisfactory to KCMH, the Issuing Lender and the Administrative Agent, in such aggregate amount as may be required to cause the Total Credit Exposure (treating such cash collateralization or other backstopping for purposes hereof as a reduction in such Total Credit Exposure) to be equal to or less than the aggregate amount of the Commitments, such payments or other measures to be made within 10 Business Days of demand or, in the case of prepayment of Eurocurrency Loans, on the date that is the earlier of (i) the last day of the then current Interest Period therefor and (ii) the last Business Day of the first full calendar month after such revaluation, provided that any such prepayment shall be accompanied by any amounts payable under Section 3.12. The determinations of the Administrative Agent hereunder shall be conclusive and binding on the Borrowers in the absence of manifest error.

#### SECTION 3.07. Payments; Computations; Etc.

(a) Pro Rata Payments. The Loans comprising each Borrowing shall be made pro rata among the Lenders based on their respective Commitment Percentages. Except as otherwise provided hereunder, all payments of principal of and interest on the Loans shall be made for the pro rata account of the Lenders based on the respective outstanding principal amounts thereof, and all payments of commitment fees and letter of credit commission shall be made for the pro rata account of the Lenders based on their respective Commitment Percentages.

(b) Lenders' Obligations Several. The obligations of the Lenders under this Agreement are several and the failure of any Lender to make any Loan or any payment required to be made by it hereunder shall not relieve any other Lender of its obligations hereunder, nor shall any Lender be responsible for any other Lender's failure to make any Loan required to be made by such other Lender.

(c) Currencies. All payments by the Borrower of or in respect of principal of and interest on and other amounts directly relating to any Loan that are denominated in an Alternate Currency shall be made in such Alternate Currency. All payments of principal and interest on any Loan denominated in Dollars, all payments in respect of any Letter of Credit, and all payments of fees payable pursuant to Section 2.03(c), commitment fees and agency fees hereunder and all other payments by any Borrower provided for in this Agreement, except as provided in the preceding sentence, shall be made in Dollars.

(d) Payments.

(i) The Borrowers shall make each payment hereunder and under each other Loan Document without set-off, counterclaim or deduction of any kind to the Administrative Agent at the Administrative Agent's Account in the Principal Financial Center for the relevant Currency not later than 11:00 a.m. Local Time on the due date of such payment (each such payment made after such time on such date to be deemed to have been made on the next Business Day).

(ii) The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest ratably to the Lenders as provided in Section 3.07(a) for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Assumption and recording of the information contained therein in the Register pursuant to Section 9.06(c), from and after the assignment date set forth therein, the Administrative Agent shall remit all payments hereunder and under the Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Assumption shall make all appropriate adjustments in such payments for periods prior to such assignment date directly between themselves.

(e) Computations. All computations of interest based on the ABR (except any Federal Funds Rate component thereof) shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be, for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable. All computations of interest based on the Eurocurrency Rate or the Federal Funds Rate and of commitment fee shall be made by the Administrative Agent, and any computations of amounts payable pursuant to Section 3.03, shall be made on the basis of a year of 360 days, for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or other amount is payable. Each determination by the Administrative Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(f) Payment Dates. Whenever any payment hereunder or under the Notes would be due on a day other than a Business Day, such due date shall be extended to the next succeeding Business Day, and any such extension of such due date shall in such case be included in the computation of interest; provided, that if such extension would cause payment of principal or interest in respect of Eurocurrency Loans to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(g) Presumption by Administrative Agent.

(i) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed time of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made its share available at such time in

accordance with Section 2.01(b) and may (but shall not be obligated), in reliance upon such assumption, make available to a Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then (A) the applicable Lender, on one hand, and (B) the Borrowers on a joint and several basis on the other hand, severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to a Borrower to but excluding the date of payment to the Administrative Agent, at (x) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation and (y) in the case of a payment to be made by a Borrower, the interest rate applicable to ABR Loans. If a Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to such Borrower the amount of such interest paid by such Borrower for such period. If such Lender pays its share of the applicable Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan included in such Borrowing. Any payment by a Borrower shall be without prejudice to any claim such Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(ii) Unless the Administrative Agent shall have received notice from KCMH prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrowers will not make such payment, the Administrative Agent may assume that the Borrowers have made such payment on such date in accordance herewith and may (but shall not be obligated), in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrowers have not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation (if such Loan is denominated in Dollars) or at the overnight London Interbank offered rate for the relevant Currency (if such Loan is denominated in an Alternate Currency).

SECTION 3.08. Sharing of Payments, Etc. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or other obligations hereunder resulting in such Lender's receiving payment of a proportion of the aggregate amount of its Loans and accrued interest thereon or other such obligations greater than its pro rata share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and such other obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them, provided, that:

(i) if any such participation is purchased and all or any portion of the related payment is recovered, such participation shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this subsection shall not be construed to apply to (x) any payment made by the Borrowers pursuant to and in accordance with the express terms of this Agreement or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans other than to a Borrower or any Subsidiary thereof (as to which the provisions of this subsection shall apply).

The Borrowers consent to the foregoing and agree, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrowers, jointly and severally, rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrowers in the amount of such participation.

SECTION 3.09. Increased Costs.

(a) Eurocurrency Costs. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement contemplated by Section 3.03) or the Issuing Lender; or

(ii) impose on any Lender or the Issuing Lender or the London interbank market any other condition, cost or expense affecting this Agreement or Eurocurrency Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurocurrency Loan (or of maintaining its obligation to make any Eurocurrency Loan), or to increase the cost to such Lender or the Issuing Lender of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender or the Issuing Lender hereunder (whether of principal, interest or any other amount) then, from time to time upon request of such Lender or the Issuing Lender, the Borrowers jointly and severally will pay to such Lender or the Issuing Lender such additional amount or amounts as will compensate such Lender or the Issuing Lender, as the case may be, for such additional costs incurred or reduction suffered. This Section 3.09 shall not apply to Excluded Taxes or any matters covered by Section 3.11 relating to Taxes.

(b) Capital Requirements. If any Lender or the Issuing Lender determines that any Change in Law affecting such Lender or the Issuing Lender or any lending office of such Lender or the Issuing Lender or such Lender's or the Issuing Lender's holding company, if any, regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Lender's capital or on the capital of such Lender's or the Issuing Lender's holding company as a consequence of this Agreement, the Commitments of such Lender or the Loans made by, or participations in Letters of Credit held by, such Lender, or the



Letter of Credit issued by the Issuing Lender, to a level below that which such Lender or the Issuing Lender or such Lender's or the Issuing Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Lender's policies and the policies of such Lender's or the Issuing Lender's holding company with respect to capital adequacy), then from time to time upon request of such Lender or the Issuing Lender, the Borrowers jointly and severally will pay to such Lender or the Issuing Lender, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Lender or such Lender's or the Issuing Lender's holding company for such reduction.

(c) Certificates for Reimbursement. A certificate of any Lender or the Issuing Lender setting forth the amount or amounts and a reasonable basis for the determination thereof necessary to compensate such Lender or the Issuing Lender or its holding company, as the case may be, as specified in clauses (a) or (b) of this Section 3.09 and delivered to KCMH shall be conclusive on all Borrowers absent manifest error. The Borrowers jointly and severally shall pay such Lender or the Issuing Lender, as the case may be, the amount shown as due on any such certificate within 10 Business Days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender or the Issuing Lender to demand compensation pursuant to this Section 3.09 shall not constitute a waiver of such Lender's or the Issuing Lender's right to demand such compensation, provided, that the Borrowers shall not be required to compensate a Lender or the Issuing Lender pursuant to this Section for any increased costs incurred or reductions suffered more than 180 days prior to the date that such Lender or the Issuing Lender, as the case may be, notifies KCMH of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the Issuing Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof).

SECTION 3.10. Illegality. Notwithstanding any other provision of this Agreement, if any Lender shall notify the Administrative Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other Governmental Authority asserts that it is unlawful, for such Lender or its Eurocurrency Lending Office to perform its obligations hereunder to make or continue Eurocurrency Loans or to fund or otherwise maintain Eurocurrency Loans hereunder, (a) the obligation of such Lender to make or Continue, or to Convert Loans into, Eurocurrency Loans shall be suspended until the Administrative Agent shall notify KCMH and the Lenders that the circumstances causing such suspension no longer exist and (b) each Eurocurrency Loan of such Lender shall convert into an ABR Loan at the end of the then current Interest Period for such Eurocurrency Loan, if such Lender may lawfully continue to maintain such Eurocurrency Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurocurrency Loans.

SECTION 3.11. Taxes.

(a) All payments on account of the principal of and interest on the Loans and the Notes, fees and all other amounts whatsoever payable by the Borrowers under the Loan Documents shall be made free and clear of and without reduction or liability for any Taxes, except as required by applicable law, decree or regulation.

(b) In the event that any Borrower or the Administrative Agent shall be required by applicable law, decree or regulation to deduct or withhold any Tax from any amounts payable to the Administrative Agent or any Lender on, under or in respect of this Agreement, the Loans or any Loan Document, the Borrowers jointly and severally shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law, decree or regulation and, if such Tax is an Indemnified Tax, then the Borrowers jointly and severally shall promptly pay such recipient such additional amounts as may be required, after the deduction or withholding of Indemnified Taxes, to enable such recipient to receive from the Borrowers on the due date thereof an amount equal to the full amount stated to be payable to such recipient.

(c) The Borrowers jointly and severally shall indemnify the Administrative Agent and each Lender (including each Issuing Lender) against, and reimburse them upon demand for, any incremental Taxes, interest or penalties, that they may incur at any time arising out of or in connection with any such failure of the Borrowers to make any payment of Indemnified Taxes when due.

(d) KCMH shall furnish to the Administrative Agent original or certified copies of official tax receipts in respect of each payment of Indemnified Taxes required under this Section 3.11, as soon as practicable after the date such payment is made, and the Borrowers shall promptly furnish to the Administrative Agent at its request or at the request of any Lender (through the Administrative Agent) to KCMH any other information, documents and receipts that the Administrative Agent or such Lender may reasonably require to establish that full and timely payment has been made of all Indemnified Taxes required to be paid under this Section 3.11.

(e)

(i) Each Lender or Participant that is not a "U.S. Person" as defined in Section 7701(a)(30) of the Code (a "Non-U.S. Lender") shall deliver to KCMH and the Administrative Agent (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form W-8BEN or W-8BEN-E, as applicable, Form W-8ECI, Form W-8 IMY, Form W-8 EXP, or, in the case of a Non-U.S. Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a statement substantially in the form of Exhibit E-1, Exhibit E-2, Exhibit E-3 or Exhibit E-4, as applicable, and a Form W-8BEN or W-8BEN-E, as applicable, or any subsequent versions thereof or successors thereto, properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. federal withholding tax on all payments by the Borrower under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of any Participant, on or before the date such Participant purchases the related participation).

(ii) Each Lender that is a "U.S. Person" as defined in Section 7701(a)(30) of the Code shall deliver to KCMH and the Administrative Agent (or, in the case of a

Participant of a Non-U.S. Lender, to such Non-U.S. Lender) on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of KCMH or the Administrative Agent), executed originals of IRS Form W-9 certifying that such Lender or Participant, as applicable, is exempt from U.S. Federal backup withholding tax.

(f) Each Lender shall deliver to any Borrower and the Administrative Agent at the time or times prescribed by applicable law and at such time or times reasonably requested by such Borrower or the Administrative Agent such documentation prescribed by applicable law and such additional documentation reasonably requested by such Borrower or the Administrative Agent as may be necessary for such Borrower or the Administrative Agent to comply with any obligations of such Borrower of the Administrative Agent under FATCA or any similar regime arising as a result of the transactions contemplated under any Loan Document.

In addition, each Non-U.S. Lender shall deliver such forms promptly upon the written request of KCMH after the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Each Non-U.S. Lender shall promptly notify KCMH at any time it determines that it is no longer in a position to provide any previously delivered certificate to KCMH (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this paragraph, a Non-U.S. Lender shall not be required to deliver any form pursuant to this paragraph that such Non-U.S. Lender is not legally able to deliver.

(g) A Lender that is entitled to an exemption from or reduction of non-U.S. withholding tax under the law of the jurisdiction in which a Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to KCMH (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by KCMH, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate, provided that such Lender is legally entitled to complete, execute and deliver such documentation and in such Lender's judgment such completion, execution or submission would not materially prejudice the legal position of such Lender.

(h) If the Administrative Agent, any Lender or the Issuing Lender determines, in its sole discretion, that it has received a refund or credit (in lieu of such refund) of any Taxes or Other Taxes as to which it has been indemnified by the Borrowers or with respect to which a Borrower has paid additional amounts pursuant to this Section 3.11, it shall pay to such Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by such Borrower under this Section 3.11 with respect to the Taxes or Other Taxes giving rise to such refund), net of all reasonable out-of-pocket expenses of the Administrative Agent, any Lender or the Issuing Lender, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that each Borrower, upon the request of the Administrative Agent, any Lender or the Issuing Lender, agrees to repay the amount paid over to such Borrower to the Administrative Agent, any Lender or the Issuing Lender in the event the Administrative Agent, any Lender or the Issuing Lender is required to repay such refund to such Governmental Authority. This subsection shall not be construed to require the Administrative Agent, any

Lender or the Issuing Lender to make available its tax returns or its books or records (or any other information relating to its taxes that it deems confidential) to any Borrower or any other Person.

(i) If pursuant to this Section 3.11 a Borrower is required to pay to or for the account of any Lender any additional amounts, then such Lender shall use commercially reasonable efforts to change the jurisdiction of its Applicable Lending Office if, in the sole and absolute judgment of such Lender, such change (i) would eliminate or reduce any such excess additional amounts and (ii) would not otherwise be materially disadvantageous to such Lender.

SECTION 3.12. Break Funding Payments. The Borrowers jointly and severally agree to indemnify each Lender and to hold each Lender harmless from any loss, cost or expense incurred by such Lender which is in the nature of funding breakage costs or costs of liquidation or redeployment of deposits or other funds and any other related expense (but excluding loss of margin or other loss of anticipated profit), which such Lender may sustain or incur as a consequence of (a) default by any Borrower in making any Borrowing of Eurocurrency Loans after a Borrower has given a Notice of Borrowing requesting the same in accordance with the provisions of this Agreement (including as a result of any failure to fulfill, on or before the date specified in such Notice of Borrowing, the applicable conditions set forth in Article IV), (b) default by any Borrower in making any prepayment of any Eurocurrency Loan when due after such Borrower has given notice thereof in accordance with this Agreement, (c) the making by any Borrower of a prepayment of any Eurocurrency Loan on a day which is not the last day of an Interest Period with respect thereto, (d) default by any Borrower in payment when due of the principal of or interest on any Eurocurrency Loan, (e) the Conversion or Continuation of any Eurocurrency Loan on a day other than on the last day of an Interest Period with respect thereto, and (f) any assignment such Lender is required to make pursuant to Section 3.13(b) if such Lender holds Eurocurrency Loans at the time of such assignment. A certificate of any Lender setting forth any amount or amounts and a reasonable basis for the determination thereof that such Lender is entitled to receive pursuant to this Section and delivered to KCMH shall be conclusive absent manifest error. The Borrowers jointly and severally shall pay to such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 3.13. Mitigation Obligations; Replacement of Lenders.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 3.09, or requires any Borrower to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.11, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, if, in the sole and absolute judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.09 or 3.11, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender.

(b) Replacement of Lenders. If any Lender requests compensation under Section 3.09, or if any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.11, or if any Lender

becomes a Defaulting Lender, or if any Lender has failed to consent to a proposed amendment, waiver, discharge or termination that, pursuant to the terms of Section 9.01, requires the consent of all of the Lenders or all of the Lenders affected (and such Lender is an affected Lender) and with respect to which the Majority Lenders shall have granted their consent, then such Borrower may, at the Borrowers' joint and several sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 9.06), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

- (i) no Default or Event of Default has occurred and is continuing on and as of the date of such notice and the date of such assignment;
- (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 3.12) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);
- (iii) in the case of any such assignment resulting from a claim for compensation under Section 3.09 or payments required to be made pursuant to Section 3.11, such assignment will result in a reduction in such compensation or payments thereafter; and
- (iv) such assignment does not conflict with applicable Laws.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling a Borrower to require such assignment and delegation cease to apply. A Lender so replaced shall not be required to pay the processing and recordation fee referred to in Section 9.06(b).

SECTION 3.14. Defaulting Lenders.

(a) Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

- (i) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of Majority Lenders.
- (ii) Reallocation of Payments. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VII or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 9.03 shall be applied at such time or times as may be determined by the

Administrative Agent as follows: *first*, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; *second*, to the payment on a pro rata basis of any amounts owing by such Defaulting Lender to the Issuing Lender hereunder; *third*, to cash collateralize the Issuing Lenders' L/C Exposure with respect to such Defaulting Lender; *fourth*, as any Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; *fifth*, if so determined by the Administrative Agent and KCMH, to be held in a deposit account and released pro rata in order to (x) satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement and (y) cash collateralize the Issuing Lender's future L/C Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement; *sixth*, to the payment of any amounts owing to the Lenders or the Issuing Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender or the Issuing Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; *seventh*, so long as no Default or Event of Default exists, to the payment of any amounts owing to any Borrower as a result of any judgment of a court of competent jurisdiction obtained by such Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and *eighth*, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans or L/C Payments in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made or the related Letters of Credit were issued at a time when the conditions set forth in Section 4.02 were satisfied or waived, such payment shall be applied solely to pay the Loans of, and L/C Payments owed to, all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of, or L/C Payments owed to, such Defaulting Lender until such time as all Loans and funded and unfunded participations in L/C Reimbursement Obligations are held by the Lenders pro rata in accordance with their Commitments without giving effect to Section 3.14(a)(iv). Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post cash collateral pursuant to this Section 3.14(a)(ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) Certain Fees. Each Defaulting Lender shall be entitled to receive the facility fee pursuant to Section 2.03(b) for any period during which that Lender is a Defaulting Lender only to extent allocable to the sum of (1) the outstanding principal amount of the Revolving Loans funded by it, and (2) its Commitment Percentage of the stated amount of Letters of Credit for which it has provided cash collateral. Each Defaulting Lender shall be entitled to receive letter of credit fees pursuant to Section 2.03(c) for any period during which that Lender is a Defaulting Lender only to the extent allocable to its Commitment Percentage of the stated amount of Letters of Credit for which it has provided cash collateral pursuant to the terms hereof. With respect to any facility fee or letter of credit fee not required to be paid to any Defaulting Lender pursuant to this Section 3.14(a)(iii), the Borrowers jointly and severally shall (x) pay to

each Non-Defaulting Lender that portion of any such fee otherwise payable to such Defaulting Lender with respect to such Defaulting Lender's participation in Letters of Credit that has been reallocated to such Non-Defaulting Lender pursuant to clause (iv) below, (y) pay to the Issuing Lender the amount of any such fee otherwise payable to such Defaulting Lender to the extent allocable to the Issuing Lender's L/C Exposure to such Defaulting Lender, and (z) not be required to pay the remaining amount of any such fee.

(iv) Reallocation of Participations to Reduce L/C Exposure. All or any part of such Defaulting Lender's participation in Letters of Credit shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Commitment Percentages (calculated without regard to such Defaulting Lender's Commitment) but only to the extent that (x), if requested by the applicable Issuing Lender, the conditions set forth in Section 4.02 are satisfied at the time of such reallocation (and, unless the Borrowers shall have otherwise notified the Administrative Agent at such time, the Borrowers shall be deemed to have represented and warranted that such conditions are satisfied at such time), and (y) such reallocation does not cause the aggregate of the Total Credit Exposure allocable to any Non-Defaulting Lender to exceed such Non-Defaulting Lender's Commitment. No reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender's increased exposure following such reallocation

(v) Cash Collateral. If the reallocation described in clause (iv) above cannot, or can only partially, be effected, the Borrowers shall jointly and severally, without prejudice to any right or remedy available to it hereunder or under law, promptly cash collateralize the Issuing Lenders' L/C Exposure.

(b) Defaulting Lender Cure. If KCMH, the Administrative Agent and the Issuing Lender agree in writing in their sole discretion that a Defaulting Lender should no longer be deemed to be a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any cash collateral), such Lender will, to the extent applicable, purchase that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Letters of Credit to be held on a *pro rata* basis by the Lenders in accordance with their Commitment Percentages (without giving effect to Section 3.14(a)(iv)), whereupon that Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrowers while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

(c) New Letters of Credit. So long as any Lender is a Defaulting Lender, the Issuing Lender shall not be required to issue, extend, renew or increase any Letter of Credit unless it is reasonably satisfied that it will have no L/C Exposure after giving effect thereto.

#### ARTICLE IV

##### CONDITIONS PRECEDENT

SECTION 4.01. Closing Conditions. Effectiveness of this Agreement is subject to the satisfaction or waiver of the following conditions precedent:

- (a) The Administrative Agent's receipt of the following:
  - (i) this Agreement, duly executed and delivered by the Borrower and each of the other parties hereto;
  - (ii) the Guarantee and Security Agreement, duly executed and delivered by the Borrowers as of the Closing Date, together with duly prepared financing statements in form for filing under the applicable UCC in the jurisdiction of formation of each Borrower;
  - (iii) certified copies of (x) the constitutive documents of each Borrower and (y) resolutions or other authorizing documentation of each Obligor and the General Partner evidencing the taking of all necessary action authorizing and approving the execution, delivery and performance by each Borrower of the Loan Documents to which it is a party;
  - (iv) a certificate of an officer of each Borrower certifying the names and true signatures of the officers authorized to sign the Loan Documents and any other documents to be delivered hereunder by each Borrower;
  - (v) the legal opinion of Simpson Thacher & Bartlett LLP, counsel to the Borrowers, in a form reasonably acceptable to the Administrative Agent;
  - (vi) a certificate of an officer of KCMH, dated the Closing Date, certifying that (a) the representations and warranties contained in Section 5.01 and in the other Loan Documents are true and correct in all material respects on and as of such date as though made on and as of such date and (b) no event has occurred and is continuing on and as of such date which constitutes a Default or an Event of Default;
  - (vii) a certificate attesting to the Solvency of KCMH and its Subsidiaries, taken as a whole, after giving effect to the effectiveness of this Agreement and any Loans made or Letters of Credit issued or outstanding on the Closing Date; and
  - (viii) (a) all documentation and other information reasonably requested in writing at least five Business Days prior to the Closing Date in order to allow the Administrative Agent to comply with applicable "know your customer" and anti-money



laundry rules and regulations, including without limitation, the Patriot Act and (b) any other such documents in customary form and previously agreed between the parties.

(b) KCMH shall have paid (i) all accrued and unpaid fees and any outstanding and accrued and unpaid interest thereon under the Existing Credit Agreement and (ii) all fees and expenses (including fees, charges and disbursements of counsel invoiced prior to the Closing Date) required to be paid on or prior to the Closing Date to the Administrative Agent or the Lead Arranger in connection with this Agreement.

The Administrative Agent will promptly notify the Lenders of the occurrence of the Closing Date.

SECTION 4.02. Conditions Precedent to Each Borrowing and Issuance. The obligation of each Lender to make a Loan during the Availability Period on the occasion of each Borrowing and of the Issuing Lender to issue each Letter of Credit shall be subject to the conditions precedent that on the date of and after giving effect to such Borrowing or issuance, the Total Credit Exposure shall not exceed the then Aggregate Facility Amount, and that the following statements shall be true:

- (a) the representations and warranties contained in Section 5.01 and in the other Loan Documents are true and correct in all material respects on and as of the date of such Borrowing or issuance as though made on and as of such date, except to the extent such representation or warranty expressly relates to an earlier date, in which case it is true and correct in all material respects on and as of such earlier date;
- (b) no event has occurred and is continuing, or would result from such Borrowing or issuance or from the application of the proceeds from such Borrowing, which constitutes a Default or an Event of Default;
- (c) the Debt to Equity Ratio shall be less than or equal to **[\*\*]** to 1.00 after giving pro forma effect to such Borrowing or issuance;
- (d) the Administrative Agent and, if applicable, the Issuing Lender shall have received a request for Borrowing or issuance of Letter of Credit in accordance with the requirements hereof; and
- (e) in connection with Category V Borrowings, the Administrative Agent and, if applicable, the Issuing Lender shall have received a certificate from the Borrower setting out the information required pursuant to the definition of "Category V Borrowing".

Each request for a Borrowing or issuance of a Letter of Credit (other than a notice for Conversion or Continuation of Loans) submitted by a Borrower shall be deemed to be a representation and warranty that the conditions specified in clauses (a), (b) and (c) of this Section 4.02 have been satisfied on and as of the date of such request.

*[\*\*] = Certain information contained in this document, marked by "[\*\*]" has been excluded because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.*

ARTICLE V

REPRESENTATIONS AND WARRANTIES

SECTION 5.01. Representations and Warranties . Each Borrower represents and warrants to the Administrative Agent and the Lenders as follows:

(a) Organization. Each Borrower is duly organized, validly existing and in good standing as a limited partnership or limited liability company, as applicable, under the laws of Delaware, and each Guarantor and the General Partner is duly organized, validly existing and in good standing (to the extent such concept is recognized under such law) under the laws of its jurisdiction of organization. Each Obligor (i) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (A) own or lease its assets and carry on its business and (B) execute, deliver and perform its obligations under the Loan Documents to which it is a party, and (ii) is duly qualified and is licensed and, as applicable, in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license; except in each case referred to in clause (i)(A) or (ii), to the extent that failure to do so would not reasonably be expected to result in a Material Adverse Effect

(b) Authorization. The execution, delivery and performance by each Borrower of this Agreement and the other Loan Documents are within its powers as set forth in its applicable constituent documents, as the case may be, and have been duly authorized by all necessary action thereunder, and the execution, delivery and performance by each Guarantor of the Guarantee and Security Agreement are within the powers of such Guarantor and have been duly authorized by all necessary action and the execution, delivery and performance by KCMH of the Loan Documents have been duly authorized by all necessary action of the General Partner.

(c) Approvals; No Conflicts; Etc. The execution, delivery and performance by each Obligor of the Loan Documents to which it is a party (i) do not require any consent or approval of, or registration or filing with, any Governmental Authority or Self Regulatory Organization (except for (A) such as have been obtained or made and are in full force and effect in all material respects, (B) filings and recordings in respect of Liens created pursuant to the Guarantee and Security Agreement and (C) such licenses, approvals, authorizations or consents the failure to obtain or make would not reasonably be expected to result in a Material Adverse Effect), (ii) will not violate any applicable Law, regulation or order of any Governmental Authority the violation of which would be reasonably expected to result in a Material Adverse Effect, and (iii) will not violate or constitute an event of default under any credit agreement, loan agreement, note or indenture, or any other material agreement, binding upon it or its Property; and no Default has occurred and is continuing.

(d) Enforceability. Each Obligor has duly executed and delivered each Loan Document to which it is a party and each such Loan Document constitutes the legal, valid and binding obligation of such Obligor enforceable in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and subject to general principles of equity.

(e) No Material Adverse Change. Since December 31, 2019, no event or circumstance has occurred that has had, or would reasonably be expected to have, a Material Adverse Effect.

(f) No Litigation. There are no actions, suits or proceedings by or before any Governmental Authority pending against or, to the knowledge of KCMH, threatened against or affecting it or any of its Subsidiaries that would reasonably be expected to result in a Material Adverse Effect.

(g) Compliance with Laws. Each Obligor is in compliance with all Laws and all orders, writs, injunctions and decrees of any Governmental Authority applicable to it or its Property (including, without limitation, the Patriot Act, ERISA, environmental laws and Rule 15c3-1), except where the failure to be in compliance, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

(h) Investment Company Status; Margin Regulations. None of the Obligors is required to register under and none of the Obligors is subject to regulation under the Investment Company Act of 1940, as amended. No Borrower is engaged and no Borrower will engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U), or extending credit for the purpose of purchasing or carrying margin stock, in each case in violation of such Regulation U. Each U.S. Broker-Dealer Subsidiary is a broker-dealer subject to Regulation T. Neither the making of any Loan hereunder, nor the use of proceeds thereof, will violate or be inconsistent with the provisions of Regulation T, U or X.

(i) Disclosure. No written report, financial statement, certificate or other written information furnished by or on behalf of it to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, taken as a whole, in the light of the circumstances under which they were made, not misleading; provided that with respect to projected financial information, it represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time and that actual results may differ materially from such information.

(j) Use of Proceeds. The proceeds of the Loans and Letters of Credit shall be used to fund (i) the capital requirements of KCMH and its Subsidiaries and (ii) the general corporate and working capital needs of KCMH and its Subsidiaries, in each case, in the ordinary course of KCMH and its Subsidiaries' capital markets business in compliance with Section 6.02(i); provided that no more than \$*[\*\*]* of the aggregate outstanding Commitments shall be utilized at any one time to make Investments in all Designated Entities and all KCMH Group Entities that are not Subsidiaries of KCMH and through which KCMH and its Subsidiaries conduct its capital markets business in compliance with Section 6.02(i).

(k) Guarantee and Security Agreement. The Guarantee and Security Agreement is effective to create in favor of the Administrative Agent, for the benefit of the Secured Creditors, a legal, valid and enforceable security interest in the Collateral described

*[\*\*] = Certain information contained in this document, marked by "[\*\*]" has been excluded because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.*

therein and proceeds thereof (except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and subject to general principles of equity). Subject to the Intercreditor Agreement, in the case of the Pledged Stock represented by certificates described in the Guarantee and Security Agreement, when any stock certificates representing such Pledged Stock are delivered to the Administrative Agent (or its designee), and in the case of the other Collateral described in the Guarantee and Security Agreement, when financing statements in appropriate form are duly completed and filed in the offices specified on Annex I to the Guarantee and Security Agreement and such other filings as are specified on Annex I to the Guarantee and Security Agreement have been completed, the Guarantee and Security Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Obligors in such Collateral and the proceeds thereof, as security for the Obligations (as defined in the Guarantee and Security Agreement), in each case prior and superior in right to any other Person (other than with respect to Liens permitted by this Agreement), in each case to the extent security interests in such Collateral may be perfected by delivery of such certificates representing Pledged Stock or such filings.

(l) Ownership of Property. KCMH and each of its Subsidiaries has good record and marketable title to, or valid leasehold interests in, all property necessary in the ordinary conduct of its business, except for such defects in title as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(m) Taxes. Except as would not reasonably be expected to have a Material Adverse Effect, KCMH and each of its Subsidiaries have paid and discharged all material taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, other than those (i) not yet delinquent or (ii) contested in good faith as to which adequate reserves have been provided to the extent required by Law and in accordance with GAAP and which would not reasonably be expected to result in a Material Adverse Effect.

(n) ERISA Matters. (i) No ERISA Event has occurred or is reasonably expected to occur with respect to any Plan and (ii) neither KCMH nor any ERISA Affiliate has incurred or is reasonably expected to incur any Withdrawal Liability to any Multiemployer Plan, which in either case of (i) or (ii) has not been fully satisfied or, with respect to clauses (i) and (ii), except as would not reasonably be expected to result in any Material Adverse Effect.

(o) Subsidiaries. Schedule II is a complete list of Subsidiaries of KCMH as of the Closing Date.

(p) Registered Broker-Dealer Membership. Each of KCM U.S. and each other U.S. Broker-Dealer Subsidiary is duly registered with the SEC as a broker-dealer and is a member in good standing of FINRA, and each non-U.S. Broker-Dealer Subsidiary is duly registered with, or licensed by, any Governmental Authority that requires registration or licensing and is a member in good standing of any local body similar to FINRA, including, but not limited to, the Financial Services Authority (in the case of KCM U.K.) and the Securities and Futures Commission (in the case of KCM Asia) to the extent that such membership is required by any Governmental Authority.

(q) SIPC Assessments. No U.S. Broker-Dealer Subsidiary is in arrears with respect to any assessment made upon it by the SIPC, and no non-U.S. Broker Dealer Subsidiary is in arrears with respect to any assessment made upon it by any local body which is similar to the SIPC.

## ARTICLE VI

### COVENANTS

SECTION 6.01. Affirmative Covenants. So long as any principal of or interest on any Loan or any other amount or obligation under the Loan Documents (other than contingent indemnity obligations not then due) shall remain unpaid or unsatisfied or any Lender shall have any Commitment or any Letter of Credit shall remain outstanding hereunder (unless such Letter of Credit has been cash collateralized or otherwise backstopped on terms reasonably satisfactory to the relevant Issuing Lender), KCMH covenants and agrees that, unless the Majority Lenders shall otherwise consent in writing:

(a) Reporting Requirements. KCMH will furnish to the Lenders:

(i) within 50 days after the end of each of the first three fiscal quarters, its unaudited consolidated balance sheet and related statements of income, stockholders' equity and cash flows, in each case as of the end of and for such fiscal quarter, setting forth in each case in comparative form (if applicable) the figures for the corresponding period of the previous fiscal year, certified by a Financial Officer to the effect that such financial statements present fairly in all material respects the financial condition and results of operations of KCMH and its Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to the absence of (or absence of a requirement to have) footnotes and to year-end adjustments;

(ii) within 100 days after the end of each fiscal year, KCMH's unaudited consolidated balance sheet and related statements of income, stockholders' equity and cash flows as of the end of and for such fiscal year, setting forth in each case in comparative form (if applicable) the figures for the previous fiscal year, certified by a Financial Officer to the effect that such financial statements present fairly in all material respects the financial condition and results of operations of KCMH and its Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to the absence of (or absence of a requirement to have) footnotes;

(iii) concurrently with any delivery of financial statements under clauses (i) and (ii) above, a certificate of a Financial Officer (x) certifying that no Default has occurred or, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (y) identifying any Subsidiary that has become a Material Foreign Subsidiary during the most recently ended fiscal quarter and (z) setting forth calculations demonstrating in reasonable detail compliance with Section 6.03;

(iv) concurrently with the delivery of financial statements under clause (ii) above, an operating income budget of KCMH in reasonable detail for the current fiscal year as customarily prepared by management of KCMH for their internal use, setting forth the principal assumptions upon which such budget is based;

(v) as soon as available, but in any event within five Business Days of delivery to any Governmental Authority or Self Regulatory Organization, the audited annual financial statements of any Broker-Dealer Subsidiary required to be furnished to such Governmental Authority or Self Regulatory Organization;

(vi) within 15 days after the end of each calendar month as to which there are any Loans or Letters of Credit outstanding on the last date of such calendar month, a schedule of Category II Borrowings, Category III Borrowings and Category IV Borrowings on the consolidated balance sheet of KCMH and its Subsidiaries, which schedule will provide the notional value of each and reflect management's good faith estimate of the value thereof as determined in a manner consistent with KCMH's internal valuation practices; and

(vii) promptly upon request by the Administrative Agent on behalf of the Majority Lenders, such other information regarding the business, operations and financial condition of any Obligor as such Lender may reasonably request (it being understood that the Administrative Agent shall use reasonable efforts to coordinate any such requests).

(b) Existence; Conduct of Business. It will, and will cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and, except to the extent that failure to do so would not reasonably be expected to result in a Material Adverse Effect, the rights, licenses, permits, privileges and franchises material to the conduct of its business (including, in the case of each Broker-Dealer Subsidiary, its registration, license or qualification as a broker-dealer with the SEC and/or such other applicable domestic or foreign Governmental Authority); provided that the foregoing shall not prohibit any transaction expressly permitted under Section 6.02(c).

(c) Compliance with Laws. It will, and will cause each of its Subsidiaries to, comply with all Laws and all orders, writs, injunctions and decrees of any Governmental Authority applicable to it, its business or its Property (including, in the case of each Broker-Dealer Subsidiary, such rules and regulations of the SEC, FINRA and/or such other applicable domestic or foreign Governmental Authority or Self Regulatory Organization) except, with respect to all matters other than noncompliance by any Broker-Dealer Subsidiary with applicable minimum capital requirements, where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

(d) Maintenance of Insurance. It will, and will cause each of its Subsidiaries to, maintain with financially sound and reputable insurance companies insurance on all its tangible Property in at least such amounts and against at least such risks as KCMH believes (in the good faith judgment of KCMH) are usually insured against in the same general area by

companies of a similar size engaged in the same or a similar business and in a manner that is consistent with KCMH's and its Subsidiaries' past practices.

(e) Payment of Taxes. It will, and will cause each of its Subsidiaries to, pay and discharge, all material taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which material penalties attach thereto, and all lawful material claims in respect of any Taxes imposed, assessed or levied that, if unpaid, could reasonably be expected to become a material Lien upon any Property of KCMH or any Subsidiary, provided that neither KCMH, nor any Subsidiary shall be required to pay any such tax, assessment, charge, levy or claim that is being contested in good faith and by proper proceedings if it has maintained adequate reserves (in the good faith judgment of management of KCMH) with respect thereto in accordance with GAAP and the failure to pay would not reasonably be expected to result in a Material Adverse Effect.

(f) Maintenance of Properties. It will, and will cause each of its Subsidiaries to, keep and maintain all Property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, except to the extent failure to do so would not reasonably be expected to result in a Material Adverse Effect.

(g) Books and Records; Visitation and Inspection Rights. It will, and will cause each Borrower as well as each of its Material Subsidiaries to, keep proper books of record and account in accordance with GAAP, and permit representatives designated by the Administrative Agent, upon reasonable prior notice, to visit and inspect its Properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants (it being agreed that KCMH shall be given the opportunity to participate in any such discussion with its independent accountants), all at the reasonable expense of KCMH and at such reasonable times during normal business hours, but in each case subject to and in accordance with all applicable laws of any Governmental Authority and such confidentiality measures relating thereto as KCMH may reasonably require; provided that, other than after the occurrence of and during the continuance of an Event of Default, (i) such visitations and inspections shall not be permitted on more than two instances in any calendar year and (ii) only one such visitation and inspection shall be at the expense of KCMH.

(h) Notices of Material Events. It will furnish to the Administrative Agent and each Lender prompt written notice of the following:

(i) the occurrence of any Default or Event of Default;

(ii) the filing or commencement of any action, suit or proceeding by or before any Governmental Authority against or affecting it or any of its Subsidiaries which would reasonably be expected to be adversely determined and, if so determined, would reasonably be expected to result in a Material Adverse Effect; and

(iii) any other event that has had, or would reasonably be expected to have, a Material Adverse Effect.

Each notice delivered under this subsection shall be accompanied by a statement of a Financial Officer setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

(i) Additional Guarantors and Grantors; Additional Borrowers.

(i) Subject to any applicable limitations set forth in the Guarantee and Security Agreement, KCMH will promptly cause each direct or indirect Wholly-Owned Domestic Subsidiary (other than any Domestic Subsidiary of a Foreign Subsidiary or a Domestic Subsidiary) substantially all of whose assets consist of capital stock and/or indebtedness of one or more Foreign Subsidiaries) formed or otherwise purchased or acquired after the date hereof, to execute a supplement to the Guarantee and Security Agreement substantially in the form attached to the Guarantee and Security Agreement (or otherwise in a form reasonable satisfactory to the Administrative Agent) in order to become a Guarantor and a grantor thereunder and take all other action reasonably requested by the Administrative Agent to grant a perfected security interest in its assets to substantially the same extent as granted by the Obligor on the Closing Date; provided that in any event, no Broker-Dealer Subsidiary shall be required to enter into, provide a guarantee, or grant any security interests in its assets under the Guarantee and Security Agreement or any other Loan Document.

(ii) From time to time after the Closing Date, with fifteen Business Days' prior written notice to the Administrative Agent and subject to the satisfaction of the conditions set forth in this Section 6.01(i)(ii), KCHM may designate any Subsidiary as an Additional Borrower; provided that in no event shall a Subsidiary become an Additional Borrower if such Subsidiary either (A) is an entity that would not be required to be an additional Guarantor under Section 6.01(i)(i), or (B) is a direct or indirect Subsidiary of a Person that is not required to be an additional Guarantor under Section 6.01(i)(i); and provided further that:

(A) such Subsidiary is a Wholly-Owned Subsidiary of KCMH organized or incorporated in the United States or a jurisdiction otherwise approved by the Administrative Agent and the applicable Lenders; provided that, in the case of a jurisdiction in which no Borrower is organized or incorporated on the Closing Date, such designation shall be prohibited if the Administrative Agent or any applicable Lender shall not have the ability or authorization to lend into such jurisdiction;

(B) such Subsidiary is or becomes a Guarantor prior to or contemporaneously with becoming an Additional Borrower;

(C) no Default or Event of Default has occurred and is continuing or would result from such Subsidiary becoming an Additional Borrower;

(D) the Administrative Agent and the Lenders shall have received at least ten Business Days prior to the date such Subsidiary becomes an Additional Borrower such documentation and information as is reasonably requested in



writing by the Administrative Agent or any applicable Lender to the extent required by regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including, without limitation, the Patriot Act;

(E) the Administrative Agent shall have received a duly executed and delivered Additional Borrower Joinder Agreement and a duly executed and delivered pledge of the equity of such Subsidiary in accordance with the Guarantee and Security Agreement; and

(F) the Administrative Agent shall have received (i) a copy of the resolutions of the board of directors or other managers of such Subsidiary (or a duly authorized committee thereof) authorizing (a) the execution, delivery, and performance of the Additional Borrower Joinder Agreement and the other Loan Documents (and any agreements relating thereto) to which it is a party and (b) the extensions of credit contemplated hereunder, (ii) the certificate of incorporation and by-laws, certificate of formation and operating agreement or other comparable organizational documents, as applicable, of such Subsidiary, (iii) signature and incumbency certificates (or other comparable documents evidencing the same) of the authorized officers of such Subsidiary executing the Additional Borrower Joinder Agreement and the other Loan Documents to which it is a party, and (iiii) if requested by Administrative Agent, a customary legal opinion from outside counsel to the Borrower as to customary joinder matters.

(iii) Upon any Subsidiary becoming an Additional Borrower in accordance with Section 6.01(i), such Subsidiary shall be, jointly and severally, for all purposes, and with all rights and obligations of, a “Borrower” under this Agreement and the other Loan Documents.

(j) Pledge of Material Foreign Subsidiaries. Subject to any applicable limitations set forth in the Guarantee and Security Agreement, KCMH will promptly deliver to the Administrative Agent a local law pledge agreement under the jurisdiction of organization or formation of each Subsidiary that is directly owned by an Obligor and identified as a Material Foreign Subsidiary in accordance with Section 6.01(a)(iii)(y) in a customary form reasonably satisfactory to the Administrative Agent, together with (i) copies of such Material Foreign Subsidiary’s constitutive documents and documents evidencing that such Material Foreign Subsidiary has taken of all necessary action authorizing and approving the execution, delivery and performance of the Loan Documents to which it is a party, and (ii) a legal opinion in a form reasonably satisfactory to the Administrative Agent from counsel to such Material Foreign Subsidiary.

(k) Pledge of Additional Stock and Evidence of Indebtedness. Subject to the Intercreditor Agreement and to any applicable limitations set forth in the Guarantee and Security Agreement or with respect to which, in the reasonable judgment of the Administrative Agent (confirmed in writing by notice to KCMH), the cost or other consequences (including any adverse tax consequences) of doing so shall be excessive in view of the benefits to be obtained by the Lenders therefrom, KCMH will cause (i) all certificates representing Equity Interests (if

any) of any Subsidiary held directly by any Borrower or any Guarantor and (ii) all evidences of Indebtedness in excess of \$5,000,000 received by any Borrower or any of the Guarantors, in each case, promptly to be delivered along with applicable instruments of transfer duly executed in blank to the Administrative Agent (or its designee) as security for the obligations owed under the Loan Documents, under the Guarantee and Security Agreement.

(l) Further Assurances. Subject to the Intercreditor Agreement, it will, and will cause each of the Guarantors to, from time to time give, execute, deliver, file and/or record any financing statement, notice, instrument, document, agreement or other paper that is necessary to cause the Liens created by the Guarantee and Security Agreement to be valid first priority perfected Liens on the Property purported to be covered thereby (including after-acquired Property, it being understood that, except as set forth in paragraph (j) above, there shall be no requirement to enter into or deliver security agreements or pledge agreements governed by the laws of any non-U.S. jurisdiction or otherwise take steps to perfect any security interest or Lien securing the Obligations under the laws of any non-U.S. jurisdiction), subject to no equal or prior Lien except as otherwise permitted by the Loan Documents, and promptly from time to time obtain and maintain in full force and effect, and cause each of the Guarantors to obtain and maintain in full force and effect, all licenses, consents, authorizations and approvals of, and make all filings and registrations with, any Governmental Authority necessary under the Laws of the jurisdiction of organization of such Guarantor (or any other jurisdiction in which part of the Collateral owned by it or by any Guarantor may be situated) for the making and performance by it of the Loan Documents to which it is a party. Notwithstanding the foregoing or anything to the contrary in any Loan Document, it is hereby agreed and acknowledged that any requirement to take any action to establish perfection by control under any Loan Document is subject to the Intercreditor Agreement, and the establishment of such control by the Administrative Agent's designee or bailee set forth in the Intercreditor Agreement shall constitute compliance with any such requirement to establish such control by the Administrative Agent under the Loan Documents.

(m) Post Closing Actions. Notwithstanding anything to the contrary in any Loan Document, it will, within 60 days after the Closing Date (or such later date as the Administrative Agent shall reasonably agree) enter into an update to the existing control agreement, in a manner previously agreed between the Borrower and the Administrative Agent, with respect to the Pledged Deposit Account (as defined in the Guaranty and Security Agreement), in a form reasonably satisfactory to the Administrative Agent.

SECTION 6.02. Negative Covenants. So long as any principal of or interest on any Loan or any other amount or obligation under the Loan Documents (other than contingent indemnity obligations not then due) shall remain unpaid or unsatisfied or any Lender shall have any Commitment or any Letter of Credit shall remain outstanding hereunder (unless such Letter of Credit has been cash collateralized or otherwise backstopped on terms reasonably satisfactory to the relevant Issuing Lender), KCMH covenants and agrees that, unless the Majority Lenders shall otherwise consent in writing:

(a) Indebtedness. It will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Indebtedness, provided that KCMH and any Subsidiary may incur Indebtedness (and all premiums (if any), interest (including post-petition

interest), fees, expenses, charges and additional or contingent interest with regard to such Indebtedness) if (x) immediately before and after such incurrence, no Default or Event of Default shall have occurred and be continuing and (y) the Debt to Equity Ratio is less than or equal to **[\*\*]** to 1.00 after giving pro forma effect thereto. The limitations set forth in the immediately preceding sentence shall not apply to any of the following items:

- (i) Indebtedness arising under the Loan Documents;
- (ii) Intercompany Indebtedness owed among the Borrowers and/or their Subsidiaries (including any Indebtedness used to finance any Financing Transaction);
- (iii) Permitted Subordinated Debt;
- (iv) Indebtedness in respect of Hedging Agreements;
- (v) Indebtedness in respect of overdraft facilities, netting services, automatic clearinghouse arrangements and other cash management and similar arrangements in the ordinary course of business;
- (vi) additional Indebtedness of KCMH and its Subsidiaries in an aggregate principal amount not to exceed \$**[\*\*]** at any time outstanding;
- (vii) Indebtedness arising under the 364-Day Credit Agreement (and the other Loan Documents (as defined therein)), and any refinancing, renewal or replacement thereof;
- (viii) Indebtedness arising under fronting and/or settlement facilities ("Fronting Facilities"); provided that, at least 10 Business Days prior to incurring any such Indebtedness (or such shorter period as MHCB shall reasonably agree, it being agreed MHCB shall use commercially reasonable efforts to provide a response to KCMH as soon as practicable after receipt of such notice), KCMH and/or the relevant Subsidiary shall have provided MHCB a bona fide opportunity (through a written notice to MHCB) to provide such Indebtedness, including an offer regarding the timing of establishing such indebtedness, and MHCB shall have either (1) declined (through a written notice from the Administrative Agent to KCMH and/or such Subsidiary) to accept such offer to provide such Indebtedness or (2) failed to respond in writing to such offer, in each case, within such 10 Business Day period; and
- (ix) all premiums (if any), interest (including post-petition interest), fees, expenses, charges and additional or contingent interest on obligations described in clauses (i) through (viii) above.

(b) Liens. It will not, nor will it permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any Property now owned or hereafter acquired by it, except Liens under the Guarantee and Security Agreement and other Liens in favor of the Administrative Agent as contemplated hereby and except:

- (i) Liens arising under the Loan Documents;

***[\*\*]** = Certain information contained in this document, marked by "**[\*\*]**" has been excluded because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.*

(ii) Liens securing Finance Subsidiary Debt; provided that the terms of any Finance Subsidiary Debt (including any intercreditor arrangements entered into in connection therewith) shall provide that the Liens on the Collateral granted under the Guarantee and Security Agreement have at least second priority (to the extent the terms of such Finance Subsidiary Debt do not permit the obligations under the Loan Documents to be secured on a first priority basis pari passu with such Finance Subsidiary Debt) after giving effect to the incurrence of such Finance Subsidiary Debt; provided further that the assets securing any such Finance Subsidiary Debt shall be limited to (A) the assets of the Finance Subsidiary or Finance Subsidiaries incurring such Finance Subsidiary Debt and (B) the common equity interests of such Finance Subsidiary or Finance Subsidiaries;

(iii) Permitted Liens;

(iv) Liens securing Indebtedness or other obligations of a KCMH or any Subsidiary of KCMH in favor of KCMH or any Subsidiary of KCMH;

(v) Liens (A) of a collecting bank arising under Section 4-208 of the UCC on items in the course of collection, (B) attaching to commodity trading accounts or other commodities brokerage accounts incurred in the ordinary course of business; and (C) in favor of a banking institution arising as a matter of law encumbering deposits (including the right of set-off);

(vi) Liens encumbering reasonable customary initial deposits and margin deposits and similar Liens attaching to commodity trading accounts or other brokerage accounts incurred in the ordinary course of business;

(vii) Liens that are contractual rights of set-off (A) relating to the establishment of depository relations with banks not given in connection with the issuance of Indebtedness, (B) relating to pooled deposit or sweep accounts of KCMH or any of its Subsidiaries to permit satisfaction of overdraft or similar obligations incurred in the ordinary course of business of KCMH and its Subsidiaries or (C) relating to agreements entered into with customers of KCMH or any of its Subsidiaries in the ordinary course of business;

(viii) additional Liens so long as the aggregate principal amount of the obligations secured thereby at any time outstanding does not exceed \$[\*\*];

(ix) the modification, replacement, extension or renewal of any Lien permitted by this Section 6.02(b) upon or in the same assets theretofore subject to such Lien (or upon or in after-acquired property that is affixed or incorporated into the property covered by such Lien or any proceeds or products thereof) or the replacement, extension or renewal (without increase in the amount or change in any direct or contingent obligor except to the extent otherwise permitted hereunder) of the Indebtedness secured thereby;

(x) Liens securing obligations in respect of Indebtedness outstanding under Section 6.02(a)(vii), provided such Liens shall only extend to Collateral and shall be pari passu with the Liens securing the Obligations hereunder and subject to the

[\*\*] = *Certain information contained in this document, marked by “[\*\*]” has been excluded because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.*

Intercreditor Agreement, or junior to the Liens securing the Obligations and subject to an intercreditor agreement in form and substance reasonably satisfactory to the Administrative Agent and KCMH; and

(xi) Liens securing obligations in respect of Indebtedness outstanding under Section 6.02(a)(viii), provided such Liens only extend to the loans made pursuant to such Fronting Facility and other assets related thereto, and in each case, the proceeds thereof. It is agreed that upon the incurrence of a Lien permitted pursuant to this clause (xi), any Collateral subject to such Lien shall be automatically released from the Liens securing the Obligations (and the Administrative Agent shall take such actions as reasonably requested by KCMH to evidence such release (or absence) of such Lien, it being understood that the Lenders authorize the Administrative Agent to enter into any such documentation, with the Administrative Agent authorized to rely on a certificate from KCMH confirming the automatic release (or absence) of such Lien hereunder in delivering any such documentation).

(c) Mergers, Consolidations, Sales of Assets, Etc. It will not merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its Property (in each case, whether now owned or hereafter acquired), or liquidate or dissolve (provided, that, if at the time thereof and immediately after giving effect thereto no Default or Event of Default shall have occurred and be continuing, any Person may merge into KCMH in a transaction in which KCMH is the surviving entity) and it will not permit any of its Subsidiaries to merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with any Subsidiary, if a Default or Event of Default would result as a result from any such merger or consolidation and, if involving a Borrower or a Guarantor, unless such Borrower or Guarantor is the surviving entity or such successor entity is a Subsidiary of KCMH immediately following such merger or consolidation and expressly assumes the obligations of such Borrower or Guarantor, as applicable, under the Loan Documents; provided further that Subsidiaries of KCMH shall be permitted to liquidate or dissolve, except to the extent such liquidation or dissolution would reasonably be expected to result in a Material Adverse Effect and provided that upon or prior to the liquidation or dissolution of any Borrower no Borrowings of such Borrower or Letters of Credit issued for the account of such Borrower are outstanding.

(d) Investments. Without the prior written consent of the Majority Lenders (such consent not to be unreasonably withheld), it will not, and will not permit any of its Subsidiaries to, make any Investment in KKR or its Affiliates; provided, that so long as no Event of Default has occurred and is continuing, KCMH and its Subsidiaries may make Investments in the ordinary course of KCMH and its Subsidiaries' capital markets business and in compliance with Section 6.02(i) in (i) any KCM Group Entity, (ii) any portfolio company (or any entity controlled by a portfolio company) of any fund, separately managed account or partnership managed or controlled or sponsored by KKR and/or its Affiliates (any such fund, account or partnership, a "KKR Vehicle") and (iii) any KKR Vehicle with publicly traded securities or securities issued pursuant to Rule 144A of the Securities Act of 1933 or any foreign equivalent or with respect to which a registration statement or equivalent foreign document has been filed.

(e) Dividends. It will not, and will not permit any of its Subsidiaries to, declare or pay any dividends or make distributions (other than dividends or distributions payable solely in its Equity Interests (other than Disqualified Equity Interests)) or return any capital to its equity holders or make any other distribution, payment or delivery of property or cash to its equity holders as such, or redeem, retire, purchase or otherwise acquire, directly or indirectly, for consideration, any of its Equity Interests or Equity Interests of any direct or indirect parent thereof now or hereafter outstanding, or set aside any funds for any of the foregoing purposes, or permit any of its Subsidiaries to purchase or otherwise acquire for consideration any Equity Interests of KCMH, now or hereafter outstanding (all of the foregoing, "dividends"), provided that KCMH and any Subsidiary may pay dividends if (x) immediately before and after paying such dividend, no (1) Default or (2) Event of Default shall have occurred and be continuing and (y) the Debt to Equity Ratio is less than or equal to **[\*\*]** to 1.00 after giving pro forma effect thereto. The limitations set forth in the immediately preceding sentence (other than subclause (x)(2) in the proviso thereto) shall not apply to any of the following items so long as KCMH is in compliance with Section 6.03 after giving pro forma effect thereto:

(i) it may (or may pay dividends to permit any direct or indirect parent thereof to) redeem in whole or in part any of its Equity Interests for another class of its (or such parent's) Equity Interests (other than Disqualified Equity Interests) or with proceeds from substantially concurrent equity contributions or issuances of new Equity Interests (other than Disqualified Equity Interests), provided that such new Equity Interests contain terms and provisions at least as advantageous to the Lenders in all respects material to their interests as those contained in the Equity Interests redeemed thereby;

(ii) it may pay dividends, the proceeds of which will be used to pay (or to pay dividends to allow any direct or indirect parent of KCMH to pay (including to the individual owners of any direct or indirect parent of KCMH)) the tax liability of such parent and the individual owners of any direct or indirect parent, determined at the highest rate combined federal, state and local income tax rate applicable to an individual resident in New York City, attributable to KCMH or its Subsidiaries determined as if KCMH and its Subsidiaries filed separately;

(iii) it or any of its Subsidiaries may (i) pay cash in lieu of fractional Equity Interests in connection with any dividend, split or combination thereof and (ii) honor any conversion request by a holder of convertible Indebtedness and make cash payments in lieu of fractional shares in connection with any such conversion; and

(iv) any Subsidiary of KCMH may pay dividends to its direct parent; provided that if any such dividends are paid by a non-Wholly-Owned Subsidiary, such dividends shall be made ratably based on the equity holder's interests therein (or any other amount more favorable to KCMH), provided further that if the proceeds of any outstanding Loans or Letters of Credit have been used for an Investment in such non-Wholly-Owned Subsidiary, any cash dividends paid to such parent shall be applied to prepay such Loans or cash collateralize such Letters of Credit if no Loans are outstanding, at the option of the Administrative Agent, without application of Section 3.12 or at the end of the next Interest Period(s).

*[\*\*] = Certain information contained in this document, marked by "[\*\*]" has been excluded because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.*

(f) Subordinated Debt Payments. It will not, and will not permit any of its Subsidiaries to, prepay, repurchase or redeem, defease or otherwise satisfy prior to the scheduled maturity thereof in any manner, or make any payment in violation of any subordination terms of, any Subordinated Indebtedness; provided that KCMH and any Subsidiary may prepay, repurchase or redeem, defease or otherwise satisfy any Subordinated Indebtedness if (x) immediately before and after such payment, no Default or Event of Default shall have occurred and be continuing and (y) the Debt to Equity Ratio is less than or equal to **[\*\*]** to 1.00 after giving pro forma effect thereto. Notwithstanding the foregoing, nothing in this Section 6.02(f) shall prohibit the repayment or prepayment of intercompany Subordinated Indebtedness owed among KCMH and/or its Subsidiaries, in either case unless an Event of Default has occurred and is continuing and KCMH has received a notice from the Administrative Agent instructing it not to make or permit any such repayment or prepayment.

(g) Burdensome Agreements. It will not, and will not permit any of its Subsidiaries to, enter into or suffer to exist or become effective any agreement that prohibits or limits the ability (i) of any Obligor to create, incur, assume or suffer to exist any Lien upon any of its material Property or revenues, whether now owned or hereafter acquired, to secure the obligations or, in the case of any Guarantor, its obligations under the Guarantee and Security Agreement, or (ii) of any Subsidiary to make Restricted Payments to any Borrower or any Guarantor or to otherwise transfer property to or invest in any Borrower or any Guarantor, other than (A) this Agreement and the other Loan Documents, (B) any agreements governing Finance Subsidiary Debt and, in the case of clause (i) above only, purchase money Liens (or any permitted refinancing in respect thereof) or Finance Lease Obligations otherwise permitted hereby (in which case, any prohibition or limitation shall only be effective against the assets financed thereby and in the case of any permitted refinancing of purchase money Indebtedness, no more restrictive than that in the relevant refinanced agreement), (C) any such agreement in effect at the time any Subsidiary becomes a Subsidiary of KCMH, so long as such agreement was not entered into solely in contemplation of such Person becoming a Subsidiary of KCMH, (D) any such agreement imposed or required by or otherwise entered into with any applicable Governmental Authority, (E) any agreement in respect of Indebtedness outstanding under Section 6.02(a) (vii) or (viii) and (F) any agreement in respect of Indebtedness permitted to be outstanding under this Agreement, provided such restrictions do not, in the good faith judgment of KCMH, impair in any material respect the ability of the Borrowers hereunder to comply with their payment obligations under the Loan Documents.

(h) Affiliate Transactions. It will not, and will not permit any of its Subsidiaries to, enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of Property, the rendering of any service or the payment of any management, advisory or similar fees, with any Affiliate (other than KCMH or any of its Subsidiaries) unless such transaction is (a) otherwise permitted under this Agreement, including the payment and receipt of any dividend permitted pursuant to Section 6.02(e), and (b) upon terms that, in the aggregate, are no less favorable to KCMH or such Subsidiary, as the case may be, than it would obtain in a comparable arm's length transaction with a Person that is not an Affiliate; provided that nothing in this Section 6.02(h) shall prohibit KCMH or any of its Subsidiaries from providing placement, advisory or other services in the ordinary course of business so long as such services do not include a funding obligation of KCMH or such Subsidiary.

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(i) Line of Business. It will not, nor will it permit any of its Subsidiaries to, enter into any business, either directly or through any Subsidiary, except for those businesses in which KCMH and its Subsidiaries are engaged on the Closing Date or that are reasonably related thereto.

(j) Change in Fiscal Year. It will not make any change to its fiscal year; provided that KCMH may, upon written notice to the Administrative Agent, change its fiscal year end to any other fiscal year end reasonably acceptable to the Administrative Agent, in which case KCMH and the Administrative Agent will, and are hereby authorized by the other parties hereto to, make any adjustments to this Agreement that are necessary to effect such change.

SECTION 6.03. Financial Covenant. So long as any principal of or interest on any Loan or any other amount or obligation under the Loan Documents (other than contingent indemnity obligations not then due) shall remain unpaid or unsatisfied or any Lender shall have any Commitment or any Letter of Credit shall remain outstanding hereunder (unless such Letter of Credit has been cash collateralized or otherwise backstopped on terms reasonably satisfactory to the relevant Issuing Lender and the Administrative Agent), KCMH covenants and agree that, unless the Majority Lenders shall otherwise consent in writing, KCMH will not permit the Debt to Equity Ratio on the last day of any fiscal quarter of KCMH to exceed [\*\*] to 1.00.

## ARTICLE VII

### EVENTS OF DEFAULT

SECTION 7.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

- (a) any Borrower shall fail to pay when due any principal of any Loan;
- (b) any Borrower shall fail for five Business Days or more to pay any interest, fee or L/C Reimbursement Obligation or any other amount (other than principal) payable by such Borrower under any Loan Document when and as the same shall become due and payable;
- (c) any representation or warranty made or deemed made by an Obligor in this Agreement, any other Loan Document or in any certificate furnished pursuant to this Agreement shall prove to have been untrue in any material respect when made or deemed made;
- (d) any Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 6.01(b) (with respect to the legal existence of such Borrower), (h)(i), 6.02 (other than those contained in clause (j) of such Section) or 6.03;
- (e) any Obligor shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (a), (b) or (d) of this Section) or in any other Loan Document, and such failure shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent to KCMH;

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(f) any Borrower or any Subsidiary (other than any Finance Subsidiary that is not a Borrower) shall fail to make any payment of principal of or interest on any Material Indebtedness when and as the same shall become due and payable (beyond any period of grace, if any); or any event or condition occurs that results in the acceleration (or, solely with respect to any Material Indebtedness incurred under Section 6.02(a)(iii), permits the holders of such Indebtedness (or a trustee or agent on behalf of such holders) to cause such acceleration) of such Material Indebtedness prior to its scheduled maturity;

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, winding up, reorganization or other relief in respect of any Borrower or any Material Subsidiary (other than any Finance Subsidiary that is not a Borrower) or its debts, or of a substantial part of its Property, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Borrower or any Material Subsidiary (other than any Finance Subsidiary that is not a Borrower) or for a substantial part of its Property, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) any Borrower or any Material Subsidiary (other than any Finance Subsidiary that is not a Borrower) shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, winding up, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (g) of this Section, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Borrower or any Material Subsidiary (other than any Finance Subsidiary) or for a substantial part of its Property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(i) any Borrower or any Material Subsidiary (other than any Finance Subsidiary that is not a Borrower) shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(j) one or more judgments for the payment of money in an aggregate amount in excess of \$[\*\*] shall be rendered against KCMH or any Subsidiary and the same shall remain undischarged for a period of 60 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any Property of KCMH or any Subsidiary to enforce any such judgment;

(k) an ERISA Event shall have occurred that, when taken together with all other ERISA Events that have occurred for which liability has not been fully satisfied, would reasonably be expected to result in a Material Adverse Effect; or

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(l) the Guarantee and Security Agreement shall cease to be valid and binding on, or enforceable against, (i) KCMH or (ii) any other Borrower or Guarantor which is a Material Subsidiary (other than pursuant to the terms hereof or thereof or as a result of acts or omissions of the Administrative Agent or any Lender), or KCMH or any such other Borrower or Guarantor shall so assert in writing; or

(m) a Change of Control shall occur;

then the Administrative Agent shall upon the request of the Majority Lenders, by notice to KCMH, take any or all of the following actions, at the same or different times: (i) terminate the Commitments and thereupon they shall terminate immediately, (ii) terminate any obligation of the Issuing Lender to issue Letters of Credit hereunder, and thereupon such obligations shall terminate, (iii) declare the Loans and all other amounts payable by the Obligors under the Loan Documents to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of each Borrower accrued and other amounts payable by the Obligors under the Loan Documents, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Borrower, and/or (iv) require the Borrowers to jointly and severally provide cash collateral for L/C Reimbursement Obligations and the outstanding undrawn Letters of Credit in an aggregate amount equal to the then aggregate L/C Exposure and thereupon the Borrowers shall forthwith provide such cash collateral on terms and subject to documentation reasonably satisfactory to the relevant Issuing Lenders and the Administrative Agent; and in case of any event applicable to any Borrower described in clause (g) or (h) of this Section, the Commitments and such obligations of the Issuing Lender shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Obligors accrued under the Loan Documents, shall automatically become due and payable, and the Borrowers jointly and severally shall automatically be required to provide such cash collateral, all without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Borrower. Nothing herein shall terminate or otherwise modify the obligations of the Lenders under Section 2.02(d).

#### SECTION 7.02. Investors' Right to Cure.

(a) Notwithstanding anything to the contrary contained in Section 7.01(d), in the event that KCMH fails to comply with the requirements of the covenant set forth in Section 6.03, until the expiration of the tenth day after the date on which financial statements for the fiscal period in which the covenant set forth in such Section 6.03 is being measured are required to be delivered pursuant to Section 6.01(a), any Person shall have the right to make a direct or indirect equity investment in KCMH in cash (the "Cure Right"), and upon the receipt by such Person of net cash proceeds pursuant to the exercise of the Cure Right (including through the capital contribution of any such net cash proceeds to such Person), the covenant set forth in such Section 6.03 shall be recalculated, giving effect to a pro forma increase to Total Equity as of the relevant date of determination in an amount equal to such net cash proceeds.

(b) If, after the exercise of the Cure Right and the recalculations pursuant to clause (a) above, KCMH shall then be in compliance with the requirements of the covenant set forth in Section 6.03 for the relevant fiscal quarter, KCMH shall be deemed to have satisfied the requirements of such covenant as of the relevant date of determination with the same effect as though there had been no failure to comply therewith at such date, and the applicable Default or Event of Default under Section 7.01(d) that had occurred shall be deemed cured.

## ARTICLE VIII

### THE ADMINISTRATIVE AGENT

SECTION 8.01. Appointment and Authority. (a) Each of the Lenders hereby irrevocably appoints MHC B to act on its behalf as the Administrative Agent under and in connection with the Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent and the Lenders and the Borrowers shall have no rights as a third party beneficiary of any of such provisions.

(b) Each Issuing Lender shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and each such Issuing Lender shall have all of the benefits and immunities (i) provided to the Administrative Agent in this Article VIII with respect to any acts taken or omissions suffered by such Issuing Lender in connection with Letters of Credit issued by it or proposed to be issued by it and the applications and agreements for letters of credit pertaining to such Letters of Credit as fully as if the term "Administrative Agent" as used in this Article VIII included such Issuing Lender with respect to such acts or omissions, and (ii) as additionally provided herein with respect to such Issuing Lender.

(c) The Administrative Agent shall also act as the "collateral agent" under the Loan Documents, and each of the Lenders and the Issuing Lender hereby irrevocably appoints and authorizes the Administrative Agent to act as the agent of such Lender and the Issuing Lender for purposes of acquiring, holding and enforcing any and all Liens on Collateral granted by any of the Obligors to secure any of the obligations of the Obligors under the Loan Documents, together with such powers and discretion as are reasonably incidental thereto. In this connection, the Administrative Agent, as "collateral agent" and any co-agents, sub-agents and attorneys-in-fact appointed by the Administrative Agent pursuant to Section 8.05 for purposes of holding or enforcing any Lien on the Collateral (or any portion thereof) granted under the Loan Documents, or for exercising any rights and remedies thereunder at the direction of the Administrative Agent, shall be entitled to the benefits of all provisions of this Article VIII and Article IX as though such co-agents, sub-agents and attorneys-in-fact were the "collateral agent" under the Loan Documents) as if set forth in full herein with respect thereto.

SECTION 8.02. Rights as a Lender. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term

“Lender” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with any Obligor or any Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

SECTION 8.03. Exculpatory Provisions.

(a) The Administrative Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent:

(i) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(ii) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Majority Lenders (or such other number or percentage of the Lenders as shall be expressly provided for in the Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law; and

(iii) shall not, except as expressly set forth in the Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any Obligor or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

(b) The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Majority Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Section 9.01) or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent by a Borrower or a Lender.

(c) The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein,

other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

SECTION 8.04. Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan or issuance of a Letter of Credit that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Loan or such issuance. The Administrative Agent may consult with legal counsel (who may be counsel for a Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

SECTION 8.05. Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers under any Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent and any Issuing Lender may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent and the Issuing Lender, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

SECTION 8.06. Resignation of Administrative Agent. The Administrative Agent may at any time give notice of its resignation to the Lenders and KCMH. Upon receipt of any such notice of resignation, the Majority Lenders shall have the right, in consultation with KCMH, to appoint a successor, which shall be a nationally recognized bank with an office in New York, New York or an Affiliate of any such bank with an office in New York, New York. If no such successor shall have been so appointed by the Majority Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may on behalf of the Lenders, appoint a successor Administrative Agent meeting the qualifications set forth above, provided, that if the Administrative Agent shall notify KCMH and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (a) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders under any of the Loan Documents, the retiring Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (b) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time as the Majority

Lenders appoint a successor Administrative Agent as provided for above in this subsection. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations under the Loan Documents (if not already discharged therefrom as provided above in this subsection). The fees payable by the Borrowers to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between KCMH and such successor. After the retiring Administrative Agent's resignation, the provisions of this Article and Section 9.04 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

SECTION 8.07. Non-Reliance on Administrative Agent and Other Lenders. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon any Loan Document or any related agreement or any document furnished hereunder or thereunder.

SECTION 8.08. No Other Duties; Etc. Anything herein to the contrary notwithstanding, the Lead Arranger and any bookrunner listed on the cover page hereof shall not, in such capacities, have any powers, duties or responsibilities under any of the Loan Documents.

SECTION 8.09. Intercreditor Agreement Governs. The Administrative Agent, each Lender and each Obligor hereby agrees that it will be bound by and will take no actions contrary to the provisions of the Intercreditor Agreement and any other intercreditor agreement entered into pursuant to the terms hereof. Each Lender hereby authorizes and instructs the Administrative Agent to enter into the Intercreditor Agreement and each other intercreditor agreement entered into pursuant to the terms hereof (including any amendments or other modifications thereof) and to subject the Liens securing the Obligations to the provisions thereof.

SECTION 8.10. Collateral Matters; Credit Bidding.

(a) Except with respect to the exercise of setoff rights in accordance with Section 9.03 or with respect to a Secured Creditor's right to file a proof of claim in an insolvency proceeding, no Secured Creditor shall have any right individually to realize upon any of the Collateral or to enforce any Guarantee of the Obligations, it being understood and agreed that all powers, rights and remedies under the Loan Documents may be exercised solely by the Administrative Agent on behalf of the Secured Creditors in accordance with the terms thereof.

(b) The Secured Creditors hereby irrevocably authorize the Administrative Agent, at the direction of the Majority Lenders, to credit bid all or any portion of the Obligations

(including by accepting some or all of the Collateral in satisfaction of some or all of the Obligations pursuant to a deed in lieu of foreclosure or otherwise) and in such manner purchase (either directly or through one or more acquisition vehicles) all or any portion of the Collateral (a) at any sale thereof conducted under the provisions of any bankruptcy laws, including under Sections 363, 1123 or 1129 of the United States Bankruptcy Code, or (b) at any other sale, foreclosure or acceptance of collateral in lieu of debt conducted by (or with the consent or at the direction of) the Administrative Agent (whether by judicial action or otherwise) in accordance with any applicable law; *provided* that to the extent the Loans are paid in full in cash, the Commitments are terminated and the Letters of Credit cash collateralized in accordance with the terms hereof, the consent of Majority Lenders shall not be required in connection with any such credit bid. In connection with any such credit bid and purchase, the Obligations owed to the Secured Creditors shall be entitled to be, and shall be, credit bid by the Administrative Agent at the direction of the Majority Lenders and, except as set forth above, with the consent of the Majority Lenders, on a ratable basis (with Obligations with respect to contingent or unliquidated claims receiving contingent interests in the acquired assets on a ratable basis that shall vest upon the liquidation of such claims in an amount proportional to the liquidated portion of the contingent claim amount used in allocating the contingent interests) for the asset or assets so purchased (or for the equity interests or debt instruments of the acquisition vehicle or vehicles that are issued in connection with such purchase). In connection with any such bid, (i) the Administrative Agent shall be authorized to form one or more acquisition vehicles and to assign any successful credit bid to such acquisition vehicle or vehicles, (ii) each of the Secured Creditors' ratable interests in the Obligations which were credit bid shall be deemed without any further action under this Agreement to be assigned to such vehicle or vehicles for the purpose of closing such sale, (iii) the Administrative Agent shall be authorized to adopt documents providing for the governance of the acquisition vehicle or vehicles (provided that any actions by the Administrative Agent with respect to such acquisition vehicle or vehicles, including any disposition of the assets or equity interests thereof, shall be governed, directly or indirectly, by, and the governing documents shall provide for, control by the vote of the Majority Lenders or their permitted assignees under the terms of this Agreement or the governing documents of the applicable acquisition vehicle or vehicles, as the case may be, irrespective of the termination of this Agreement and without giving effect to the limitations on actions by the Majority Lenders contained in Section 9.01 of this Agreement), (iv) the Administrative Agent on behalf of such acquisition vehicle or vehicles shall be authorized to issue to each of the Secured Creditors, ratably on account of the relevant Obligations which were credit bid, interests, whether as equity, partnership, limited partnership interests or membership interests, in any such acquisition vehicle and/or debt instruments issued by such acquisition vehicle, all without the need for any Secured Creditor or acquisition vehicle to take any further action, and (v) to the extent that Obligations that are assigned to an acquisition vehicle are not used to acquire Collateral for any reason (as a result of another bid being higher or better, because the amount of Obligations assigned to the acquisition vehicle exceeds the amount of Obligations credit bid by the acquisition vehicle or otherwise), such Obligations shall automatically be reassigned to the Secured Creditors pro rata with their original interest in such Obligations and the equity interests and/or debt instruments issued by any acquisition vehicle on account of such Obligations shall automatically be cancelled, without the need for any Secured Creditor or any acquisition vehicle to take any further action. Notwithstanding that the ratable portion of the Obligations of each Secured Creditor are deemed assigned to the acquisition vehicle or vehicles as set forth in clause (ii)

above, each Secured Creditor shall execute such documents and provide such information regarding the Secured Creditor (and/or any designee of the Secured Creditor which will receive interests in or debt instruments issued by such acquisition vehicle) as the Administrative Agent may reasonably request in connection with the formation of any acquisition vehicle, the formulation or submission of any credit bid or the consummation of the transactions contemplated by such credit bid.

## ARTICLE IX

### MISCELLANEOUS

#### SECTION 9.01. Amendments, Etc.

(a) No amendment or waiver of any provision of this Agreement or any other Loan Document, nor consent to any departure by a Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Borrowers and the Majority Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, that no amendment, waiver or consent shall, unless in writing and signed by each Lender directly and adversely affected thereby, do any of the following: (i) subject such Lender to any additional obligations including, without limitation, any extension of the expiry date of the Commitment of such Lender or increase the Commitment of such Lender, (ii) reduce the principal of, or rate of interest on, any Loan, L/C Reimbursement Obligation or any fees or other amounts payable hereunder, (iii) postpone any date for payment of principal of, or interest on, any Loan, L/C Reimbursement Obligation or any fees or other amounts payable hereunder when due (other than fees or other amounts payable for the sole account of an Issuing Lender), or (iv) modify any of the provisions of the Loan Documents relating to pro rata payments; and provided further, that no amendment, waiver or consent shall, unless in writing and signed by all of the Lenders, change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans, or the number of Lenders, which shall be required for the Lenders or any of them to take any action hereunder, (A) amend Section 3.07(a) or (b), or this Section 9.01, or (B) release all or substantially all of the Collateral or all or substantially all of the value of the Guarantees provided by the Guarantors; and provided further, that (x) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent and the Issuing Lenders in addition to the Lenders required above to take such action, affect the rights or duties of the Administrative Agent or, as the case may be, the Issuing Lenders under any Loan Document and (y) if the Administrative Agent and KCMH shall have jointly identified an obvious error or any error or omission of a technical or immaterial nature in any provision of the Loan Documents, then the Administrative Agent and KCMH shall be permitted to amend such provision and such amendment shall become effective without any further action or consent of any other party to any Loan Document if the same is not objected to in writing by the Majority Lenders within five Business Days after notice thereof. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitment of such Lender may not be increased or extended without the consent of such Lender (it being understood that any Commitments or Loans held or deemed held by any



Defaulting Lender shall be excluded for a vote of the Lenders hereunder requiring any consent of the Lenders).

(b) This Agreement, the other Loan Documents and the other agreements provided for herein constitute the entire agreement of the parties hereto and thereto with respect to the subject matter hereof and thereof.

SECTION 9.02. Notices, KCMH as Administrative Borrower, Etc.

(a) Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsections (b) and (c) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, in each case, as follows:

(i) if to any Borrower or any Guarantor:

c/o KKR Capital Markets Holdings L.P.  
9 West 57th Street, Suite 4200  
New York, New York 10019  
Attention: [ ] – Financial Controller; [ ] - Counsel  
Telephone: [ ]  
Facsimile: [ ]  
Electronic Mail: [ ]

(ii) if to the Administrative Agent:

Mizuho Bank, Ltd.  
New York Branch  
1271 Avenue of the Americas  
New York, New York 10020  
Attention: [ ]  
Telephone: [ ]  
Facsimile: [ ]  
Electronic Mail: [ ]

(iii) if to the Issuing Lender:

Mizuho Bank, Ltd.  
New York Branch  
1271 Avenue of the Americas  
New York, New York 10020  
Attention: [ ]  
Telephone: [ ]  
Facsimile: [ ]  
Electronic Mail: [ ]

(iv) if to a Lender, to it at its address (or telecopier number, electronic mail address or telephone number) set forth in its Administrative Questionnaire;

provided, that any party may change its address, telecopier number, electronic mail address or telephone number for notices and other communications hereunder by notice to the other parties. Except as provided in clause (d) below, notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient), except that notices and communications to the Administrative Agent pursuant to Article II or Article VII shall not be effective until received by the Administrative Agent. Notices delivered through electronic communications to the extent provided in clause (b) below, shall be effective as provided in said clause (b).

(b) Notices and other communications to any Lender hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Article II if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or any Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) Each Borrower further agrees that the Administrative Agent may make communications to Lenders available to the Lenders by posting the communications on Intralinks or a substantially similar electronic transmission system (the "Platform"). THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE". THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE COMMUNICATIONS, OR THE ADEQUACY OF THE PLATFORM AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS OR OMISSIONS IN THE COMMUNICATIONS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY THE AGENT PARTIES IN CONNECTION WITH THE

COMMUNICATIONS OR THE PLATFORM. IN NO EVENT SHALL THE ADMINISTRATIVE AGENT OR ANY OF ITS AFFILIATES OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, ADVISORS OR REPRESENTATIVES (COLLECTIVELY, THE "AGENT PARTIES") HAVE ANY LIABILITY TO ANY OBLIGOR, ANY LENDER OR ANY OTHER PERSON OR ENTITY FOR DAMAGES OF ANY KIND, INCLUDING, WITHOUT LIMITATION, DIRECT OR INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, LOSSES OR EXPENSES (WHETHER IN TORT, CONTRACT OR OTHERWISE) ARISING OUT OF SUCH OBLIGOR'S OR THE ADMINISTRATIVE AGENT'S TRANSMISSION OF COMMUNICATIONS THROUGH THE INTERNET, EXCEPT TO THE EXTENT THE LIABILITY OF ANY AGENT PARTY IS FOUND IN A FINAL NON-APPEALABLE JUDGMENT BY A COURT OF COMPETENT JURISDICTION TO HAVE RESULTED PRIMARILY FROM SUCH AGENT PARTY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

(d) The Administrative Agent agrees that the receipt of the communications by the Administrative Agent at its e-mail address set forth above shall constitute effective delivery of the communications to the Administrative Agent for purposes of the Loan Documents. Each Lender agrees that notice to it (as provided in the next sentence) specifying that the communications have been posted to the Platform shall constitute effective delivery of the communications to such Lender for purposes of the Loan Documents. Each Lender agrees (i) to provide to the Administrative Agent in writing (including by electronic communication), promptly after the date of this Agreement, one or more e-mail addresses to which the foregoing notice may be sent by electronic transmission and (ii) that the foregoing notice may be sent to such e-mail address or addresses.

(e) Nothing herein shall prejudice the right of the Administrative Agent or any Lender to give any notice or other communication pursuant to any Loan Document in any other manner specified in such Loan Document.

(f) The Borrowers each hereby irrevocably appoint KCMH as the administrative borrower with respect to this Agreement and the other Loan Documents, and all notices, demands and interactions with KCMH are hereby authorized by the other Borrowers, and shall be conclusive and binding on the other Borrowers, who duly and irrevocably authorize KCMH to act on their behalf for all purposes under this Agreement and the other Loan Documents, and the Administrative Agent and the Lenders may conclusively rely on all notices, directions, and other interactions with KCMH without consulting in any manner with the other Borrowers.

SECTION 9.03. No Waiver; Remedies; Setoff.

(a) No failure on the part of any Lender or the Administrative Agent to exercise, and no delay in exercising, any right, remedy, power or privilege hereunder or under any other Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies,

powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

(b) If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender to or for the credit or the account of any Borrower against any and all of the obligations of such now or hereafter existing under this Agreement or any other Loan Document to such Lender irrespective of whether or not such Lender shall have made any demand under this Agreement or any other Loan Document and although such obligations of such Borrower may be contingent or unmatured or are owed to a branch or office of such Lender different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender may have. Each Lender agrees to notify KCMH and the Administrative Agent promptly after any such setoff and application, provided, that the failure to give such notice shall not affect the validity of such setoff and application.

SECTION 9.04. Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses. The Borrowers jointly and severally shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent, the Lead Arranger and their respective Affiliates (including the reasonable fees, charges and disbursements of one counsel (together with one local counsel in each relevant jurisdiction)), in connection with the syndication of the facility contemplated hereby, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof, (ii) all out-of-pocket expenses incurred by the Administrative Agent and the Lenders (including the fees, charges and disbursements of one counsel (together with one local counsel in each relevant jurisdiction) and, after notice to KCMH, of more than one such counsel to the extent the Administrative Agent or any Lender reasonably determines that there is an actual conflict of interest requiring the employment of separate counsel) in connection with the enforcement (including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect thereof) or, during the continuance of an Event of Default, protection of its rights in connection with this Agreement and the other Loan Documents, including its rights under this Section and (iii) all reasonable and documented out-of-pocket expenses incurred by the Issuing Lender in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder.

(b) Indemnification by the Borrower. The Borrowers jointly and severally hereby indemnify the Administrative Agent, the Lead Arranger, each Lender and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of one counsel for the Indemnitees (together with one local counsel in each relevant jurisdiction) and, after notice to KCMH, of more than one such counsel to the extent any Indemnitee reasonably determines that

there is an actual conflict of interest requiring the employment of separate counsel), incurred by any Indemnitee or asserted against any Indemnitee by any third party or by any Borrower or any other Obligor arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom, or (iii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by any Borrower or any other Obligor and regardless of whether any Indemnitee is a party thereto, provided, that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a final and nonappealable judgment of a court of competent jurisdiction to have resulted from the bad faith, gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by any Borrower against an Indemnitee for material breach of such Indemnitee's obligations hereunder or under any other Loan Document, if such Borrower has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(c) Reimbursement by Lenders. To the extent that the Borrowers for any reason fail to indefeasibly pay any amount required under clause (a) or (b) of this Section to be paid by it to the Administrative Agent, the Issuing Lender or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent, the Issuing Lender or such Related Party, as the case may be, such Lender's Commitment Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided, that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent or the Issuing Lender in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent or the Issuing Lender in connection with such capacity.

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, each party hereto agrees that it will not assert, and hereby waives, any claim against any other party hereto, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, any Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof or any Letter of Credit or the use of proceeds thereof. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the bad faith, gross negligence or willful misconduct of such Indemnitee as determined by a final and nonappealable judgment of a court of competent jurisdiction.

(e) Payments. All amounts due under this Section shall be payable not later than 15 Business Days after demand therefor.

SECTION 9.05. Binding Effect, Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Borrowers, the Administrative Agent and each Lender and their respective successors and permitted assigns, except that no Borrower shall have the right to assign its rights hereunder or any interest herein without the prior written consent of the Administrative Agent and the Lenders.

SECTION 9.06. Assignments and Participations.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Borrower may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of clause (b) of this Section, (ii) by way of participation in accordance with the provisions of clause (d) of this Section or (iii) by way of pledge or assignment of a security interest in accordance with clause (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in clause (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided, that

(i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof, unless each of the Administrative Agent and, unless an Event of Default has occurred and is continuing, KCMH otherwise consents (each such consent not to be unreasonably withheld or delayed);

(ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned;

(iii) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500 and the Eligible Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and

(iv) no assignment shall be made to a natural person.

Subject to notice to KCMH and acceptance and recording thereof by the Administrative Agent pursuant to clause (c) of this Section, from and after the Assignment Date specified in each Assignment and Assumption (an "Assignment Date"), the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3.09, 3.11, 3.12 and 9.04 with respect to facts and circumstances occurring prior to such Assignment Date. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with clause (d) of this Section.

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrowers, shall maintain at its address specified in Section 9.02 a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrowers, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrowers and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, any Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or any Borrower or any of any of KCMH's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrowers, the Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided, that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso of Section 9.01 that affects such Participant. Subject to clause (e) of this Section, each Borrower agrees that each Participant shall be entitled to the benefits and obligations of Sections 3.09, 3.11, and 3.12 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to clause (b) of this Section 9.06. Each Lender that sells a participation shall, acting solely for this purpose as an agent of the Borrowers, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register to any Person (including the identity of any Participant or any information relating to a Participant's interest in any Commitments, Loans, Letters of Credit or its other obligations under any Loan Document) except to the extent that such disclosure is necessary to establish that such Commitment, Loan, Letter of Credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Sections 3.09, 3.11 and 3.12 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant.

(f) Certain Pledges. Any Lender, without the consent of any Borrower or the Administrative Agent may at any time grant security interest in all or any portion of its rights under this Agreement or any Note to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided, that no such pledge or assignment shall release such Lender from any of its obligations hereunder.

(g) Resignation as Issuing Lender after Assignment. Notwithstanding anything to the contrary contained herein, if at any time MHC B assigns all of its Commitment and Loans pursuant to Section 9.06(b), MHC B may, upon 30 days' notice to KCMH and the Lenders, resign as Issuing Lender. In the event of any such resignation as Issuing Lender, KCMH shall be entitled to appoint, from among the Lenders, a successor Issuing Lender hereunder; provided, however, that no failure by KCMH to appoint any such successor shall affect the resignation of MHC B as Issuing Lender. If MHC B resigns as Issuing Lender, it shall retain all the rights, powers, privileges and duties of the Issuing Lender hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as Issuing Lender and all L/C Exposure with respect thereto. Upon the appointment of a successor Issuing Lender, (a) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Issuing Lender, and (b) the successor Issuing Lender shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory to MHC B to effectively assume the obligations of MHC B with respect to such Letters of Credit.



**SECTION 9.07. GOVERNING LAW; JURISDICTION; ETC.**

(A) **GOVERNING LAW.** THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(B) **SUBMISSION TO JURISDICTION.** EACH BORROWER IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH BORROWER IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH BORROWER AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST ANY BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(C) **WAIVER OF VENUE.** EACH BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN CLAUSE (B) ABOVE. EACH BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT

(D) **SERVICE OF PROCESS.** EACH BORROWER AGREES THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, AT ITS ADDRESS SET FORTH IN SECTION 9.02, OR AT SUCH OTHER ADDRESS OF WHICH THE ADMINISTRATIVE AGENT SHALL HAVE BEEN NOTIFIED IN WRITING BY KCMH.

SECTION 9.08. Severability . Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.09. Counterparts; Effectiveness; Execution.

(a) Counterparts; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or electronic transmission shall be effective as delivery of a manually executed counterpart of this Agreement.

(b) Electronic Execution of Loan Documents or any Assignments. The words “execution,” “signed,” “signature,” and words of like import in this Agreement or any other Loan Documents or any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

SECTION 9.10. Survival. The provisions of Sections 3.09, 3.11 and 3.12 and Article VIII and Section 9.04 shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans and the Commitments or the termination of this Agreement or any provision hereof.

SECTION 9.11. Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.12. Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and other representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and will be subject to customary confidentiality obligations of professional practice or will agree (which agreement may be oral or pursuant to company policy) to be bound by the terms of this Section 9.12 (or language substantially similar to this Section 9.12)), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any Self Regulatory Organization), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies under this Agreement or any other Loan Document or any action or proceeding relating to the Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to any Borrower and its obligations, (g) with the consent of KCMH or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent, any Lender or any of their respective Affiliates on a non-confidential basis from a source other than KCMH or its Subsidiary.

For purposes of this Section, "Information" means all information received from KCMH or any of its Subsidiaries relating to KCMH or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a non-confidential basis prior to disclosure by KCMH or any of its Subsidiaries. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.13. No Fiduciary Relationship. In connection with all aspects of each transaction contemplated hereby, each Borrower acknowledges and agrees, and acknowledges its Affiliates' understanding, that: (a) the credit facility provided for hereunder and any related arranging or other services in connection therewith (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document) are an arm's length commercial transaction between the Borrowers and their Affiliates, on the one hand, and the Administrative Agent and the Lead Arranger, on the other hand, and each Borrower is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents (including any amendment, waiver or other modification thereof); (b) in connection with the process leading to such transaction, the Administrative Agent and the Lead Arranger, each is and has been acting solely as a principal and is not the financial advisor, agent or fiduciary, for any Borrower or any of its Affiliates, equity holders, creditors or employees or any other Person; (c) neither the Administrative Agent nor the Lead Arranger has assumed or will assume an advisory, agency or fiduciary responsibility in favor of any Borrower with respect to any of the transactions contemplated hereby or the process leading thereto, including with respect to any

amendment waiver or other modification hereof or of any other Loan Document (irrespective of whether the Administrative Agent or the Lead Arranger has advised or is currently advising any Borrower or any of its Affiliates on other matters) and neither the Administrative Agent nor the Lead Arranger has any obligation to any Borrower or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; (d) the Administrative Agent and the Lead Arranger and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrowers and their Affiliates, and neither the Administrative Agent nor the Lead Arranger has any obligation to disclose any of such interests by virtue of any advisory, agency or fiduciary relationship; and (e) the Administrative Agent and the Lead Arranger have not provided and will not provide any legal, accounting, regulatory or tax advice with respect to any of the transactions contemplated hereby (including any amendment, waiver or other modification hereof or of any other Loan Document) and the Borrowers have consulted their own legal, accounting, regulator and tax advisors to the extent it has deemed appropriate. Each Borrower hereby waives and releases, to the fullest extent permitted by law, any claims that it may have against the Administrative Agent and the Lead Arranger with respect to any breach or alleged breach of agency or fiduciary duty.

SECTION 9.14. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.15. USA PATRIOT Act. Each Lender hereby notifies each Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record information that identifies such Borrower, which information includes the name and address of the Borrowers and other information that will allow such Lender to identify such Borrower in accordance with the Patriot Act.

SECTION 9.16. Judgment Currency. This is an international loan transaction in which the specification of Dollars or an Alternate Currency, as the case may be (the "Specified Currency"), and any payment in New York City or the country of the Specified Currency, as the case may be (the "Specified Place"), is of the essence, and the Specified Currency shall be the currency of account in all events relating to amounts denominated in such Specified Currency. The payment obligations of the Borrowers under this Agreement and the other Loan Documents shall not be discharged by an amount paid in another currency or in another place, whether pursuant to a judgment or otherwise, to the extent that the amount so paid on conversion to the Specified Currency and transfer to the Specified Place under normal banking procedures does not yield the amount of the Specified Currency at the Specified Place due hereunder. If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder in the Specified Currency into another currency (the "Second Currency"), the rate of exchange which shall be applied shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the Specified Currency with the Second Currency on the Business Day next preceding that on which such judgment is rendered. The obligation of the Borrowers in respect of any such sum due from it to the Administrative Agent or any Lender hereunder shall, notwithstanding the rate of exchange actually applied in rendering such judgment, be discharged only to the extent that on the Business Day following receipt by the

Administrative Agent or such Lender, as the case may be, of any sum adjudged to be due hereunder or under the Notes in the Second Currency to the Administrative Agent or such Lender, as the case may be, may in accordance with normal banking procedures purchase and transfer to the Specified Place the Specified Currency with the amount of the Second Currency so adjudged to be due; and the Borrowers hereby, as a separate obligation and notwithstanding any such judgment, jointly and severally agree to indemnify the Administrative Agent or such Lender, as the case may be, against, and to pay the Administrative Agent or such Lender, as the case may be, on demand in the Specified Currency, any difference between the sum originally due to the Administrative Agent or such Lender, as the case may be, in the Specified Currency and the amount of the Specified Currency so purchased and transferred.

SECTION 9.17. European Monetary Union. (a) Definitions. In this Section 9.17 and in each other provision of this Agreement to which reference is made in this Section 9.17 (whether expressly or impliedly), the following terms have the following respective meanings:

“EMU” shall mean economic and monetary union as contemplated in the Treaty on European Union.

“EMU Legislation” shall mean legislative measures of the European Council for the introduction of, changeover to or operation of a single or unified European currency, being in part the implementation of the third stage of EMU.

“Euro” shall mean the single currency of Participating Member States of the European Union, which shall be a Currency under this Agreement.

“Euro Unit” shall mean a currency unit of the Euro.

“National Currency Unit” shall mean a unit of any Currency (other than a Euro Unit) of a Participating Member State.

“Participating Member State” shall mean each state so described in any EMU Legislation.

“Target Operating Day” shall mean any day that is not (a) a Saturday or Sunday, (b) Christmas Day or New Year’s Day or (c) any other day on which the Trans-European Real-time Gross Settlement Express Transfer system (or any successor settlement system) is not operating (as determined by the Administrative Agent).

“Treaty on European Union” shall mean the Treaty of Rome of March 25, 1957, as amended by the Single European Act 1986 and the Maastricht Treaty (which was signed at Maastricht on February 7, 1992, and came into force on November 1, 1993), as amended from time to time.

(b) Alternative Currencies. If and to the extent that any EMU Legislation provides that an amount denominated either in the Euro or in the National Currency Unit of a Participating Member State and payable within the Participating Member State by crediting an account of the creditor can be paid by the debtor either in the Euro Unit or in that National

Currency Unit, any party to this Agreement shall be entitled to pay such amount either in the Euro Unit or in such National Currency Unit.

(c) Payments by the Administrative Agent Generally. With respect to the payment of any amount denominated in the Euro or in a National Currency Unit, the Administrative Agent shall not be liable to any Borrower or any of the Lenders in any way whatsoever for any delay, or the consequences of any delay, in the crediting to any account of any amount required by this Agreement to be paid by the Administrative Agent if the Administrative Agent shall have taken all relevant steps to achieve, on the date required by this Agreement, the payment of such amount in immediately available, freely transferable, cleared funds (in the Euro Unit or, as the case may be, in a National Currency Unit) to the account of any Borrower or any Lender, as the case may be, in the Principal Financial Center in the Participating Member State which the Borrower or, as the case may be, such Lender shall have specified for such purpose. In this paragraph (c), “all relevant steps” shall mean all such steps as may be prescribed from time to time by the regulations or operating procedures of such clearing or settlement system as the Administrative Agent may from time to time reasonably determine for the purpose of clearing or settling payments of the Euro.

(d) Determination of Eurocurrency Rate. For the purposes of determining the date on which the applicable rate for Eurocurrency Loans, as the case may be, is determined under this Agreement for any Loan denominated in the Euro (or any National Currency Unit) for any Interest Period therefor, references in this Agreement to London Banking Days shall be deemed to be references to Target Operating Days. In addition, if the Administrative Agent determines that there is no Eurocurrency Rate displayed on the Screen Page for deposits denominated in the National Currency Unit in which any Loans are denominated, the Eurocurrency Rate for such Loans shall be based upon the rate displayed on the applicable Screen Page for the offering of deposits denominated in Euro Units.

(e) Rounding. Without prejudice and in addition to any method of conversion or rounding prescribed by the EMU Legislation, each reference in this Agreement to a minimum amount (or a multiple thereof) in a National Currency Unit to be paid to or by the Administrative Agent shall be replaced by a reference to such reasonably comparable and convenient amount (or a multiple thereof) in the Euro Unit as the Administrative Agent may from time to time specify.

(f) Other Consequential Changes. Without prejudice to the respective liabilities of the Borrowers to the Lenders and the Lenders to the Borrowers under or pursuant to this Agreement, except as expressly provided in this Section 9.17, each provision of this Agreement shall be subject to such reasonable changes of construction as the Administrative Agent may from time to time specify to be necessary or appropriate to reflect the introduction of or changeover to the Euro in Participating Member States.

SECTION 9.18. Acknowledgement and Consent to Bail-In of Affected Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Affected Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the Write-Down and

Conversion Powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

- (a) the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an Affected Financial Institution; and
- (b) the effects of any Bail-In Action on any such liability, including, if applicable:
  - (i) a reduction in full or in part or cancellation of any such liability;
  - (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or
  - (iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of the applicable Resolution Authority.

SECTION 9.19. Existing Letters of Credit and Existing Loans. The parties to this Agreement agree that, on the Closing Date, the terms and provisions of the Existing Credit Agreement shall be and hereby are amended, superseded and restated in their entirety by the terms and provisions of this Agreement. This Agreement is not intended to and shall not constitute a novation. Existing Loans, Existing Letters of Credit and Obligations incurred under the Existing Credit Agreement which are outstanding on the Closing Date shall continue as Loans, Letters of Credit and Obligations under (and shall be governed by the terms of) this Agreement and the other Loan Documents. Without limiting the foregoing, upon the effectiveness of the amendment and restatement contemplated hereby on the Closing Date, all references in the “Loan Documents” (as defined in the Existing Credit Agreement) to the “Administrative Agent”, the “Credit Agreement” and the “Loan Documents” shall be deemed to refer to the Administrative Agent, this Agreement and the Loan Documents.

[Signature Pages Follow]

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed by their respective officers or representatives thereunto duly authorized, as of the date first above written.

KKR CAPITAL MARKETS HOLDINGS L.P.,  
as a Borrower

By: KKR CAPITAL MARKETS HOLDINGS  
GP LLC, its general partner

By: /s/ Adam Smith  
Name: Adam Smith  
Title: Chief Executive Officer

KKR CORPORATE LENDING LLC, as a  
Borrower

By: /s/ Adam Smith  
Name: Adam Smith  
Title: Chief Executive Officer

KKR CORPORATE LENDING (UK) LLC, as a  
Borrower

By: /s/ Adam Smith  
Name: Adam Smith  
Title: Chief Executive Officer

[Signature Page to 5-Year Credit Agreement]

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KKR CORPORATE LENDING (CA) LLC, as a  
Borrower

By: /s/ Adam Smith  
Name: Adam Smith  
Title: Chief Executive Officer

KKR CORPORATE LENDING (TN) LLC, as a  
Borrower

By: /s/ Adam Smith  
Name: Adam Smith  
Title: Chief Executive Officer

[Signature Page to 5-Year Credit Agreement]

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MIZUHO BANK, LTD.,  
as Administrative Agent and as a Lender

By: /s/ Donna DeMagistris  
Name: Donna DeMagistris  
Title: Authorized Signatory

[Signature Page to 5-Year Credit Agreement]

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## PRICING GRID

The Applicable Margin (“Applicable Margin”) in respect of Borrowings, Letters of Credit under Section 2.03(c)(i) and the facility fee payable under Section 2.03(b) shall equal the amounts indicated in the pricing grid (the “Pricing Grid”) below (with the Total Credit Exposure to be determined and calculated on a daily basis):

TOTAL CREDIT EXPOSURE	APPLICABLE MARGIN FOR EUROCURRENCY LOANS	APPLICABLE MARGIN FOR ABR LOANS	APPLICABLE MARGIN FOR FACILITY FEE
Less than or equal to \$[**]	1.75%	0.75%	[**]%
Greater than \$[**], but less than or equal to \$[**]	[**]%	[**]%	[**]%
Greater than \$[**], but less than or equal to \$[**]	[**]%	[**]%	[**]%
Greater than \$[**], but less than or equal to \$[**]	3.00%	2.00%	[**]%

; provided that the Applicable Margin with respect to any Extended Transaction Borrowing (as defined below) that is a (a) Category [\*\*] Borrowing shall increase by [\*\*]% per annum on the Reference Date (as defined below), an additional [\*\*]% per annum on the date which is [\*\*] months following the Reference Date and an additional [\*\*]% per annum on the date which is [\*\*] months following the Reference Date and (b) Category [\*\*] or [\*\*] Borrowing shall increase by [\*\*]% per annum on the Reference Date (as defined below), an additional [\*\*]% per annum on the date which is [\*\*] months following the Reference Date and an additional [\*\*]% per annum on the date which is [\*\*] months following the Reference Date.

For purposes hereof an “Extended Transaction Borrowing” shall refer to the portion of any Financing Transaction Borrowing that is used to fund a Non-Hold Position and which remains outstanding after the reference date described below (the “Reference Date”) opposite the applicable Borrowing Category, such Reference Date measured from the effective date of KCMH or its Subsidiary’s funding obligation in respect of such Financing Transaction; provided that no undrawn, outstanding Letters of Credit shall constitute an Extended Transaction Borrowing.

A “Non-Hold Position” means the portion of a Senior Debt Transaction, Subordinated Debt Transaction or Equity Bridge Transaction that has not been designated to be retained in the ordinary course of business, and in lieu of syndication, as an internal credit approved “hold”

[\*\*] = *Certain information contained in this document, marked by “[\*\*]” has been excluded because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.*

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position. KCMH shall, upon or prior to entering into any Financing Transaction, record in its internal books and records the amount of any internal credit approved hold position for such transaction and such amount shall either be set forth in any applicable notice of borrowing delivered to the Administrative Agent or, to the extent it is not, it shall be deemed to be [\*\*].

<u>Borrowing Category</u>	<u>Reference Date</u>
Category [**] Borrowing	[**] months after the effective date of KCMH or its Subsidiary's funding obligation
Category [**] Borrowing	[**] months after the effective date of KCMH or its Subsidiary's funding obligation
Category [**] Borrowing	[**] months after the effective date of KCMH or its Subsidiary's funding obligation

[\*\*] = Certain information contained in this document, marked by "[\*\*]" has been excluded because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

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**THIRD AMENDED AND RESTATED GUARANTEE AND SECURITY AGREEMENT**

THIRD AMENDED AND RESTATED GUARANTEE AND SECURITY AGREEMENT, dated as of March 20, 2020, among KKR CAPITAL MARKETS HOLDINGS L.P., a Delaware limited partnership ("KCMH"), each Subsidiary of KCMH identified under the caption "GUARANTORS" on the signature pages hereto and each entity, if any, that becomes a "Guarantor" hereunder as contemplated by Section 7.13 hereof (individually, a "Guarantor" and, collectively, the "Guarantors" and, together with KCMH, the "Obligors"), and MIZUHO BANK, LTD., as administrative agent for the parties defined as "Lenders" under the Credit Agreement referred to below (in such capacity, together with its successors in such capacity, the "Administrative Agent").

KCMH, such Lenders and the Administrative Agent are parties to a Second Amended and Restated Credit Agreement, dated as of March 30, 2016 (as modified and supplemented and in effect prior to the date hereof, the "Existing Credit Agreement"), providing, subject to the terms and conditions thereof, for extensions of credit (by means of loans and letters of credit) to be made by the Lenders to KCMH, and pursuant thereto KCMH and certain of its Subsidiaries entered into a Second Amended and Restated Guarantee and Security Agreement, dated as of March 30, 2016, in favor of the Administrative Agent (as modified and supplemented and in effect prior to the date hereof, the "Existing Guarantee and Security Agreement").

KCMH and the other Borrowers party thereto have requested that certain amendments be made to the Existing Credit Agreement pursuant to a Third Amended and Restated Credit Agreement, dated as of March 20, 2020, among KKR CAPITAL MARKETS HOLDINGS L.P., a Delaware limited partnership ("KCMH"), KKR CORPORATE LENDING LLC, a Delaware limited liability company ("KCL U.S."), KKR CORPORATE LENDING (CA) LLC, a Delaware limited liability company ("KCL C.A."), KKR CORPORATE LENDING (TN) LLC, a Delaware limited liability company ("KCL T.N."), KKR CORPORATE LENDING (UK) LLC, a Delaware limited liability company ("KCL U.K."); KCMH, KCL U.S., KCL C.A., KCL T.N., KCL U.K., and any Additional Borrower are individually referred to herein as a "Borrower", and collectively referred to herein as the "Borrowers" and the Administrative Agent (as the same may be further modified and supplemented from time to time, the "Credit Agreement"), providing, subject to the terms and conditions thereof, for extensions of credit (by means of loans and letters of credit) to be made by the Lenders to the Borrowers, and pursuant thereto, the Borrowers have requested that the Existing Guarantee and Security Agreement be amended and restated in accordance with the terms and provisions of this Second Amended and Restated Guarantee and Security Agreement (as the same may be further modified and supplemented and in effect from time to time, the "Agreement"). In addition, the Borrowers may from time to time be obligated to various Lenders (or their Affiliates) in respect of one or more Hedging Agreements.

Each Obligor is, as of the date hereof, the owner of (a) the shares of Equity Interests (the "Initial Pledged Equity"), (b) the indebtedness (the "Initial Pledged Debt") and (c) the deposit account the ("Pledged Deposit Account"), each as set forth opposite such

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Obligor's name on Part A of Annex II hereto.

To induce each Lender to amend and restate the Existing Credit Agreement and to extend credit thereunder and under any Hedging Agreements, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Guarantor, jointly and severally with each other Guarantor, has agreed to guarantee the Guaranteed Obligations (as hereinafter defined) and each Obligor has agreed to grant a security interest in the Collateral (as so defined) as security for the Secured Obligations (as so defined) and each Guarantor and each other Obligor have agreed to amend and restate the Existing Guarantee and Security Agreement as set forth below.

Accordingly, the parties hereto hereby agree to amend and restate the Existing Guarantee and Security Agreement, and the Existing Guarantee and Security Agreement is hereby amended and restated, as follows:

SECTION 1. Definitions, Etc.

1.01 Terms Generally. Terms used herein and not otherwise defined herein are used herein as defined in the Credit Agreement.

1.02 Certain Uniform Commercial Code Terms. As used herein, the terms "Account", "Chattel Paper", "Deposit Accounts", "Document", "Equipment", "General Intangible", "Instrument", "Inventory", "Investment Property", "Letter-of-Credit Right", "Commercial Tort Claims" and "Proceeds" have the respective meanings set forth in Article 9 of the UCC, and the terms "Entitlement Holder", "Financial Asset" and "Securities Account" have the respective meanings set forth in Article 8 of the UCC.

1.03 Additional Definitions. In addition, as used herein:

"Bankruptcy Law" has the meaning assigned to such term in Section 2.01.

"Collateral" has the meaning assigned to such term in Section 4.

"Collateral Account" has the meaning assigned to such term in Section 5.01.

"Excess Funding Guarantor" has the meaning assigned to such term in Section 2.08.

"Excess Payment" has the meaning assigned to such term in Section 2.08.

"Guaranteed Obligations" has the meaning assigned to such term in Section 2.01.

"Initial Pledged Debt" has the meaning assigned to such term in the preamble hereto.

"Initial Pledged Equity" has the meaning assigned to such term in the preamble hereto.

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“L/C Exposure Sub-Account” has the meaning assigned to such term in Section 5.04.

“Pledged Deposit Account” has the meaning assigned to such term in the preamble hereto.

“Pledged Debt” has the meaning assigned to such term in Section 4(b)(iv).

“Pledged Equity” has the meaning assigned to such term in Section 4(b)(iii).

“Pro Rata Share” has the meaning assigned to such term in Section 2.08.

“Secured Creditors” means, collectively, the Lenders (including each Issuing Lender) and the Administrative Agent, any other holder from time to time of any of the Secured Obligations and, in each case, their respective successors and assigns.

“Secured Obligations” means, collectively, (a) in the case of the Borrowers, (i) all obligations of the Borrowers under the Loan Documents to pay the principal of and interest on the Loans and the L/C Reimbursement Obligations and all fees, premiums, costs, expenses, indemnification payments and other amounts or obligations whatsoever, whether direct or indirect, absolute or contingent, now or hereafter from time to time owing to the Secured Creditors or any of them under the Loan Documents and (ii) all obligations of the Borrowers to any Lender (or any Affiliate thereof) under any Hedging Agreement, (b) in the case of the Guarantors, all obligations of the Guarantors under Section 2 hereof and (c) in the case of each of the foregoing, including all interest thereon and expenses related thereto, including any interest or expenses accruing or arising after the commencement of any case with respect to any Obligor under the United States Bankruptcy Code or any other bankruptcy or insolvency law (whether or not such interest or expenses are allowed or allowable as a claim in whole or in part in such case).

“Security Collateral” has the meaning assigned to such term in Section 4(b).

“Subagent” has the meaning assigned to such term in Section 6.15(b).

“Subordinated Obligations” has the meaning assigned to such term in Section 2.10.

1.04 Treatment of Hedging Agreements. For purposes hereof, it is understood that any obligations of any Borrower to a Person arising under a Hedging Agreement entered into with a Lender or an Affiliate thereof shall nevertheless continue to constitute Secured Obligations and Guaranteed Obligations, and such Person shall continue to be a Secured Creditor, for purposes hereof, notwithstanding that such Person (or its Affiliates) may have assigned all of its Loans and other interests in the Credit Agreement and, therefore, at the time a claim is to be made in respect of such obligations, such Person (or its Affiliates) is no longer a “Lender” party to the Credit Agreement.

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SECTION 2. Guarantee.

2.01 The Guarantee. Each Guarantor hereby absolutely, unconditionally and irrevocably guarantees to each of the Secured Creditors and their respective successors and assigns the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of

(a) the principal of and interest on the Loans and the L/C Reimbursement Obligations and all fees, premiums, costs, expenses, indemnification payments and other amounts or obligations whatsoever, whether direct or indirect, absolute or contingent, now or hereafter from time to time owing to the Lenders or the Administrative Agent or any of them by any Obligor under any of the Loan Documents, and

(b) all obligations of any Borrower to any Lender (or any Affiliate thereof) under any Hedging Agreement,

in each case in accordance with the terms thereof and including all interest and expenses accrued or incurred subsequent to the commencement of any bankruptcy or insolvency proceeding with respect to any Obligor, whether or not such interest or expenses are allowed as a claim in such proceeding (such obligations being herein collectively called the "Guaranteed Obligations"). Each Guarantor hereby further jointly and severally agrees that if any Obligor shall fail to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the Guaranteed Obligations, such Guarantor will promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

Each Guarantor, the Administrative Agent and each other Secured Creditor, hereby confirms that it is the intention of all such Persons that this Agreement and the obligations of each Guarantor hereunder do not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law (as hereinafter defined), the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar foreign, federal or state law to the extent applicable to this Agreement and the obligations of each Guarantor hereunder. To effectuate the foregoing intention, the Administrative Agent, the other Secured Creditors and the Guarantors hereby irrevocably agree that the Guaranteed Obligations of each Guarantor at any time shall be limited to the maximum amount as will result in the obligations of such Guarantor not constituting a fraudulent transfer or conveyance. For purposes hereof, "Bankruptcy Law" means any proceeding of the type referred to in Sections 7.01(g) or (h) of the Credit Agreement or under Title 11, U.S. Code, or any similar foreign, federal or state law for the relief of debtors.

2.02 Obligations Unconditional. The obligations of each Guarantor under Section 2.01 are absolute and unconditional, joint and several, irrespective of the value, genuineness, validity, regularity or enforceability of the obligations of any Obligor under any of the Loan Documents or any substitution, release or exchange of any other guarantee of or security for any of the Guaranteed Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever that might otherwise constitute a legal or

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equitable discharge or defense of a surety or guarantor, it being the intent of this Section 2.02 that the obligations of such Guarantor hereunder shall be absolute and unconditional, joint and several, under any and all circumstances. Without limiting the generality of the foregoing, it is agreed that the occurrence of any one or more of the following shall not alter or impair the liability of such Guarantor hereunder, which shall remain absolute and unconditional as described above:

- (a) at any time or from time to time, without notice to the Guarantors, the time for any performance of or compliance with any of the Guaranteed Obligations shall be extended, or such performance or compliance shall be waived;
- (b) any of the acts mentioned in any of the provisions of the Loan Documents or any other agreement or instrument referred to herein or therein shall be done or omitted;
- (c) the maturity of any of the Guaranteed Obligations shall be accelerated, or any of the Guaranteed Obligations shall be modified, supplemented or amended in any respect, or any right under any of the Loan Documents shall be waived or any other guarantee of any of the Guaranteed Obligations or any security therefor shall be released or exchanged in whole or in part or otherwise dealt with;
- (d) any Lien in favor of any Secured Creditor as security for any of the Guaranteed Obligations shall fail to be perfected or be released;
- (e) any lack of validity or enforceability of any Loan Document or any agreement or instrument relating thereto; or
- (f) any other circumstance (including, without limitation, any statute of limitations) or any existence of or reliance on any representation by any Secured Creditor that might otherwise constitute a defense available to, or discharge of, any Obligor or any other guarantor or surety.

Each Guarantor hereby expressly, unconditionally and irrevocably waive diligence, presentment, promptness, demand of payment, protest, default, acceleration and all notices whatsoever, and any requirement that any Secured Creditor exhaust any right, power or remedy or proceed against any Obligor under any of the Loan Documents or against any other Person under any other guarantee of, or security for, any of the Guaranteed Obligations.

Each Guarantor hereby unconditionally and irrevocably waives (a) any defense arising by reason of any claim or defense based upon an election of remedies by any Secured Creditor that in any manner impairs, reduces, releases or otherwise adversely affects the subrogation, reimbursement, exoneration, contribution or indemnification rights of such Guarantor or other rights of such Guarantor to proceed against any of the other Obligors, any other guarantor or any other Person or any Collateral and (b) any defense based on any right of set-off or counterclaim against or in respect of the obligations of such Guarantor hereunder.

Each Guarantor acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated by the Loan Documents and that the

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waivers set forth in this Section 2 are knowingly made in contemplation of such benefits.

2.03 Reinstatement. The obligations of each Guarantor under this Section 2 shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of any Borrower in respect of the Guaranteed Obligations is rescinded or must be otherwise restored by any holder of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and each Guarantor jointly and severally agrees that it will indemnify the Secured Creditors on demand for all reasonable costs and expenses (including fees of counsel) incurred by the Secured Creditors in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

2.04 Subrogation. Each Guarantor jointly and severally agrees that, until the payment and satisfaction in full of all Guaranteed Obligations (other than contingent indemnity obligations not then due) and the expiration and termination of the Commitments under the Credit Agreement and the expiry, termination or cash collateralization or other back-stopping on terms reasonably satisfactory to the relevant Issuing Lender, the Administrative Agent and KCMH of all Letters of Credit thereunder, they shall not exercise any right or remedy (whether or not arising in equity or under contract, statute or common law) arising by reason of any existence, payment, enforcement or performance by such Guarantor of its obligations under any Loan Document, whether by subrogation or otherwise, against any Obligor or any other guarantor of any of the Guaranteed Obligations or any security for any of the Guaranteed Obligations.

2.05 Remedies. Each Guarantor jointly and severally agrees that, as between such Guarantor and the Lenders, the obligations of any Borrower under the Credit Agreement may be declared to be forthwith due and payable as provided in Article VII of the Credit Agreement (and shall be deemed to have become automatically due and payable in the circumstances provided in said Article VII) for purposes of Section 2.01 notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against any Borrower and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable), such obligations (whether or not due and payable by any Borrower) shall forthwith become due and payable by the Guarantors for purposes of Section 2.01.

2.06 Instrument for the Payment of Money. Each Guarantor acknowledges that the guarantee in this Section 2 constitutes an instrument for the payment of money, and consents and agrees that any Secured Creditor, at its sole option, in the event of a dispute by such Guarantor in the payment of any moneys due hereunder, shall have the right to bring motion-action under New York CPLR Section 3213.

2.07 Continuing Guarantee; Assignments. The guarantee in this Section 2 is a continuing guarantee, and shall (a) remain in full force and effect until the latest of (i) the payment in full in cash of the Guaranteed Obligations (other than any contingent indemnity obligations not then due), (ii) the termination or expiration of all the Commitments of the Lenders and (iii) the latest date of expiration or termination of all Letters of Credit (unless cash

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collateralized or otherwise backstopped on terms reasonably satisfactory to the relevant Issuing Lender, the Administrative Agent and KCMH), (b) be binding upon each Guarantor, its successors and assigns and (c) inure to the benefit of and be enforceable by the Secured Creditors and their successors, transferees and assigns. Without limiting the generality of clause (c) of the immediately preceding sentence, any Secured Creditor may assign or otherwise transfer all or any portion of its rights and obligations under the Credit Agreement (including, without limitation, all or any portion of its Commitments, the Loans owing to it and the Note or Notes held by it) to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Secured Creditor herein or otherwise, in each case as and to the extent provided in Section 9.06 of the Credit Agreement.

2.08 Rights of Contribution. The Guarantors hereby agree, as between themselves, that if any Guarantor shall become an Excess Funding Guarantor (as defined below) by reason of the payment by such Guarantor of any Guaranteed Obligations, then each other Guarantor shall, upon the demand of such Excess Funding Guarantor (but subject to the next sentence), pay to such Excess Funding Guarantor an amount equal to such Guarantor's Pro Rata Share (as defined below and determined, for this purpose, without reference to the properties, debts and liabilities of such Excess Funding Guarantor) of the Excess Payment (as defined below) in respect of such Guaranteed Obligations. The payment obligation of a Guarantor to any Excess Funding Guarantor under this Section 2.08 shall be subordinate and subject in right of payment to the prior payment in full of the obligations of such Guarantor to the Secured Creditor under the other provisions of this Section 2 and such Excess Funding Guarantor shall not exercise any right or remedy with respect to such excess until payment and satisfaction in full of all of such obligations.

For purposes of this Section 2.08, (a) "Excess Funding Guarantor" means, in respect of any Guaranteed Obligations, a Guarantor that has paid an amount in excess of its Pro Rata Share of such Guaranteed Obligations, (b) "Excess Payment" means, in respect of any Guaranteed Obligations, the amount paid by an Excess Funding Guarantor in excess of its Pro Rata Share of such Guaranteed Obligations and (c) "Pro Rata Share" means, for any Guarantor, the ratio (expressed as a percentage) of (x) the amount by which the aggregate fair saleable value of all properties of such Guarantor (excluding any shares of stock or other equity interest of any other Guarantor) exceeds the amount of all the debts and liabilities of such Guarantor (including contingent, subordinated, unmatured and unliquidated liabilities, but excluding the obligations of such Guarantor hereunder and any obligations of any other Guarantor that have been Guaranteed by such Guarantor) to (y) the amount by which the aggregate fair saleable value of all properties of all of the Guarantors exceeds the amount of all the debts and liabilities (including contingent, subordinated, unmatured and unliquidated liabilities, but excluding the obligations of the Guarantors hereunder and under the other Loan Documents) of all of the Guarantors, determined (i) with respect to any Guarantor that is a party hereto on the date hereof, as of the date hereof, and (ii) with respect to any other Guarantor, as of the date such Guarantor becomes a Guarantor hereunder.

2.09 Payments Free and Clear of Taxes, Etc. Any and all payments made by any Guarantor under or in respect of this Agreement or any other Loan Document shall be made free and clear of and without deduction for any and all present or future Indemnified Taxes or Other Taxes on the same terms and to the same extent that payments by the Borrowers are

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required to be made free and clear of Indemnified Taxes and Other Taxes pursuant to Section 3.11 of the Credit Agreement.

2.10 Subordination. Each Guarantor hereby subordinates any and all debts, liabilities and other obligations owed to such Guarantor by each other Obligor (the "Subordinated Obligations") to the Guaranteed Obligations to the extent and in the manner hereinafter set forth in this Section 2.10:

(a) Prohibited Payments, Etc. Except after the occurrence of and during the continuance of an Event of Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to any other Obligor), each Guarantor may receive regularly scheduled payments from any other Obligor on account of the Subordinated Obligations.

(b) Prior Payment of Guaranteed Obligations. After the occurrence and during the continuance of any Default or Event of Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to any other Obligor), however, unless the Administrative Agent otherwise agrees, no Guarantor shall demand, accept or take any action to collect any payment on account of the Subordinated Obligations.

(c) Prior Payment of Guaranteed Obligations. In any proceeding under any Bankruptcy Law relating to any other Obligor, each Guarantor agrees that the Secured Creditors shall be entitled to receive payment in full in cash of all Guaranteed Obligations before such Guarantor receives payment of any Subordinated Obligations.

(d) Turn-Over. After the occurrence and during the continuance of any Event of Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to any other Obligor), each Guarantor shall, if the Administrative Agent so requests, collect, enforce and receive payments on account of the Subordinated Obligations as trustee for the Secured Creditors and deliver such payments to the Administrative Agent on account of the Guaranteed Obligations, together with any necessary endorsements or other instruments of transfer, but without reducing or affecting in any manner the liability of such Guarantor under the other provisions of this Agreement.

2.11 Covenants. Each Guarantor covenants and agrees that, so long as any part of the Guaranteed Obligations shall remain unpaid (other than any contingent indemnity obligations not then due), any Letter of Credit shall be outstanding (unless cash collateralized or otherwise backstopped on terms reasonably satisfactory to the relevant Issuing Lender, the Administrative Agent and KCMH) or any Lender shall have any Commitment, such Guarantor will perform and observe, and cause each of its Subsidiaries to perform and observe, all of the terms, covenants and agreements set forth in the Loan Documents that any Borrower has agreed to cause such Guarantor or such Subsidiaries to perform or observe.

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SECTION 3. Representations and Warranties. Each Obligor represents and warrants to the Lenders and the Administrative Agent for the benefit of the Secured Creditors that:

3.01 Organizational Matters; Enforceability, Etc. In the case of each Guarantor the representations and warranties of the Borrowers relating to such Guarantor in Article V of the Credit Agreement are true as of the date such representations were made.

3.02 Title. Such Obligor is the sole beneficial owner of the Collateral in which it purports to grant a security interest pursuant to Section 4 and no Lien exists upon the Collateral (and no right or option to acquire the same exists in favor of any other Person) other than (a) Liens permitted by the Credit Agreement and (b) the security interest created or provided for herein, which security interest constitutes a valid first priority perfected Lien on the Collateral (or in the case of Collateral upon which Liens permitted by Section 6.02(b)(ii) of the Credit Agreement exist, a valid second priority perfected Lien on the Collateral); provided that, except in the case of the Pledged Deposit Agreement listed on Part A of Annex II (subject to Section 6.01(m) of the Credit Agreement) or any other deposit account used as the primary account to deposit funds from the Credit Agreement, possession of certificated securities and Instruments, no Obligor shall be required to perfect the security interest created or provide for herein by any means other than filings pursuant to the UCC or with the United States Patent and Trademark Office (“PTO”) or the United States Copyright Office (and any similar office in any other country).

3.03 Names, Etc. The full and correct legal name, type of organization, jurisdiction of organization, organizational identification number (if applicable) and mailing address of each Obligor as of the date hereof are correctly set forth in Annex I hereto. Said Annex I correctly specifies (a) the place of business of such Obligor or, if such Obligor has more than one place of business, the location of the chief executive office of such Obligor, and (b) each location where any financing statement naming such Obligor as debtor is currently on file.

3.04 Changes in Circumstances. Such Obligor has not (a) within the period of three months prior to the date hereof, changed its location (as defined in Section 9-307 of the UCC), (b) heretofore changed its name, type of organization, jurisdiction of organization or organizational identification number or (c) heretofore become a “new debtor” (as defined in Section 9-102(a)(56) of the UCC) with respect to a currently effective security agreement previously entered into by any other Person.

3.05 Guarantors. Each Wholly-Owned Subsidiary of KCMH that is a Domestic Subsidiary, other than any Broker-Dealer Subsidiary, existing on the date hereof, has executed this Agreement and is identified under the caption “GUARANTOR” on the signature pages hereto.

3.06 Security

(a) If such Obligor is an issuer of Security Collateral, such Obligor confirms that it has received notice of the security interest granted hereunder.

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(b) The Pledged Equity pledged by such Obligor hereunder, to the extent such Pledged Equity has been issued by another Obligor or Subsidiary of KCMH, has been duly authorized and validly issued and is fully paid and non-assessable (to the extent such terms are applicable). The Pledged Debt pledged by such Obligor hereunder, to the extent such Pledged Debt has been issued by another Obligor or Subsidiary of KCMH, has been duly authorized, authenticated or issued and delivered, is the legal, valid and binding obligation of the issuers thereof.

(c) The Initial Pledged Equity pledged by such Obligor constitutes, as of the date hereof, the percentage of the issued and outstanding Equity Interests of the issuers thereof indicated on Annex II hereto. The Initial Pledged Debt constitutes all of the outstanding indebtedness owed to such Obligor by the issuers thereof that is evidenced by instruments on the date hereof and is outstanding in the principal amount indicated on Annex II hereto.

(d) As of the date hereof, other than as set forth on Annex II, such Obligor has (i) no deposit accounts and (ii) no Securities Accounts.

SECTION 4. Collateral. As collateral security for the payment in full when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations, pursuant to the Existing Guarantee and Security Agreement, each Obligor pledged and granted to the Administrative Agent for the ratable benefit of the Secured Creditors, and pursuant hereto, each Obligor hereby pledges and grants to the Administrative Agent for the ratable benefit of the Secured Creditors, as hereinafter provided, a security interest in all of such Obligor's right, title and interest in, to and under the following property, in each case whether tangible or intangible, wherever located, and whether now owned by such Obligor or hereafter acquired and whether now existing or hereafter coming into existence:

(a) all Accounts, Chattel Paper, Collateral Accounts, Deposit Accounts, Documents, Equipment, General Intangibles, Instruments, Inventory, Investment Property, money; and

(b) the following (collectively, the "Security Collateral"):

(i) the Initial Pledged Equity and the certificates, if any, representing the Initial Pledged Equity, and all dividends, distributions, return of capital, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Initial Pledged Equity, all warrants, rights or options issued thereon or with respect thereto and all general intangibles (including membership status, control rights and economic interests) arising therefrom;

(ii) the Initial Pledged Debt and the instruments, if any, evidencing the Initial Pledged Debt, and all interest, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Initial Pledged Debt;

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(iii) all additional shares of stock and other Equity Interests from time to time acquired by such Obligor in any manner (such shares and other Equity Interests, together with the Initial Pledged Equity, being the "Pledged Equity"), and the certificates, if any, representing such additional shares or other Equity Interest, and all dividends, distributions, return of capital, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares or other Equity Interests, all warrants, rights or options issued thereon or with respect thereto and all general intangibles (including membership status, control rights and economic interests) arising therefrom;

(iv) all additional indebtedness from time to time owed to such Obligor (such indebtedness, together with the Initial Pledged Debt, being the "Pledged Debt") and the instruments, if any, evidencing such indebtedness, and all interest, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such indebtedness;

(v) the Securities Accounts, all security entitlements with respect to all financial assets from time to time credited to the Securities Accounts, and all financial assets, and all dividends, distributions, return of capital, interest, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such security entitlements or financial assets and all warrants, rights or options issued thereon or with respect thereto; and

(vi) all other investment property (including, without limitation, all (A) securities, whether certificated or uncertificated, (B) security entitlements, (C) securities accounts, (D) commodity contracts and (E) commodity accounts) in which such Obligor has now, or acquires from time to time hereafter, any right, title or interest in any manner, and the certificates or instruments, if any, representing or evidencing such investment property, and all dividends, distributions, return of capital, interest, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such investment property and all warrants, rights or options issued thereon or with respect thereto;

(c) all Proceeds of, collateral for, income, royalties and other economic rights or payments now or hereafter due and payable with respect to, any of the Collateral, all substitutions and replacements for, any of the Collateral, cash and, to the extent related to any Collateral, all books, correspondence, credit files, records, invoices and other papers (including all tapes, cards, computer runs and other papers and documents in the possession or under the control of such Obligor or any computer bureau or service company from time to time acting for such Obligor),

(all of the property described in this Section 4 being collectively referred to herein as "Collateral") PROVIDED, HOWEVER, that notwithstanding anything to the contrary in this

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Agreement, this Agreement shall not constitute a grant of a security interest in (a) more than 65% of the issued and outstanding Voting Shares of any non-Domestic Subsidiary (or any Domestic Subsidiary substantially all of whose assets consist of capital stock and/or indebtedness of one of more Foreign Subsidiaries), (b) motor vehicles and other assets subject to certificates of title, Letter of Credit Rights and Commercial Tort Claims, (c) any application for registration of a trademark filed with the PTO on an intent-to-use basis until such time (if any) as a statement of use or amendment to allege use is accepted by the PTO, at which time such trademark shall automatically become part of the Collateral and subject to the security interest pledged, (d) those assets over which the granting of security interests in such assets would be prohibited by applicable law, regulation, or agreements containing anti-assignment clauses not overridden by the UCC or other applicable law and (e) those assets as to which the Administrative Agent and the Borrower reasonably determine that the cost of obtaining such a security interest or perfection thereof are excessive in relation to the benefit to the Lenders of the security to be afforded thereby.

SECTION 5. Collateral Account and Deposit Account.

5.01 Collateral Account. The Administrative Agent will, if so directed by the Issuing Lender or the Majority Lenders, as applicable, cause to be established at the Administrative Agent a collateral account (the "Collateral Account"), that

(a) to the extent of all Investment Property or Financial Assets (other than cash) credited thereto shall be a Securities Account in respect of which the Administrative Agent shall be the Entitlement Holder or which shall be subject to a control agreement in form and substance satisfactory to the Administrative Agent, and

(b) to the extent of any cash credited thereto shall be a Deposit Account in respect of which the Administrative Agent shall be the depository bank's customer and shall have control over such Deposit Account, and

into which each Obligor agrees to deposit from time to time the cash proceeds of any of the Collateral required to be delivered to the Administrative Agent pursuant hereto or pursuant to any other Loan Document, and into which the Obligors may from time to time deposit any additional amounts that it wishes to provide as additional collateral security hereunder. The Collateral Account, and any money or other property from time to time therein, shall constitute part of the Collateral hereunder and shall not constitute payment of the Secured Obligations until applied as hereinafter provided.

5.02 Withdrawals. The balance from time to time in the Collateral Account shall be subject to withdrawal only as provided in this Section 5.02 and Section 5.03 below. The Administrative Agent shall (except as otherwise provided in the last sentence of this Section 5.02 and except after the occurrence of and during the continuation of an Event of Default) remit the collected balance standing to the credit of the Collateral Account to or upon the order of the relevant Obligor as such Obligor (through KCMH) shall from time to time instruct. At any time following the occurrence of and during the continuance of an Event of Default, the Administrative Agent may (and, if instructed by the Lenders as provided in the Credit Agreement, shall) in its (or their) discretion, after written notice to KCMH, apply or cause to be

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applied (subject to collection) the balance from time to time standing to the credit of the Collateral Account (regardless of the origin thereof) to the prepayment of the principal of the Loans (and/or to provide payment or cover for L/C Exposure) in the manner specified in Article VII of the Credit Agreement.

5.03 Investment of Balance in Collateral Account. The cash balance standing to the credit of the Collateral Account shall be invested from time to time as the respective Obligor through KCMH or, after the occurrence and during the continuance of an Event of Default, the Administrative Agent shall determine which investments shall be held in the name and be under the control of the Administrative Agent (and credited to the Collateral Account); provided that at any time after the occurrence and during the continuance of an Event of Default, the Administrative Agent may (and, if instructed by the Lenders as provided in the Credit Agreement, shall) in its (or their) discretion at any time and from time to time elect to liquidate any such investments and to apply or cause to be applied the proceeds thereof to the payment of the Secured Obligations then due and payable in the manner specified in Section 6.08.

5.04 Cover for L/C Exposure. Amounts deposited into the Collateral Account as cover for L/C Exposure under the Credit Agreement as contemplated by Article VII thereof shall be held by the Administrative Agent in a separate sub-account (designated "L/C Exposure Sub-Account") and all amounts held in such sub-account shall constitute collateral security first for the L/C Exposure outstanding from time to time and second as collateral security for the other Secured Obligations hereunder.

5.05 Delivery of Security Collateral. All certificates or instruments representing or evidencing Security Collateral (if and to the extent certificated and, with respect to Indebtedness (other than Intercompany Indebtedness), in an amount in excess of \$5,000,000), other than Security Collateral that is subject to a Lien permitted by Section 6.02(b)(ii), shall be promptly delivered to and held by or on behalf of the Administrative Agent pursuant hereto and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance reasonably satisfactory to the Administrative Agent.

5.06 Maintaining Pledged Deposit Account. Subject to Section 6.01(m) of the Credit Agreement, so long as any Guaranteed Obligation or Secured Obligation shall remain unpaid (other than any contingent obligations not then due), any Letter of Credit shall be outstanding (unless cash collateralized or otherwise backstopped on terms reasonably satisfactory to the relevant Issuing Lender, the Administrative Agent and KCMH), or any Lender shall have any Commitment, each Obligor will maintain the primary account to deposit funds from the Credit Agreement only with the financial institution acting as Administrative Agent hereunder or with a bank that has agreed with such Obligor and the Administrative Agent to comply with instructions originated by the Administrative Agent directing the disposition of funds in such deposit account without the further consent of such Obligor, such agreement to be in form and substance reasonably satisfactory to the Administrative Agent. As of the Closing Date the Pledged Deposit Account is used as the primary account to deposit funds from the Credit Agreement and, for the avoidance of doubt, such Pledged Deposit Account may be replaced by another deposit account as the primary account to deposit funds from the Credit Agreement, subject to the requirements of this Section 5.06.

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SECTION 6. Collateral Account and Deposit Further Assurances; Remedies. In furtherance of the grant of the security interest pursuant to Section 4, each Obligor hereby, jointly and severally with each other Obligor, agrees with the Administrative Agent for the benefit of the Secured Creditors as follows:

6.01 Delivery and Other Perfection. Each Obligor shall promptly from time to time give, execute, deliver, file, record, authorize or obtain all such financing statements, continuation statements, notices, instruments, documents, agreements or consents or other papers as may be necessary to create, preserve, perfect, maintain the perfection of or validate the security interest granted pursuant hereto or to enable the Administrative Agent to exercise and enforce its rights hereunder with respect to such security interest, including recordations before the PTO, United States Copyright Office (and any similar office in any other country), as appropriate. Each Obligor hereby authorizes the Administrative Agent to file one or more financing statements indicating that such financing statement covers all assets or all personal property (or words of similar effect) of such Obligor, in each case without the signature of such Obligor, and regardless of whether any particular asset described in such financing statements falls within the scope of the UCC or the granting clause of this Agreement. A photocopy or other reproduction of this Agreement shall be sufficient as a financing statement where permitted by law.

6.02 Other Financing Statements or Control. No Obligor shall (a) file or suffer to be on file, or authorize or permit to be filed or to be on file, in any jurisdiction, any financing statement or like instrument with respect to any of the Collateral in which the Administrative Agent is not named as the sole secured party for the benefit of the Secured Creditors, or (b) cause or permit any Person other than the Administrative Agent to have "control" (as defined in Section 9-106 of the UCC) of any Equity Interest held by such Obligor in any of its Subsidiaries constituting part of the Collateral.

6.03 Preservation of Rights. The Administrative Agent shall not be required to take steps necessary to preserve any rights against prior parties to any of the Collateral.

6.04 Remedies. (a) Rights and Remedies Generally upon Default. If an Event of Default shall have occurred and is continuing, the Administrative Agent, in addition to other rights and remedies provided for herein or in any other Loan Document, or otherwise available to it, shall have all of the rights and remedies with respect to the Collateral of a secured party under the UCC (whether or not the UCC is in effect in the jurisdiction where the rights and remedies are asserted) and such additional rights and remedies to which a secured party is entitled under the laws in effect in any jurisdiction where any rights and remedies hereunder may be asserted, including the right, to the fullest extent permitted by law, to exercise all voting, consensual and other powers of ownership pertaining to the Collateral as if the Administrative Agent were the sole and absolute owner thereof (and each Obligor agrees to take all such action as may be appropriate to give effect to such right); and without limiting the foregoing:

(i) the Administrative Agent in its discretion may, in its name or in the name of any Obligor or otherwise, demand, sue for, collect or receive any money or other property at any time payable or receivable on account of or in exchange for any of the Collateral, but shall be under no obligation to do so;

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(ii) the Administrative Agent may make any reasonable compromise or settlement deemed desirable with respect to any of the Collateral and may extend the time of payment, arrange for payment in installments, or otherwise modify the terms of, any of the Collateral; provided that the Administrative Agent shall provide KCMH with prior notice thereof;

(iii) the Administrative Agent may require the Obligors to notify (and each Obligor hereby authorizes the Administrative Agent to so notify) each account debtor in respect of any Account, Chattel Paper or General Intangible, and each obligor on any Instrument, constituting part of the Collateral that such Collateral has been assigned to the Administrative Agent hereunder, and to instruct that any payments due or to become due in respect of such Collateral shall be made directly to the Administrative Agent or as it may direct (and if any such payments, or any other Proceeds of Collateral, are received by any Obligor they shall be held in trust by such Obligor for the benefit of the Administrative Agent and as promptly as possible remitted or delivered to the Administrative Agent for application as provided herein);

(iv) the Administrative Agent may prohibit withdrawals from, and/or apply to the payment of the Secured Obligations, any money or other property in the Collateral Account; provided that the Administrative Agent shall provide KCMH with prior notice thereof;

(v) the Administrative Agent may require the Obligors to cause any securities constituting part of the Collateral, to be transferred of record into the name of the Administrative Agent or its nominee (and the Administrative Agent agrees that if any of such securities is transferred into its name or the name of its nominee, the Administrative Agent will thereafter promptly give to respective Obligor (through KCMH) copies of any notices and communications received by it with respect to such securities);

(vi) the Administrative Agent may sell, lease, license, assign or otherwise dispose of all or any part of the Collateral now owned or hereafter acquired at such place or places as the Administrative Agent deems best, and for cash or for credit or for future delivery (without thereby assuming any credit risk), at public or private sale, without demand of performance or notice of intention to effect any such disposition or of the time or place thereof (except such notice as is required by applicable statute and cannot be waived), and the Administrative Agent or any other Secured Creditor or anyone else may be the purchaser, lessee, licensee, assignee or recipient of any or all of the Collateral so disposed of at any public sale (or, to the extent permitted by law, at any private sale) and thereafter hold the same absolutely, free from any claim or right of whatsoever kind, including any right or equity of redemption (statutory or otherwise), of the Obligors, any such demand, notice and right or equity being hereby expressly waived and released. The Administrative Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the sale may be so adjourned; and

(vii) if the Administrative Agent shall determine to exercise its right to sell all or any of the Security Collateral of any Obligor pursuant this Section 6, each Obligor agrees that, upon the request of the Administrative Agent, such Obligor will, at its own expense, do or cause

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to be done all such other acts and things as may be necessary to make such sale of such Security Collateral or any part thereof valid and binding and in compliance with applicable law.

The Proceeds of each collection, sale or other disposition under this Section 6.04, shall be applied in accordance with Section 6.08.

(b) Certain Securities Act Limitations. The Obligors recognize that, by reason of certain prohibitions contained in the Securities Act of 1933, as amended, and applicable state securities laws, the Administrative Agent may be compelled, with respect to any sale of all or any part of the Collateral, to limit purchasers to those who will agree, among other things, to acquire the Collateral for their own account, for investment and not with a view to the distribution or resale thereof. The Obligors acknowledge that any such public sales may be at prices and on terms less favorable to the Administrative Agent than those obtainable through a public sale without such restrictions, and, notwithstanding such circumstances, agree that any such public sale shall be deemed to have been made in a commercially reasonable manner and that the Administrative Agent shall have no obligation to engage in public sales and no obligation to delay the sale of any Collateral for the period of time necessary to permit the issuer thereof to register it for public sale.

(c) Notice. The Obligors agree that to the extent the Administrative Agent is required by applicable law to give reasonable prior notice of any sale or other disposition of any Collateral, fifteen Business Days' notice shall be deemed to constitute reasonable prior notice.

6.05 Deficiency. If the proceeds of sale, collection or other realization of or upon the Collateral pursuant to Section 6.04 are insufficient to cover the costs and expenses of such realization and the payment in full of the Secured Obligations, the Obligors shall remain liable for any deficiency.

6.06 Locations, Names, Etc. Without at least 30 days' prior written notice to the Administrative Agent, no Obligor shall (a) change its location (as defined in Section 9-307 of the UCC), (b) change its name, type of organization, mailing address or jurisdiction of organization from those set forth in Annex I hereto, or (c) agree to or authorize any modification of the terms of any item of Collateral that would result in a change thereof from one Uniform Commercial Code category to another such category (such as from a General Intangible to Investment Property), if, in the case of clause (c), the effect thereof would be to result in a loss of perfection of, or diminution of priority for, the security interests created hereunder in such item of Collateral, or the loss of control (within the meaning of Section 9-104, 9-105, 9-106 or 9-107 of the UCC) over such item of Collateral.

6.07 Public Sale. None of the Secured Creditors and the Administrative Agent shall incur any liability as a result of the sale of the Collateral, or any part thereof, at any public sale pursuant to Section 6.04 conducted in a commercially reasonable manner. Each Obligor hereby waives any claims against the Secured Creditors or the Administrative Agent arising by reason of the fact that the price at which the Collateral may have been sold at such a public sale was less than the price that might have been obtained at a public sale without such restrictions or

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was less than the aggregate amount of the Secured Obligations, even if the Administrative Agent accepts the first offer received and does not offer the Collateral to more than one offeree.

6.08 Application of Proceeds. Except as otherwise herein expressly provided and except as provided below in this Section 6.08, the Proceeds of any collection, sale or other realization of all or any part of the Collateral pursuant hereto, and any other cash at the time held by the Administrative Agent under Section 5 or this Section 6, shall be applied by the Administrative Agent:

First, to the payment of the costs and expenses of such collection, sale or other realization, including reasonable out-of-pocket costs and expenses of the Administrative Agent and the fees and expenses of its agents and counsel, and all expenses incurred and advances made by the Administrative Agent in connection therewith;

Second, to payment of that portion of the Secured Obligations constituting fees, indemnities, expenses and other amounts (other than principal and interest but including fees, charges and disbursements of counsel to the Administrative Agent) payable to the Administrative Agent in its capacity as such;

Third, to payment of that portion of the Secured Obligations constituting fees, indemnities and other amounts (other than principal, interest and Letter of Credit fees) payable to the Lenders and the Issuing Lender (including fees, charges and disbursements of counsel to the respective Lenders and the Issuing Lender), equally and ratably in accordance with the respective amounts thereof then due and owing;

Fourth, to payment of that portion of the Secured Obligations constituting accrued and unpaid Letter of Credit fees and interest on the Loans, L/C Reimbursement Obligations and other obligations of the Obligor under the Loan Documents, equally and ratably in accordance with the respective amounts thereof then due and owing;

Fifth, to the payment in full of the Secured Obligations (other than those specified in clauses Second, Third and Fourth above), in each case equally and ratably in accordance with the respective amounts thereof then due and owing or as the Lenders holding the same may otherwise agree; and

Finally, to the payment to the relevant Obligor, or its successors or assigns, or as a court of competent jurisdiction may direct, of any surplus then remaining.

Notwithstanding the foregoing, the proceeds of any cash or other amounts held in the L/C Exposure Sub-Account of the Collateral Account pursuant to Section 5.04 shall be applied first to the L/C Exposure outstanding from time to time and second to the other Secured Obligations in the manner provided above in this Section 6.08.

6.09 Attorney-in-Fact. Without limiting any rights or powers granted by this Agreement to the Administrative Agent while no Event of Default has occurred and be continuing, upon the occurrence and during the continuance of any Event of Default the Administrative Agent is hereby appointed the attorney-in-fact of each Obligor for the purpose of carrying out the provisions of this Section 6 and taking any action and executing any instruments

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that the Administrative Agent may deem necessary or advisable to accomplish the purposes hereof, which appointment as attorney-in-fact is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, so long as the Administrative Agent shall be entitled under this Section 6 to make collections in respect of the Collateral, the Administrative Agent shall have the right and power to receive, endorse and collect all checks made payable to the order of any Obligor representing any dividend, payment or other distribution in respect of the Collateral or any part thereof and to give full discharge for the same.

6.10 Continuing Security Interest; Assignments. (a) This Agreement shall create a continuing security interest in the Collateral and shall, subject to clause (b) below, (i) remain in full force and effect until the latest of (A) the payment in full in cash of the Secured Obligations (other than any contingent obligations indemnity not then due), (B) the termination or expiration of all of the Commitments of the Lenders and (C) the termination or expiration of all Letters of Credit (unless cash collateralized or otherwise backstopped on terms reasonably satisfactory to the relevant Issuing Lender, the Administrative Agent and KCMH), (ii) be binding upon each Obligor, its successors and assigns and (iii) inure, together with the rights and remedies of the Administrative Agent hereunder, to the benefit of the Secured Creditors and their respective successors, transferees and permitted assigns. Without limiting the generality of the foregoing clause (iii), any Lender may assign or otherwise transfer all or any portion of its rights and obligations under the Credit Agreement (including, without limitation, all or any portion of its Commitments, the Loans owing to it on the Note or Notes, if any, held by it) to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Lender Party herein or otherwise, in each case as provided in Section 9.06 of the Credit Agreement.

(b) If any of the Collateral shall be sold, transferred or otherwise disposed of by any Obligor in a transaction not otherwise prohibited by any Loan Document, then such Collateral shall automatically be released from the Liens created hereby or under any other Loan Document and the Administrative Agent, at the request and sole expense of any Obligor, shall execute and deliver to such Obligor all releases or other documents reasonably necessary or desirable for the release of the Liens created hereby on such Collateral. At the request and sole expense of any Obligor, such Obligor (other than KCMH) shall be released from its obligations hereunder in the event that such Obligor shall cease to be a Wholly-Owned Subsidiary of KCMH pursuant to a transaction not otherwise prohibited by any Loan Document.

6.11 Termination. When all Secured Obligations shall have been paid in full in cash (other than contingent indemnity obligations not then due) and the Commitments of the Lenders under the Credit Agreement and all L/C Exposure shall have expired or been terminated or have been cash collateralized or otherwise back-stopped on terms reasonably satisfactory to the relevant Issuing Lender, the Administrative Agent and KCMH, this Agreement shall terminate, and the Administrative Agent shall forthwith cause to be assigned, transferred and delivered, against receipt but without any recourse, warranty or representation whatsoever, any remaining Collateral and money received in respect thereof, to or on the order of the relevant Obligor. The Administrative Agent shall also, at the expense of such Obligor, execute and deliver to the respective Obligor upon such termination such UCC termination statements, as shall be reasonably requested by the respective Obligor to effect the termination and release of the Liens on the Collateral as required by this Section 6.11.

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6.12 Further Assurances and Post-Closing Matters. Each Obligor agrees that from time to time (at the expense of such Obligor) upon the written request of the Administrative Agent, such Obligor will execute and deliver such further instruments and documents and do such other acts and things as the Administrative Agent may reasonably request in order to fully effect the purposes of this Agreement and to enable the Administrative Agent to exercise and enforce its rights and remedies hereunder with respect to any Collateral.

6.13 Voting Rights; Dividends; Etc. (a) So long as no Event of Default shall have occurred and be continuing:

(i) Each Obligor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Security Collateral of such Obligor or any part thereof for any purpose not in violation of this Agreement or the other Loan Documents;

(ii) Each Obligor shall be entitled to receive and retain any and all dividends, interest and other distributions paid in respect of the Security Collateral of such Obligor if and to the extent that the payment thereof is not otherwise prohibited by the terms of the Loan Documents; provided, however, that any and all dividends, interest and other distributions paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Security Collateral shall, if received by such Obligor, be received in trust for the benefit of the Administrative Agent and, if required by Section 5.05, promptly be delivered to the Administrative Agent and held as Security Collateral in the same form received (with any necessary endorsements); and

(iii) The Administrative Agent will execute and deliver (or cause to be executed and delivered) to each Obligor all such proxies and other instruments as such Obligor may reasonably request for the purpose of enabling such Obligor to exercise the voting and other rights that it is entitled to exercise pursuant to paragraph (i) above and to receive the dividends, interest and other payments that it is authorized to receive and retain pursuant to paragraph (ii) above.

(b) After the occurrence and during the continuance of an Event of Default:

(i) All rights of each Obligor (x) to exercise or refrain from exercising the voting and other consensual rights that it would otherwise be entitled to exercise pursuant to Section 6.13(a) shall, upon notice to such Obligor by the Administrative Agent, cease and (y) to receive the dividends, interest and other distributions that it would otherwise be authorized to receive and retain pursuant to Section 6.13(a) shall, upon notice to such Obligor by the Administrative Agent, cease, and all such rights shall thereupon become vested in the Administrative Agent, which shall thereupon have the sole right to exercise or refrain from exercising such voting and other consensual rights and to receive and hold as Security Collateral such dividends, interest and other distributions.

(ii) All dividends, interest and other distributions that are received by any Obligor contrary to the provisions of paragraph (i) of this Section 6.13(b) shall be received in trust for the benefit of the Administrative Agent, shall be segregated from other funds of such

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Obligor and shall be forthwith paid over to the Administrative Agent as Security Collateral in the same form as so received (with any necessary endorsement).

6.14 Administrative Agent May Perform. If any Obligor fails to perform any agreement contained herein, the Administrative Agent may, but without any obligation to do so and without notice, itself perform, or cause the performance of, such agreement, and the reasonable expenses of the Administrative Agent incurred in connection therewith shall be payable by such Obligor.

6.15 The Administrative Agent's Duties. (a) The powers conferred on the Administrative Agent hereunder are solely to protect the Secured Creditors' interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Administrative Agent shall have no duty as to any Collateral, as to ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral, whether or not any Secured Creditor has or is deemed to have knowledge of such matters, or as to the taking of any necessary steps to preserve rights against any parties or any other rights pertaining to any Collateral. The Administrative Agent shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if such Collateral is accorded treatment substantially equal to that which it accords its own property.

(b) Anything contained herein to the contrary notwithstanding, the Administrative Agent may from time to time, when the Administrative Agent deems it to be necessary, appoint one or more subagents (each a "Subagent") for the Administrative Agent hereunder with respect to all or any part of the Collateral. In the event that the Administrative Agent so appoints any Subagent with respect to any Collateral, (i) the assignment and pledge of such Collateral and the security interest granted in such Collateral by each Obligor hereunder shall be deemed, for purposes of this Agreement, to have been made to such Subagent, in addition to the Administrative Agent, for the ratable benefit of the Secured Creditors, as security for the Secured Obligations of such Obligor, (ii) such Subagent shall automatically be vested, in addition to the Administrative Agent, with all rights, powers, privileges, interests and remedies of the Administrative Agent hereunder with respect to such Collateral and (iii) the term "Administrative Agent," when used herein in relation to any rights, powers, privileges, interests and remedies of the Administrative Agent with respect to such Collateral, shall include such Subagent; provided, however, that no such Subagent shall be authorized to take any action with respect to any such Collateral unless and except to the extent expressly authorized in writing by the Administrative Agent.

SECTION 7. Miscellaneous.

7.01 Notices. All notices, requests, consents and demands hereunder shall be in writing and telecopied or delivered to the intended recipient at its "address for notices" specified pursuant to Section 9.02 of the Credit Agreement and shall be deemed to have been given at the times specified in said Section 9.02. Any notice to be delivered to any Guarantor hereunder shall be delivered to KCMH (at its aforesaid address) on behalf of such Guarantor.

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7.02 No Waiver. No failure on the part of any Secured Creditor to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise by any Secured Creditor of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies herein are cumulative and are not exclusive of any remedies provided by law.

7.03 Amendments, Etc. The terms of this Agreement may be waived, altered or amended only by an instrument in writing duly executed by each applicable Obligor and the Administrative Agent (with the consent of the Lenders as specified in Section 9.01 of the Credit Agreement). Any such amendment or waiver shall be binding upon the Secured Creditors and each Obligor.

7.04 Indemnification by the Obligors. Each Obligor shall indemnify each Secured Creditor and each Related Party (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of one counsel for the Indemnitees (together with one local counsel in each relevant jurisdiction) and, after notice to KCMH, of more than one such counsel to the extent any Indemnitee reasonably determines that there is an actual conflict of interest requiring the employment of separate counsel), incurred by any Indemnitee or asserted against any Indemnitee by any third party or by any Obligor arising out of, in connection with, or as a result of, this Agreement, including, without limitation, enforcement of this Agreement, whether based on contract, tort or any other theory, whether brought by a third party or by any Obligor and regardless of whether any Indemnitee is a party thereto, provided, that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the bad faith, gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by an Obligor against an Indemnitee for material breach of such Indemnitee's obligations hereunder, if such Obligor has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

7.05 Expenses. The Obligors jointly and severally agree to reimburse each of the Secured Creditors for all reasonable costs and expenses incurred by them (including the reasonable fees and expenses of one legal counsel for the Secured Creditors in each relevant jurisdiction or of more than one such legal counsel to the extent any Secured Creditor reasonably determines that there is an actual conflict of interest requiring the employment of separate legal counsel) in connection with (a) any enforcement of their rights hereunder, or, during the continuation of an Event of Default, protection of its rights in connection with this Agreement or collection proceeding resulting therefrom, including, without limitation, all manner of participation in or other involvement with (i) performance by the Administrative Agent of any obligations of the Obligors in respect of the Collateral that the Obligors have failed or refused to perform, (ii) bankruptcy, insolvency, receivership, foreclosure, winding up or liquidation proceedings, or any actual or attempted sale, or any exchange, enforcement, collection, compromise or settlement in respect of any of the Collateral, and for the care of the Collateral and defending or asserting rights and claims of the Administrative Agent in respect thereof, by litigation or otherwise, including expenses of insurance, (iii) judicial or regulatory proceedings

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and (iv) workout, restructuring or other negotiations or proceedings (whether or not the workout, restructuring or transaction contemplated thereby is consummated), (b) the enforcement of this Section 7.05, (c) the administration of this Agreement and (d) the custody, preservation, use or sale of any of the Collateral, and all such costs and expenses shall be Secured Obligations entitled to the benefits of the collateral security provided pursuant to Section 4.

7.06 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of each Obligor and the Secured Creditors; provided that no Obligor shall assign or transfer its rights or obligations hereunder without the prior written consent of the Administrative Agent.

7.07 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

7.08 Governing Law; Submission to Jurisdiction; Etc. (a) Governing Law. This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) Submission to Jurisdiction. Each Guarantor hereby irrevocably and unconditionally submits, for itself and its Property, to the nonexclusive jurisdiction of the courts of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each Guarantor irrevocably agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by applicable law, in such Federal court. Each Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any Secured Creditor may otherwise have to bring any action or proceeding relating to this Agreement against any Obligor or its properties in the courts of any jurisdiction.

(c) Waiver of Venue. Each Guarantor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section 7.08. Each Guarantor irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

7.09 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO

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(A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

7.10 Captions. The captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

7.11 Agents and Attorneys-in-Fact. The Administrative Agent may employ agents and attorneys-in-fact in connection herewith and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it in good faith.

7.12 Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (a) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Secured Creditors in order to carry out the intentions of the parties hereto as nearly as may be possible and (b) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.

7.13 Additional Subsidiary Guarantors. The Obligors shall cause any Wholly-Owned Subsidiary of KCMH that is a Domestic Subsidiary, other than any Broker-Dealer Subsidiary or any Domestic Subsidiary of a Foreign Subsidiary or a Domestic Subsidiary substantially all of whose assets consist of capital stock and/or indebtedness of one or more Foreign Subsidiaries, formed or acquired after the date hereof to become a "Guarantor" and an "Obligor" under this Agreement, by executing and delivering to the Administrative Agent a Guarantee Assumption Agreement in the form of Exhibit 1 hereto (together with an appropriate legal opinion of counsel, as referred to in said Exhibit 1). Accordingly, upon the execution and delivery of any such Guarantee Assumption Agreement by any such new Subsidiary, such new Subsidiary shall automatically and immediately, and without any further action on the part of any Person, become a "Guarantor" and an "Obligor" under and for all purposes of this Agreement and the other Loan Documents, each reference in this Agreement and the other Loan Documents to the "Collateral" shall also mean and be a reference to the Collateral granted by such new Subsidiary and each reference in this Agreement to an Annex shall also mean and be a reference to the annex as attached to such Guaranteed Assumption Agreement. In addition, upon the execution and delivery of any such Guarantee Assumption Agreement, the new Guarantor makes the representations and warranties set forth in Section 3 hereof. Notwithstanding the foregoing, none of (i) KCM U.S. nor any other Broker-Dealer Subsidiary or (ii) any Wholly-Owned Domestic Subsidiary, the giving of a guarantee hereunder would, in the reasonable determination of KCMH, materially and adversely affect the ability of such Subsidiary to comply with applicable Laws and regulations, shall be a Guarantor under this Agreement.

7.14 Set off. If an Event of Default shall have occurred and be continuing, each Secured Creditor is hereby authorized at any time and from time to time, to the fullest extent

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permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Secured Creditor to or for the credit or the account of any Guarantor against any and all of the obligations of such now or hereafter existing under this Agreement or any other Loan Document to such Secured Creditor irrespective of whether or not such Secured Creditor shall have made any demand under this Agreement or any other Loan Document and although such obligations of such Guarantor may be contingent or unmatured or are owed to a branch or office of such Secured Creditor different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each Secured Creditor under this Section are in addition to other rights and remedies (including other rights of setoff) that such Secured Creditor may have. Each Secured Creditor agrees to notify such Guarantor and the Administrative Agent promptly after any such setoff and application, provided, that the failure to give such notice shall not affect the validity of such setoff and application.

*[Signature pages follow.]*

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IN WITNESS WHEREOF, the parties hereto have caused this Guarantee and Security Agreement to be duly executed and delivered as of the day and year first above written.

KKR CAPITAL MARKETS HOLDINGS L.P.

By: KKR CAPITAL MARKETS HOLDINGS GP LLC, its General Partner

By \_\_\_\_\_  
Name:  
Title:

GUARANTORS:

KKR CORPORATE LENDING (CA) LLC

By \_\_\_\_\_  
Name:  
Title:

KKR CORPORATE LENDING (TN) LLC

By \_\_\_\_\_  
Name:  
Title:

[Signature Page to Third A&R Guarantee and Security Agreement]

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KKR CORPORATE LENDING LLC

By: \_\_\_\_\_  
Name:  
Title:

KKR CORPORATE LENDING (UK) LLC

By: \_\_\_\_\_  
Name:  
Title:

[Signature Page to Third A&R Guarantee and Security Agreement]

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MIZUHO BANK, LTD.,  
as Administrative Agent

By \_\_\_\_\_  
Name:  
Title:

[Signature Page to Third A&R Guarantee and Security Agreement]

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CERTAIN INFORMATION, IDENTIFIED BY, AND REPLACED WITH, A MARK OF “[\*\*]” HAS BEEN EXCLUDED FROM THIS DOCUMENT BECAUSE IT IS BOTH (I) NOT MATERIAL AND (II) WOULD LIKELY CAUSE COMPETITIVE HARM TO THE REGISTRANT IF PUBLICLY DISCLOSED.

\$750,000,000

**364-DAY REVOLVING CREDIT AGREEMENT**

Dated as of April 10, 2020

Among

**KKR CAPITAL MARKETS HOLDINGS L.P.,  
KKR CORPORATE LENDING LLC,  
KKR CORPORATE LENDING (CA) LLC,  
KKR CORPORATE LENDING (TN) LLC**  
*and*  
**KKR CORPORATE LENDING (UK) LLC**  
*as Borrowers,*

**THE LENDERS PARTY HERETO**

*and*

**MIZUHO BANK, LTD.,**  
*as Administrative Agent*

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**MIZUHO BANK, LTD.,**  
*as Sole Lead Arranger and Sole Bookrunner*

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Exhibit E-1 Form of Tax Statement for Non-U.S. Lenders That Are Not Partnerships For U.S. Federal Income Tax Purposes

Exhibit E-2 Form of Tax Statement for Non-U.S. Participants That Are Not Partnerships For U.S. Federal Income Tax Purposes

Exhibit E-3 Form of Tax Statement for Non-U.S. Participants That Are Partnerships For U.S. Federal Income Tax Purposes

Exhibit E-4 Form of Tax Statement for Non-U.S. Lenders That Are Partnerships For U.S. Federal Income Tax Purposes

Exhibit F Form of Additional Borrower Joinder Agreement

**364-DAY REVOLVING CREDIT AGREEMENT** dated as of April 10, 2020 (as further amended or otherwise modified from time to time, this "Agreement") among KKR CAPITAL MARKETS HOLDINGS L.P., a Delaware limited partnership ("KCMH"), KKR CORPORATE LENDING LLC, a Delaware limited liability company ("KCL U.S."), KKR CORPORATE LENDING (CA) LLC, a Delaware limited liability company ("KCL C.A."), KKR CORPORATE LENDING (TN) LLC, a Delaware limited liability company ("KCL T.N.") and KKR CORPORATE LENDING (UK) LLC, a Delaware limited liability company ("KCL U.K."); KCMH, KCL U.S., KCL C.A., KCL T.N. and KCL U.K. and any Additional Borrower are collectively referred to herein as the "Borrowers" and individually sometimes as a "Borrower", each of the Lenders (as defined below), and MIZUHO BANK, LTD., as administrative agent for the Lenders (in such capacity, the "Administrative Agent").

WHEREAS, the parties hereto hereby agree, as follows:

## ARTICLE I

### DEFINITIONS

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms shall have the following respective meanings:

"ABR" means a fluctuating interest rate per annum which shall at any time be the higher of:

- (a) the rate of interest established by the Administrative Agent as its "prime rate" in effect at its principal office in New York, New York; and
- (b) 1/2 of 1.00% per annum above the Federal Funds Rate.

The "prime rate" is a rate established by MHC B based upon various factors including MHC B's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate established by MHC B shall take effect at the opening of business on the day specified by MHC B of such change.

"ABR Loan" means, at any time, a Loan which bears interest at rates based upon the ABR.

"Additional Borrower" shall mean any Person who shall from time to time after the Closing Date become a party hereto as a "Borrower" hereunder upon the satisfaction of the conditions set forth in Section 6.01(i)(ii).

"Additional Borrower Joinder Agreement" shall mean the joinder agreement substantially in the form of Exhibit F.

"Administrative Agent" has the meaning specified in the introduction hereto.

“Administrative Agent’s Account” means, with respect to any Currency, the account of the Administrative Agent for such Currency most recently designated by it as such by notice to KCMH and the Lenders.

“Administrative Questionnaire” means an Administrative Questionnaire in a form supplied by the Administrative Agent.

“Affected Financial Institution” means (a) any EEA Financial Institution or (b) any UK Financial Institution.

“Affiliate” means, with respect to a specified Person, another Person that directly or indirectly Controls or is Controlled by or is under common Control with such specified Person.

“Aggregate Borrowing Availability” means, at any time, the Aggregate Facility Amount at such time minus the Total Credit Exposure at such time.

“Aggregate Facility Amount” means, at any time, the aggregate amount of the Commitments then in effect. The initial Aggregate Facility Amount is \$750,000,000.

“Allocable Amount” has the meaning specified in Section 2.06(b).

“Alternate Currency” means the Euro, British Pounds Sterling and any other currency acceptable to the Lenders that is freely convertible into Dollars and available to be borrowed in the interbank market in London or the Principal Financial Center for such currency, so long as no central bank or other governmental authorization in the country of issue of such currency (including, in the case of the Euro, any authorization by the European Central Bank) is required to permit the use of such currency by any Lender for making any Loan hereunder and/or permit a Borrower to borrow and repay the principal thereof and to pay the interest thereon, unless such authorization has been obtained and is in full force and effect.

“Alternate Currency Equivalent” means, on any date, with respect to any amount denominated in a given currency, the amount of Alternate Currency that would be required to purchase such amount of such given currency at or about 11:00 a.m., Local Time, on such date, for delivery two Business Days later, as determined by the Administrative Agent on the basis of the spot selling rate for the offering of such given currency for Alternate Currency in the Principal Financial Center for the applicable given currency, all determinations thereof by the Administrative Agent to be conclusive and binding on the parties in the absence of manifest error.

“Applicable Lending Office” means, with respect to any Lender, such Lender’s Domestic Lending Office in the case of an ABR Loan and such Lender’s Eurocurrency Lending Office in the case of a Eurocurrency Loan.

“Applicable Margin” has the meaning specified in Annex A.

“Approved Fund” means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

“Assignment and Assumption” means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by Section 9.06(b)) and accepted by the Administrative Agent, substantially in the form of Exhibit D or any other form approved by the Administrative Agent.

“Availability Period” means the period from the Closing Date until the earlier of (a) the Commitment Termination Date and (b) the date of termination of the Commitments.

“Bail-In Action” means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

“Bail-In Legislation” means (a) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law, regulation rule or requirement for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule and (b) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

“Borrowers” and “Borrower” have the respective meanings specified in the heading hereof.

“Borrowing” means a borrowing consisting of simultaneous Loans of the same Type made by the Lenders to a Borrower pursuant to Section 2.01.

“Broker-Dealer Subsidiary” means each of KCM U.K., KCM U.S., KCM Asia, KCM Japan, KCM Ireland and any other direct or indirect broker-dealer Subsidiary of KCMH.

“Business Day” means (a) a day on which commercial banks are not authorized by law or required to close in New York City, (b) if such day relates to a Eurocurrency Loan denominated in Dollars, that is also a day on which dealings in Dollar deposits are carried out in the London interbank market, (c) if such day relates to a Borrowing of, or a payment or prepayment of principal of or interest on or an Interest Period for a Eurocurrency Loan denominated in an Alternate Currency (other than Euros), or a notice with respect thereto, that is also a day on which commercial banks and foreign exchange markets settle payments in the Principal Financial Center for such Currency, and (d) if such day relates to a Borrowing of, or a payment or prepayment of principal of or interest on or an Interest Period for, a Eurocurrency Loan denominated in Euros, or a notice with respect thereto, that is also a Target Operating Day (as defined in Section 9.17).

“Cash Equivalents” means:

- (a) securities issued or unconditionally guaranteed by the United States government or any agency or instrumentality thereof, in each case having maturities of not more than 12 months from the date of acquisition thereof;
- (b) securities issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof or any political subdivision of any such state or any public instrumentality thereof having maturities of not more than 12 months from the date of acquisition thereof and, at the time of acquisition, having an investment grade rating generally obtainable from either S&P or Moody’s (or, if at any time neither S&P nor Moody’s shall be rating such obligations, then from another nationally recognized rating service);
- (c) commercial paper issued by any Lender or any bank holding company owning any Lender;
- (d) commercial paper maturing no more than 12 months after the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 or P-1 from either S&P or Moody’s (or, if at any time neither S&P nor Moody’s shall be rating such obligations, an equivalent rating from another nationally recognized rating service);
- (e) domestic and LIBOR certificates of deposit or bankers’ acceptances, having a rating of at least A-1 or P-1 from either S&P or Moody’s (or, if at any time neither S&P nor Moody’s shall be rating such obligations, an equivalent rating from another nationally recognized rating service), maturing no more than one year after the date of acquisition thereof issued by any Lender or any other bank having combined capital and surplus of not less than \$200,000,000 in the case of domestic banks and \$100,000,000 (or the Dollar Equivalent thereof) in the case of foreign banks;
- (f) repurchase agreements with a term of not more than 90 days for underlying securities of the type described in clauses (a), (b) and (e) above entered into with any bank meeting the qualifications specified in clause (e) above or securities dealers of recognized national standing;
- (g) marketable short-term money market and similar funds having a rating of at least A-1 or P-1 from either S&P or Moody’s (or, if at any time neither S&P nor Moody’s shall be rating such obligations, an equivalent rating from another nationally recognized rating service);
- (h) shares of investment companies that are registered under the Investment Company Act of 1940 and substantially all the investments of which are one or more of the types of securities described in clauses (a) through (g) above; and
- (i) in the case of any non-U.S. organized Subsidiary or investment made in a country outside the United States, other customarily utilized high-quality investment in the country where such non-U.S. organized Subsidiary is located or in which such investment is made and of a type analogous to the foregoing.



“Change in Law” means the occurrence, after the date of this Agreement, of the adoption of any law, rule, regulation or treaty, or of any change in applicable law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority having jurisdiction or the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (a) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (b) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law”, regardless of the date enacted, adopted or issued; provided further, that any increased costs associated with a Change in Law based on the foregoing clauses (a) and/or (b) may only be imposed to the extent the relevant Lender or Issuing Lender, as applicable, imposes the same charges generally on other similarly situated borrowers under comparable credit facilities.

“Change of Control” means, and shall be deemed to have occurred if, (a) KKR and/or its Affiliates shall at any time not own, directly or indirectly, beneficially and of record, (i) more than 50% of the voting power of the outstanding Voting Shares of KCMH and (ii) at least 25% of the outstanding Equity Interests of KCMH; (b) KCMH shall at any time not own, directly or indirectly, beneficially and of record, more than 50% of the voting power of the outstanding Voting Shares of KCM U.S., KCM U.K. or KCM Asia; or (c) during any period of 12 consecutive months, a majority of the members of the board of directors or other equivalent governing body of KCMH cease to be composed of individuals who are employees, partners, members, directors or officers of KKR or its Affiliates.

“Closing Date” means April 10, 2020.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Collateral” has the meaning specified in the Guarantee and Security Agreement.

“Commitment” means, as to each Lender, the commitment of such Lender to make Loans to the Borrowers under Section 2.01(a)(i) and purchase participations in L/C Exposure in an aggregate amount at any one time outstanding up to the amount set forth opposite such Lender’s name on Schedule I or, if such Lender has entered into an Assignment and Assumption, set forth for such Lender in the Register, as such amount may be reduced pursuant to Section 2.04(b).

“Commitment Percentage” means, with respect to any Lender, at any time, the percentage of the Aggregate Facility Amount represented by such Lender’s Commitment; provided, that if the Commitments have terminated or expired, the Commitment Percentages shall equal the percentage of aggregate outstanding Loans and L/C Exposure held by such Lender and if there is no outstanding Loans and L/C Exposure, the

Commitment Percentage shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

“Commitment Termination Date” means the date 364 days after the Closing Date, provided that if such date is not a Business Day, the Commitment Termination Date shall be the immediately preceding Business Day.

“Continuation”, “Continue” and “Continued” refer to a continuation of Eurocurrency Loans from one Interest Period to the next Interest Period pursuant to Section 3.05(b).

“Control” of a Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ability to exercise voting power, by contract or otherwise, and “Controlling” and “Controlled” have meanings correlative thereto.

“Convert”, “Conversion” and “Converted” refer to a conversion of Loans of one Type into Loans of the other Type pursuant to Section 3.04 or Section 3.05.

“Cure Right” has the meaning specified in Section 7.02.

“Currencies” means, collectively, Dollars and the Alternate Currencies.

“Debt to Equity Ratio” means, as of any date of determination, the ratio of Total Debt to Total Equity.

“Default” means any event or condition that constitutes an Event of Default or that, with notice or lapse of time or both, would become an Event of Default.

“Defaulting Lender” means, subject to Section 3.14(b), any Lender that (a) has failed to (i) fund all or any portion of its Loans within two Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the requesting Borrower in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, the Issuing Lender or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit) within two Business Days of the date when due, (b) has notified KCMH, the Administrative Agent or the Issuing Lender in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund a Loan hereunder and states that such position is based on such Lender’s determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after written request by the Administrative Agent or KCMH, to confirm in writing to the Administrative Agent and KCMH that it will comply with its prospective funding obligations hereunder (provided

that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and KCMH), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any bankruptcy, insolvency, reorganization or similar law, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity or (iii) become the subject of a Bail-In Action; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any Equity Interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 3.14(b)) upon delivery of written notice of such determination to KCMH, the Issuing Lender and each Lender.

“Designated Entity” means at any time, any corporation, partnership, limited liability company or other entity formed or acquired after the Closing Date that is not a Borrower and of which at least a majority but less than 100% of the Voting Shares are at the time directly or indirectly owned or controlled by KCMH or one or more Subsidiaries of KCMH, which has been designated in a written notice from KCMH to the Administrative Agent as a Designated Entity; provided that at the time of such designation (a) no Default or Event of Default would result from such designation and (b) after giving pro forma effect to such designation the Debt to Equity Ratio is less than or equal to [\*\*] to 1.00. KCMH may, by written notice to the Administrative Agent, de-designate any Designated Entity and thereafter such entity shall not longer constitute a Designated Entity, but only if (a) no Default or Event of Default would result from such de-designation and (b) after giving pro forma effect to such de-designation the Debt to Equity Ratio is less than or equal to [\*\*] to 1.00; provided further that notwithstanding the foregoing, KKR-MM Vector GP LLC, KKR-MM Vector L.P., Merchant Capital Solutions LLC, MCS Corporate Lending LLC, MCS Capital Markets LLC, [\*\*], [\*\*], any entity formed for the purpose of acting in an administrative or other agency roles in respect of financings (with written notice thereof provided by KCMH to the Administrative Agent) and any of their respective direct or indirect subsidiaries, now existing or hereafter formed, shall each be deemed a Designated Entity (unless otherwise de-designated by KCMH in accordance with this definition).

“Disqualified Equity Interests” means any Equity Interest which, by its terms (or by the terms of any security or other Equity Interests into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition (a) matures or is mandatorily redeemable (other than solely for Equity Interests other than Disqualified

[\*\*] = *Certain information contained in this document, marked by “[\*\*]” has been excluded because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.*

Equity Interests), pursuant to a sinking fund obligation or otherwise, (b) is redeemable at the option of the holder thereof (other than solely for Equity Interests other than Disqualified Equity Interests), in whole or in part, (c) provides for the scheduled payments of dividends in cash, or (d) is or becomes convertible into or exchangeable for Indebtedness or any other Equity Interests that would constitute Disqualified Equity Interests, in each case of clauses (a) through (d) above, prior to the date that is ninety-one days after the Commitment Termination Date.

“Dollar Equivalent” means, on any date, with respect to any amount denominated in an Alternate Currency, the amount of Dollars that would be required to purchase such amount of such Alternate Currency at or about 11:00 a.m., Local Time, on such date, for delivery two Business Days later, as determined by the Administrative Agent on the basis of the spot selling rate for the offering of such Alternate Currency for Dollars in the Principal Financial Center for the applicable Alternate Currency, all determinations thereof by the Administrative Agent to be conclusive and binding on the parties in the absence of manifest error.

“Dollars” and “\$” refers to lawful money of the United States.

“Domestic Lending Office” means, with respect to any Lender, the office of such Lender specified as its “Domestic Lending Office” in the Administrative Questionnaire of such Lender or in the Assignment and Assumption pursuant to which it became a Lender, or such other office of such Lender as such Lender may from time to time specify to KCMH and the Administrative Agent.

“Domestic Subsidiary” means any Subsidiary that is organized under the Laws of the United States, any state thereof or the District of Columbia.

“EEA Financial Institution” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“EEA Member Country” means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

“EEA Resolution Authority” means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“Eligible Assignee” means (a) a Lender, (b) an Affiliate of a Lender, (c) an Approved Fund, and (d) any other Person (other than a natural person) approved by the Administrative Agent and the Issuing Lender and, unless an Event of Default of the kind referred to in Section 7.01(a), 7.01(b), 7.01(g) or 7.01(h) has occurred and is continuing,

by KCMH (each such approval not to be unreasonably withheld or delayed); provided, that notwithstanding the foregoing, assignments to any private equity fund, credit fund, hedge fund or other similar investment vehicle shall require the consent of KCMH in its sole discretion.

“Equity Interests” means shares of capital stock, partnership interests, membership interests in a limited liability company (including any securities convertible or exchangeable for such stock or interests), beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time.

“ERISA Affiliate” means any Person that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

“ERISA Event” means (a) any “reportable event”, as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than those events for which the 30-day notice period is waived pursuant to Department of Labor Reg. Section 4043 as in effect on the date hereof); (b) the failure of any Plan to satisfy the minimum funding standards (as defined in Section 412 of the Code or Section 302 of ERISA) applicable to such Plan, whether or not waived; (c) the filing pursuant to Section 412(c) of the Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Borrower or any of its ERISA Affiliates from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Borrower or any of its ERISA Affiliates of any notice, or the receipt by any Multiemployer Plan from the Borrower or any of its ERISA Affiliates of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent within the meaning of Title IV of ERISA.

“EU Bail-In Legislation Schedule” means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor Person), as in effect from time to time.

“Euro” has the meaning specified in Section 9.17.

“Eurocurrency Liabilities” has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

“Eurocurrency Lending Office” means, with respect to any Lender, the office of such Lender specified as its “Eurocurrency Lending Office” in the Administrative Questionnaire of such Lender or in the Assignment and Assumption pursuant to which it became a Lender (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender as such Lender may from time to time specify to KCMH and the Administrative Agent. It is understood and agreed that unless otherwise hereafter notified, the Eurocurrency Lending Office for MHC B and its Affiliates shall be its New York branch.

“Eurocurrency Loan” means, at any time, a Loan which bears interest at rates based upon the Eurocurrency Rate.

“Eurocurrency Rate” means, for any Interest Period for each Eurocurrency Loan denominated in a particular Currency comprising part of the same Borrowing, an interest rate per annum equal to the rate per annum for deposits in such Currency having a maturity closest to such Interest Period which appears on the relevant Screen Page as of 11:00 a.m., London time, on the day two Business Days prior to the first day of such Interest Period.

“Events of Default” has the meaning specified in Section 7.01.

“Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time.

“Excluded Taxes” means, with respect to any recipient of any payment to be made by or on such recipient’s account of any obligation of the Borrowers hereunder to the Administrative Agent and each Lender, Taxes (a) imposed on or measured by its overall net income (however denominated), franchise Taxes and branch profit Taxes, in each case, imposed by a jurisdiction (or any political subdivision thereof) as a result of a present or former connection between such recipient and the jurisdiction (or political subdivision thereof) imposing such tax (other than any such connection arising solely as a result of such recipient having executed, delivered or performed its obligations under or received a payment pursuant to this Agreement), (b) that are attributable to such recipient’s failure to comply with the requirements of paragraph (e) or (f) of Section 3.11, (c) that are withholding taxes imposed on amounts payable to such recipient pursuant to a law in effect on the date on which (i) such recipient acquires an applicable interest in a Loan or Commitment or (ii) such recipient changes its lending office, except in each case to the extent that such recipient’s assignor (if any) was entitled, immediately before the time of assignment, to receive additional amounts from the Borrower with respect to such Taxes pursuant to Section 3.11(b) or immediately before it changed its lending office and (d) any withholding Taxes imposed under FATCA.

“Existing Credit Agreement” means that certain 364-Day Revolving Credit Agreement dated June 27, 2019 among KCMH, KCL U.S., KCL, U.K., MHC B as administrative agent and the lenders party thereto, as from time to time further amended, modified, supplemented, refinanced or replaced.

“FATCA” means Sections 1471 through 1474 of the Code, as of the Closing Date (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Internal Revenue Code and any law, regulation, rule, promulgation, or official agreement implementing an official government agreement with respect to the foregoing.

“Federal Funds Rate” means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

“Finance Lease Obligation” shall mean, as applied to any Person, an obligation that is required to be accounted for as a finance or capital lease (and not an operating lease) on both the balance sheet and income statement for financial reporting purposes in accordance with GAAP. At the time any determination thereof is to be made, the amount of the liability in respect of a finance or capital lease would be the amount required to be reflected as a liability on such balance sheet (excluding the footnotes thereto) in accordance with GAAP.

“Finance Subsidiary” means KCL U.K., KCL U.S., KCL C.A., KCL T.N., KCL Cayman, KKR Nitro and any other direct or indirect Subsidiary of KCMH formed for the purpose of providing financing in KCMH’s financing business.

“Finance Subsidiary Debt” means Indebtedness under any warehouse credit facility or other similar line of credit entered into for the purpose of funding Indebtedness originated or extended by any Finance Subsidiary.

“Financial Officer” means the chief financial officer, principal financial officer, treasurer, controller or a director of a Borrower.

“FINRA” means the Financial Industry Regulatory Authority, or any other Self Regulatory Organization that succeeds to the functions thereof.

“Five-Year Credit Agreement” means that certain Third Amended and Restated 5-Year Revolving Credit Agreement dated March 20, 2020 among KCMH, KCL U.S., KCL, U.K., MHCB as administrative agent and the lenders party thereto, as from time to time further amended, modified, supplemented, refinanced or replaced.

“Foreign Subsidiary” means any Subsidiary that is not a Domestic Subsidiary.

“Fund” means any Person (other than a natural person) that is or will be engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

“General Partner” means KKR Capital Markets Holdings GP LLC, a Delaware limited liability company.

“GAAP” means accounting principles generally accepted in the United States as in effect from time to time.

“Governmental Authority” means the government of the United States, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“Guarantee” of or by any Person (the “guarantor”) means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness of any other Person (the “primary obligor”) in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or to advance or supply funds for the purchase or payment of) such Indebtedness or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guarantee issued to support such Indebtedness; provided that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made (or, if such Guarantee is limited by its terms to a lesser amount, such lesser amount) or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith.

“Guarantee and Security Agreement” means the Guaranty and Security Agreement, dated as of the date hereof, among the Obligor and the Administrative Agent in substantially the form of Exhibit B, as from time to time amended, modified or supplemented.

“Guarantors” means, at any time, collectively, those Subsidiaries of KCMH that are parties to the Guarantee and Security Agreement.

“Hedging Agreement” means any interest rate protection agreement, foreign currency exchange agreement or other derivative transaction.

“Indebtedness” of any Person means, without duplication, (a) all indebtedness of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or similar instruments, (b) the deferred purchase price



of assets or services that in accordance with GAAP would be included as a liability on the balance sheet of such Person, (c) the face amount of all letters of credit issued for the account of such Person and, without duplication, all drafts drawn thereunder and all direct obligations arising under bankers' acceptances, bank guaranties, surety bonds and similar instruments, (d) all Indebtedness of any other Person secured by any Lien on any property owned by such Person, whether or not such Indebtedness has been assumed by such Person, (e) the principal component of all Finance Lease Obligations, (f) all obligations of such Person under interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts, commodity price protection agreements or other commodity price hedging agreements and other similar agreements, (g) without duplication, all Guarantees by such Person of Indebtedness of others and (h) all obligations of such Person in respect of Disqualified Equity Interests, provided that Indebtedness shall not include (i) trade and other ordinary course payables and accrued expenses arising in the ordinary course of business, (ii) deferred or prepaid revenue and (iii) purchase price holdbacks in respect of a portion of the purchase price of an asset to satisfy warranty or other unperformed obligations of the respective seller. The amount of Indebtedness of any Person for purposes of clause (d) shall be deemed to be equal to the lesser of (i) the aggregate unpaid amount of such Indebtedness and (ii) the fair market value of the property encumbered thereby as determined by such Person in good faith.

“Indemnified Taxes” means Taxes other than Excluded Taxes.

“Indemnitee” has the meaning specified in Section 9.04(b).

“Intercreditor Agreement” means that certain First Lien Intercreditor Agreement dated April 10, 2020, among the Administrative Agent, the administrative agent in respect of the Five-Year Credit Agreement, the other parties thereto from time to time and acknowledged by the Obligors, as from time to time amended, modified, supplemented or replaced.

“Interest Period” means, for any Eurocurrency Loan, the period beginning on the date such Eurocurrency Loan is made, or Continued or Converted from an ABR Loan, and ending on the last day of the period selected by the Borrower pursuant to the provisions below, and thereafter each subsequent period commencing on the last day of the immediately preceding Interest Period therefor and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each Interest Period shall be one month, or if agreed by the Administrative Agent, two, three or six months (or if available to all relevant Lenders, nine or twelve months), as the Borrower may select by notice to the Administrative Agent no later than 11:00 a.m. (New York time) on the third Business Day (or, with respect to such nine- or twelve-month periods, fourth Business Day) prior to the first day of such Interest Period.

Notwithstanding the foregoing:

(w) if any Interest Period would otherwise commence before and end after the Commitment Termination Date, such Interest Period shall end on the Commitment Termination Date,

(x) each Interest Period that would otherwise end on a day that is not a Business Day shall end on the next succeeding Business Day, unless such next succeeding Business Day would fall in the succeeding month, in which case such Interest Period shall end on the next preceding Business Day,

(y) each Interest Period that commences on the last day of a month (or on any day for which there is no numerically corresponding day in the appropriate subsequent month) shall end on the last Business Day of the appropriate subsequent calendar month, and

(z) Interest Periods commencing on the same day for Eurocurrency Loans comprising part of the same Borrowing shall be of the same duration.

“Investment” means, as to any Person, any direct or indirect acquisition or investment by such Person, whether by means of (a) the purchase or other acquisition of Equity Interests of another Person, (b) a loan, advance or capital contribution to, Guarantee or assumption of debt of, or purchase or other acquisition of any other debt or interest in, another Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute a business unit or all or a substantial part of the business of, such Person.

“Issuing Lender” means MHCBC, and/or any other Lender from time to time designated as an Issuing Lender in a writing signed by such Lender, KCMH and the Administrative Agent (MHCBC and such other Lender being collectively referred to herein as the “Issuing Lender” unless the context otherwise requires).

“KCL Cayman” means KKR Corporate Lending (Cayman) Ltd., a Cayman limited liability company, and includes any successor thereto in accordance with this Agreement.

“KCL C.A.” has the meaning specified in the heading hereof, and includes any successor thereto in accordance with this Agreement.

“KCL T.N.” has the meaning specified in the heading hereof, and includes any successor thereto in accordance with this Agreement.

“KCL U.K.” has the meaning specified in the heading hereof, and includes any successor thereto in accordance with this Agreement.

“KCL U.S.” has the meaning specified in the heading hereof, and includes any successor thereto in accordance with this Agreement.

“KCMH” has the meaning specified in the heading hereof, and includes any successor thereto in accordance with this Agreement.

“KCM Asia” means KKR Capital Markets Asia Limited, a Hong Kong limited liability company, and includes any successor thereto in accordance with this Agreement.

“KCM Group Entity” means KCMH and any entity in which KCMH, directly or indirectly, owns an Equity Interest.

“KCM Ireland” means KKR Capital Markets (Ireland) Limited, an Ireland limited liability company, and includes any successor thereto in accordance with this Agreement.

“KCM Japan” means KKR Capital Markets Japan Holdings LLC, a Delaware limited liability company, and includes any successor thereto in accordance with this Agreement.

“KCM U.S.” means KKR Capital Markets LLC, a Delaware limited liability company, and includes any successor thereto in accordance with this Agreement.

“KCM U.K.” means KKR Capital Markets Limited, a United Kingdom limited liability company, and includes any successor thereto in accordance with this Agreement.

“KKR” means Kohlberg Kravis Roberts & Co. L.P., a Delaware limited partnership and includes any successor thereto in accordance with this Agreement.

“KKR Nitro” means KKR Nitro Holdings Limited, a Cayman limited liability company, and includes any successor thereto in accordance with this Agreement.

“L/C Exposure” means, at any time, the sum of (a) the aggregate undrawn face amount of all outstanding Letters of Credit and (b) the aggregate amount of unreimbursed L/C Payments under all outstanding Letters of Credit (or, if applicable with respect to clauses (a) and (b), the Dollar Equivalent thereof).

“L/C Payment” means a payment by an Issuing Lender of a draft or demand drawn under a Letter of Credit.

“L/C Reimbursement Obligation” means the obligation of a Borrower to reimburse an Issuing Lender for an L/C Payment pursuant to Section 2.02(d)(ii).

“L/C Related Documents” has the meaning specified in Section 2.02(c)(i).

“Laws” means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case, whether or not having the force of law.

“Lead Arranger” means MHCB, in its capacity as sole lead arranger and sole bookrunner.

“Lender” means each bank or other financial institution listed on the signature pages hereof and each Person that shall become a party hereto pursuant to 9.06.

“Letter of Credit” has the meaning specified in Section 2.02(a)(i).

“Letter of Credit Facility Amount” means the lesser of (a) \$0 and (b) the Aggregate Facility Amount.

“Lien” means any mortgage, deed of trust, pledge, hypothecation, collateral assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

“Loan” has the meaning specified in Section 2.01(a)(i).

“Loan Documents” means, collectively, this Agreement, the Notes, the Guarantee and Security Agreement and the Intercreditor Agreement.

“Local Time” means (a) with respect to any Loan denominated or any payment to be made in Dollars, New York time, and (b) with respect to any Eurocurrency Loan denominated or any payment to be made in an Alternate Currency, the local time in the Principal Financial Center for such Alternate Currency.

“London Banking Day” means any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London.

“Majority Lenders” means, at any time, (a) Lenders holding more than 50% of the Commitments, or (b) if the Commitments have terminated or expired, Lenders having collectively more than 50% of the sum of (i) aggregate amount of the unpaid principal amount of the Loans and (ii) L/C Exposure (computed at any time, in the case of Loans and L/C Exposure denominated in an Alternate Currency, as the Dollar Equivalent thereof as determined by the Administrative Agent); provided that the unused Commitment of, and the portion of the Total Credit Exposure held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Majority Lenders.

“Material Adverse Effect” means a material adverse effect on (a) the business, financial condition, properties or operations of KCMH and its Subsidiaries taken as a whole, (b) the ability of any Obligor to perform any of its material obligations under any Loan Document or (c) the material rights and remedies of, or benefits available, to the Administrative Agent or the Lenders under any Loan Document.

“Material Domestic Subsidiary” means any Domestic Subsidiary that is a Material Subsidiary.

“Material Foreign Subsidiary” means any Foreign Subsidiary (inclusive of its Subsidiaries) that, as of the last day of the fiscal quarter of KCMH most recently ended for which financial statements have been delivered pursuant to Section 6.01(a)(i) or (ii), (a) generated over 25% of consolidated revenues of KCMH and its Subsidiaries for the period of two years ended at the end of such fiscal quarter or (b) to which more than \$[\*\*] of the Aggregate Facility Amount has been funded as of such date and has been funded for the period of six months immediately preceding such date.

“Material Indebtedness” means Indebtedness of the type described in clause (a) of the definition thereof issued or incurred under any agreement or instrument in an aggregate outstanding principal amount of \$[\*\*] or more.

“Material Subsidiary” means any Subsidiary that constitutes a “significant subsidiary” as defined under Regulation S-X promulgated by the SEC, as in effect from time to time; provided that each of KCM U.S. and KCM U.K. shall be a Material Subsidiary.

“MHCB” means Mizuho Bank, Ltd. or any successor thereto.

“Moody’s” means Moody’s Investors Service, Inc. or any successor thereto.

“Multiemployer Plan” means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

“Non-Defaulting Lender” means, at any time, each Lender that is not a Defaulting Lender at such time.

“Non-U.S. Lender” has the meaning specified in Section 3.11(e).

“Note” has the meaning specified in Section 2.01(e).

“Notice of Borrowing” has the meaning specified in Section 2.01(b)(ii).

“Notice of Issuance” has the meaning specified in Section 2.02(c)(i).

“Obligations” means (a) all obligations of the Borrowers under the Loan Documents to pay the principal of and interest on the Loans and the L/C Reimbursement Obligations and all fees, premiums, costs, expenses, indemnification payments and other amounts or obligations whatsoever, whether direct or indirect, absolute or contingent, now or hereafter from time to time owing to the Secured Creditors arising under, out of, or in connection with the Loan Documents and all obligations of the Borrowers to any Lender (or any Affiliate thereof) under any Hedging Agreement and (b) in the case of each of the foregoing, including all interest thereon and expenses related thereto, including any interest or expenses accruing or arising after the commencement of any case with respect to any Obligor under the United States Bankruptcy Code or any other bankruptcy or insolvency law (whether or not such interest or expenses are allowed or allowable as a claim in whole or in part in such case).

[\*\*] = *Certain information contained in this document, marked by “[\*\*]” has been excluded because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.*

“Obligors” means, collectively, the Borrowers and the Guarantors.

“Other Taxes” means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made under any Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, any Loan Document.

“Participant” has the meaning specified in Section 9.06(d).

“Patriot Act” has the meaning specified in Section 9.15.

“PBGC” means the Pension Benefit Guaranty Corporation referred to and defined in Section 4002 of ERISA and any successor entity performing similar functions.

“Permitted Liens” means:

(a) Liens for taxes, assessments or governmental charges or claims not yet overdue for a period of more than 30 days or that are being contested in good faith and by appropriate proceedings for which appropriate reserves have been established to the extent required by and in accordance with GAAP, or for property taxes on property that the Borrower or one of its Subsidiaries has determined to abandon if the sole recourse for such tax, assessment, charge or claim is to such property;

(b) Liens in respect of property or assets of KCMH or any of its Subsidiaries imposed by law, such as carriers’, warehousemen’s and mechanics’ Liens and other similar Liens arising in the ordinary course of business, in each case so long as such Liens arise in the ordinary course of business and do not individually or in the aggregate have a Material Adverse Effect;

(c) Liens arising from judgments or decrees in circumstances not constituting an Event of Default under 7.01(j);

(d) Liens incurred or deposits made in connection with workers’ compensation, unemployment insurance and other types of social security, or to secure the performance of tenders, statutory obligations, surety and appeal bonds, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations incurred in the ordinary course of business;

(e) ground leases in respect of real property on which facilities owned or leased by the Borrower or any of its Subsidiaries are located;

(f) easements, rights-of-way, restrictions, minor defects or irregularities in title and other similar charges or encumbrances not interfering in any material respect with the business of KCMH and its Subsidiaries, taken as a whole;

(g) any interest or title of a lessor or secured by a lessor’s interest under any lease permitted by this Agreement;

(h) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(i) leases, licenses, subleases or sublicenses granted to others not interfering in any material respect with the business of KCMH and its Subsidiaries, taken as a whole;

(j) Liens arising from precautionary UCC financing statement or similar filings made in respect of operating leases entered into by the Borrower or any of its Subsidiaries;

(k) Liens created in the ordinary course of business in favor of banks and other financial institutions over credit balances of any bank accounts, brokerage accounts or commodities accounts of KCMH and its Subsidiaries held at such banks or financial institutions, including any accounts maintained with any clearing or settlement bank or other financial institution; and

(l) any zoning or similar law or right reserved to or vested in any Governmental Authority to control or regulate the use of any real property that does not materially interfere with the ordinary conduct of the business of KCMH and its Subsidiaries, taken as a whole.

“Permitted Subordinated Debt” shall mean senior subordinated notes, or other senior subordinated Indebtedness, issued by a Borrower or any Guarantor, (a) the terms of which (i) do not provide for any scheduled repayment, mandatory redemption or sinking fund obligation prior to a date 91 days after Commitment Termination Date (other than customary offers to purchase upon a change of control, asset sale or event of loss and customary acceleration rights after an event of default) and (ii) provide for customary subordination to the obligations of the Obligor under the Loan Documents, (b) the covenants, events of default, guarantees, collateral and other terms of which (other than interest rate and redemption premiums), taken as a whole, are not more restrictive to KCMH and its Subsidiaries than those herein; provided that a certificate of a Financial Officer of KCMH is delivered to the Administrative Agent at least seven Business Days (or such shorter period as the Administrative Agent may reasonably agree) prior to the incurrence of such Indebtedness, together with a reasonably detailed description of the material terms and conditions of such Indebtedness or drafts of the documentation relating thereto, stating that KCMH has determined in good faith that such terms and conditions satisfy the foregoing requirement shall be conclusive evidence that such terms and conditions satisfy the foregoing requirement unless the Administrative Agent notifies KCMH within such period that it disagrees with such determination (including a reasonable description of the basis upon which it disagrees), (c) of which no Subsidiary of KCMH (other than a Guarantor) is an obligor and (d) after giving pro forma effect to the issuance thereof, KCMH shall be in compliance with the financial covenant set forth in Section 6.03.

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Plan” means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an “employer” as defined in Section 3(5) of ERISA.

“Pledged Equity” has the meaning specified in the Guarantee and Security Agreement.

“Principal Financial Center” means, for any Currency, the principal financial center in the country of issue of such Currency, as reasonably determined by the Administrative Agent.

“Property” of any Person means any property or assets, or interest therein, of such Person.

“Register” has the meaning specified in Section 9.06(c).

“Regulations T, U and X” means, respectively, Regulations T, U and X of the Board of Governors of the Federal Reserve System (or any successor), as from time to time amended, modified or supplemented.

“Related Parties” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person’s Affiliates.

“Resolution Authority” means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

“Restricted Payment” means any dividend or other distribution (whether in cash, securities or other property) with respect to any capital stock or other Equity Interest of any Person, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such capital stock or other Equity Interest, or on account of any return of capital to any Person’s stockholders, partners or members (or the equivalent Person thereof).

“Rule 15c3-1” means Rule 15c3-1 of the General Rules and Regulations promulgated by the SEC under the Exchange Act (17 CFR 240, 15c3-1), as from time to time amended, modified or supplemented, or such other rule or regulation of the SEC which replaces Rule 15c3-1.

“S&P” means Standard & Poor’s Rating Services or any successor thereto.

“Screen Page” means the Reuters Page LIBOR01 or LIBOR02 or such other Reuters screen page displaying interbank offered rates for the applicable Currency (or, in the event such rate does not appear on a Reuters page or screen, on any successor or substitute page on such screen that displays such rate, on the appropriate page of such



other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion); *provided* that if the Screen Rate as so determined would be less than zero, such rate shall be deemed to zero for the purposes of this Agreement. If at least two relevant rates appear on said page with respect to an Interest Period, the Eurocurrency Rate for that Interest Period will be based upon the arithmetic mean of such rates.

“Secured Creditors” means, collectively, the Lenders (including each Issuing Lender) and the Administrative Agent, any other holder from time to time of any of the Obligations and, in each case, their respective successors and assigns.

“SEC” means the Securities and Exchange Commission, or any Governmental Authority succeeding to the principal functions thereof.

“Self Regulatory Organization” has the meaning assigned to such term in Section 3(a)(26) of the Exchange Act.

“SIPA” means the Securities Investor Protection Act of 1970, as from time to time amended, modified or supplemented.

“SIPC” means the Securities Investor Protection Corporation established pursuant to SIPA or any other corporation succeeding to the principal functions thereof.

“Solvent” and “Solvency” mean, with respect to any Person, that as of the Closing Date, (a) (i) the sum of such Person’s debts (including contingent liabilities) does not exceed the present fair saleable value of such Person’s present assets; (ii) such Person’s capital is not unreasonably small in relation to its business as contemplated on the Closing Date; and (iii) such Person has not incurred and does not intend to incur, or believe that it will incur, debts including current obligations beyond its ability to pay such debts as they become due (whether at maturity or otherwise); and (b) such Person is “solvent” within the meaning given that term and similar terms under applicable laws relating to fraudulent transfers and conveyances. For purposes of this definition, the amount of any contingent liability at any time shall be computed as the amount that, in light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability (irrespective of whether such contingent liabilities meet the criteria for accrual under Statement of Financial Accounting Standard No. 5).

“Subordinated Indebtedness” means any Permitted Subordinated Debt or any other Indebtedness the terms of which provide for customary subordination in right of payment to the obligations of a Borrower or any of its Subsidiaries, as applicable, under this Agreement and the other Loan Documents.

“Subsidiary” means, at any time, any corporation, partnership, limited liability company or other entity of which at least a majority of the Voting Shares are at the time directly or indirectly owned or controlled by KCMH or one or more Subsidiaries of KCMH; *provided* that no Designated Entity shall be a Subsidiary.

“Support Payment” has the meaning specified in Section 2.06(a).

“Taxes” means all present and future taxes, duties, levies, imposts, deductions, charges or withholdings or similar charges, with respect to any amount payable on or in respect of any Loan Document, Loans, Notes or Letters of Credit, and all interest, penalties and similar amounts with respect thereto, now or thereafter imposed, assessed, levied or collected by any jurisdiction from which any amount payable under the Loan Documents is paid, or any political subdivision or taxing authority thereof or therein, or any organization or federation of which any of the foregoing may be a member or associated.

“Total Credit Exposure” means, at any time, the sum of (a) the aggregate outstanding principal amount of the Loans (being the Dollar Equivalent thereof in the case of Eurocurrency Loans denominated in an Alternate Currency) plus (b) the aggregate outstanding L/C Exposure.

“Total Debt” means, at any date, (a) all Indebtedness of the types described in clause (a), clause (c) (but, in the case of clause (c), only to the extent of any unreimbursed drawings under any letter of credit) and clause (e) of the definition thereof actually owing by KCMH and/or its Subsidiaries on such date to the extent appearing on the consolidated balance sheet of KCMH determined in accordance with GAAP (provided that the amount of any Finance Lease Obligations or any such Indebtedness issued at a discount to its face value shall be determined in accordance with GAAP) minus (b) the aggregate cash and Cash Equivalents included on the consolidated balance sheet of KCMH as at such date to the extent the use thereof for application to the payment of Indebtedness is not prohibited by law or any contract to which KCMH or any Subsidiary is a party; provided that for the purposes of this definition, Indebtedness shall not include (i) any Finance Subsidiary Debt (unless such Indebtedness is incurred by a Finance Subsidiary that is also a Borrower under this Agreement), (ii) any liabilities includable solely based on the application of ASC 810 or ASC 860 and (iii) any Indebtedness of any Designated Entity.

“Total Equity” means, as of any date of determination, (a) KCMH’s consolidated partners’ capital (or stockholders’ equity, as the case may be) measured on a GAAP basis, minus (b) the sum of (i) any declared but unpaid distribution or dividend to KCMH’s general or limited partners (or any other equity holders) and (ii) any loans or advances made to KCMH’s general or limited partners (or any other equity holders); provided that Total Equity shall not include KCMH’s partners’ capital (or stockholders’ equity, as the case may be) attributable to any Designated Entity and, in the event all or a substantial portion of the equity in a Finance Subsidiary is pledged to a third party, such Finance Subsidiary.

“Type” refers to whether a Loan is an ABR Loan or a Eurocurrency Loan.

“UCC” means the Uniform Commercial Code as in effect in the State of New York; provided that, if perfection or the effect of perfection or non-perfection or the priority of any security interest in any Collateral is governed by the Uniform Commercial

Code as in effect in a jurisdiction other than the State of New York, “UCC” means the Uniform Commercial Code as in effect from time to time in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority.

“UK Financial Institution” means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

“UK Resolution Authority” means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

“United States” or “U.S.” means the United States of America.

“Voting Shares” means, with respect to any Person, such Person’s Equity Interests having the right to vote for the election of directors, or other individuals performing similar functions, of such Person under ordinary circumstances.

“Wholly-Owned Subsidiary” means, with respect to any Person, any Subsidiary of which all of the Equity Interests (other than, in the case of a corporation, directors’ qualifying shares) are directly or indirectly owned or controlled by such Person or one or more Wholly-Owned Subsidiaries of such Person or by such Person and one or more Wholly-Owned Subsidiaries of such Person.

“Withdrawal Liability” means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

“Write-Down and Conversion Powers” means, (a) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule, and (b) with respect to the United Kingdom, any powers of the applicable Resolution Authority under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

SECTION 1.02. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including”

and the words “to” and “until” mean “to but excluding”. The words “include”, “includes” and “including” shall be deemed in each case to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed in each case as referring to such agreement, instrument or other document as from time to time amended, modified or supplemented, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed in each case to include such Person’s successors and assigns, (c) the words “herein”, “hereof” and “hereunder”, and words of similar import shall be construed in each case to refer to this Agreement in its entirety and not to any particular provision hereof, and (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement. For the avoidance of doubt, references in Articles VIII and IX to the Lenders shall include in each case the Issuing Lender, unless the context otherwise requires. For the purposes of Section 2.05 only, the term “Borrower” or “Borrowers” shall exclude any Broker-Dealer Subsidiary.

SECTION 1.03. Accounting Terms; GAAP; Calculation of Debt to Equity Ratio.

(a) Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that if the Borrower notifies the Administrative Agent that it requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Majority Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

(b) Calculation of the Debt to Equity Ratio shall be based on relevant information in the financial statements and asset schedules delivered pursuant to Sections 6.01(a)(i), (ii) and (vi) giving pro forma effect to such information where appropriate; provided that the amount of Total Debt shall be the amount outstanding as of the date of determination after giving effect to the incurrence of any Indebtedness on such date of determination.

SECTION 1.04. Divisions. For all purposes under the Loan Documents, in connection with any division or plan of division under Delaware law (or any comparable event under a different jurisdiction’s laws): (a) if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person, and (b) if any new Person comes into existence, such new Person shall be deemed to have been organized on the first date of its existence by the holders of its Equity Interests at such time.

ARTICLE II

THE COMMITMENTS

SECTION 2.01. The Loans.

(a) (i) Each Lender severally agrees, on and subject to the terms and conditions of this Agreement, to make loans to the Borrowers under this Section 2.01(a)(i) (each, a "Loan") from time to time on any Business Day during the Availability Period, in an aggregate principal amount at any one time outstanding up to but not exceeding the Commitment of such Lender and, as to all Lenders and all Borrowers, in an aggregate principal amount at any one time outstanding up to but not exceeding the Aggregate Borrowing Availability (or the Alternate Currency Equivalent thereof).

(ii) ABR Loans shall be denominated in Dollars, and Eurocurrency Loans may be denominated in Dollars or one or more Alternate Currencies.

(iii) Anything in this Agreement to the contrary notwithstanding, the Total Credit Exposure shall not at any time exceed the then Aggregate Facility Amount.

(iv) Within such limits, the Borrowers may from time to time borrow under this Section 2.01, prepay Loans in whole or in part pursuant to Section 3.06(a) and reborrow under this Section 2.01.

(v) The Borrowers shall be co-borrowers with respect to each Borrowing, and shall be jointly and severally liable for all obligations and liabilities with respect thereto in accordance with Sections 2.05 and 2.06.

(b) Borrowing Procedure. (i) Each Borrowing shall be in a minimum amount of \$5,000,000 in the case of a Borrowing of Eurocurrency Loans, or \$1,000,000, in the case of a Borrowing of ABR Loans, or in each case an integral multiple of \$1,000,000 in excess thereof (or, in the case of a Borrowing denominated in an Alternate Currency, the Alternate Currency Equivalent thereof, rounded to the nearest 1,000 units of such Alternate Currency), and shall be made on notice by the requesting Borrower to the Administrative Agent not later than 11:00 a.m. (New York time) on the third Business Day (or, with respect to Interest Periods other than one, two, three or six months, fourth Business Day) prior to the date of such Borrowing in the case of a Borrowing consisting of Eurocurrency Loans or not later than 11:00 a.m. (New York time) on the date of such Borrowing in the case of a Borrowing consisting of ABR Loans, and the Administrative Agent shall give each Lender prompt notice thereof.

(ii) Each such notice of a Borrowing (a "Notice of Borrowing") shall be irrevocable and binding on the Borrowers and shall be in substantially the form of Exhibit C, specifying therein the requested (1) date of such Borrowing (which shall be a Business Day), (2) Type of Loans comprising such Borrowing, (3) aggregate amount of such Borrowing, stated in Dollars, and the Currency thereof and (4) in the case of a Borrowing of Eurocurrency Loans, initial Interest Period for such Loans.

(iii) Each Lender shall, before 1:00 p.m. (New York time) on the date of such Borrowing, make available for the account of its Applicable Lending Office to the Administrative Agent at the Administrative Agent's Account, in same day funds, such Lender's ratable portion of such Borrowing.

(iv) After the Administrative Agent's receipt of such funds, and subject to the satisfaction of the applicable conditions set forth in Article IV, the Administrative Agent will make such funds available to the requesting Borrower by promptly crediting the amounts so received, in like funds, to such account of such Borrower as the Administrative Agent and such Borrower may agree.

(v) If the requesting Borrower fails to specify a Type of Loan in a Notice of Borrowing, then the applicable Loans shall be made as ABR Loans. If the requesting Borrower fails to provide a timely notice of Conversion or Continuation with respect to a Borrowing of Eurocurrency Loans, then such Borrower shall be deemed to have requested a Continuation with respect thereto with an Interest Period of one month. If the requesting Borrower requests a Borrowing of, Conversion to, or Continuation of Eurocurrency Loans in any such Notice of Borrowing, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one month. If the requesting Borrower requests a Borrowing of, Conversion to, or Continuation of Eurocurrency Loans in any such Notice of Borrowing, but fails to specify the Currency thereof, it will be deemed to have specified such Loans in Dollars.

(vi) After giving effect to all Borrowings, all Conversions and all Continuations, there shall not be more than 15 Interest Periods in effect.

(c) Types of Loans. Each Borrowing and each Conversion or Continuation thereof shall consist of Loans of the same Type (and, if such Loans are Eurocurrency Loans, having the same Interest Period) made, Continued or Converted on the same day by the Lenders ratably according to their Commitment Percentages.

(d) Accounts. (i) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrowers to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(ii) The Administrative Agent shall maintain accounts in which it shall record (x) the amount of each Loan, the Type thereof, the Borrowing Category applicable thereto and the Interest Period applicable thereto, (y) the amount of any principal or interest due and payable or to become due and payable from the Borrowers to each Lender hereunder and (z) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(iii) The entries made in the accounts maintained pursuant to this clause (d) shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided, that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the

Borrowers to repay the Loans made to any Borrower or make payments for other obligations (including L/C Reimbursement Obligations) in accordance with the terms of this Agreement.

(e) Notes. Any Lender may, through the Administrative Agent, request that the Loans to be made by it be evidenced by a promissory note of the Borrowers. In such event, the Borrowers shall prepare, execute and deliver to such Lender a joint and several promissory note payable to such Lender (or its registered assigns), substantially in the form of Exhibit A (each, a "Note"), in the amount of the Commitment of such Lender, dated the Closing Date and otherwise appropriately completed.

SECTION 2.02. Letter of Credit Facility.

(a) Letters of Credit. (i) Each Issuing Lender agrees, on and subject to the terms and conditions of this Agreement, to issue one or more letters of credit (each, a "Letter of Credit") for the account of a Borrower from time to time on any Business Day during the period from the Closing Date until the date ten Business Days before the Commitment Termination Date, provided, that the total L/C Exposure with respect to Letters of Credit may not at any time exceed the Letter of Credit Facility Amount.

(ii) Letters of Credit may be denominated in Dollars or any Alternate Currency, as requested in writing by the Borrower.

(iii) Anything in this Agreement to the contrary notwithstanding, the issuance of Letters of Credit shall be subject to the limitations set forth in Section 2.01(a)(iii).

(iv) Within the foregoing limits, and subject to the terms and conditions hereof, a Borrower's ability to obtain Letters of Credit shall be revolving, and accordingly a Borrower may, during the period referred to in clause (i) above, obtain Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed.

(v) The Borrowers shall be co-obligors with respect to each Letter of Credit, and shall be jointly and severally liable for all obligations and liabilities with respect thereto in accordance with Sections 2.05 and 2.06.

(b) Terms: Issuance. (i) Each Letter of Credit shall be in a form reasonably satisfactory to the relevant Issuing Lender and have a stated expiration date that is no later than the earlier of (x) one year after its date of issuance and (y) five Business Days prior to the Commitment Termination Date; provided that a Letter of Credit with a one-year tenor may provide for the renewal thereof for additional one-year periods (which shall in no event extend beyond a date five Business Days prior to the Commitment Termination Date (except that one or more Letters of Credit may expire up to one year after the Commitment Termination Date if each such Letter of Credit has been cash collateralized or otherwise backstopped on terms reasonably satisfactory to the Borrowers, the relevant Issuing Lender and the Administrative Agent)).

(ii) An Issuing Lender shall be under no obligation to issue any Letter of Credit if (A) any order, judgment or decree of any Governmental Authority or arbitrator

shall by its terms purport to enjoin or restrain such Issuing Lender from issuing such Letter of Credit, or any law applicable to such Issuing Lender or any directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such Issuing Lender shall prohibit, or direct that such Issuing Lender refrain from, the issuance of letters of credit generally or such Letter of Credit in particular or shall impose upon such Issuing Lender with respect to such Letter of Credit any restriction, reserve or capital requirement (for which such Issuing Lender is not otherwise compensated hereunder) not in effect on the Closing Date, or shall impose upon such Issuing Lender any unreimbursed loss, cost or expense which was not applicable on the Closing Date (for which such Issuing Lender is not otherwise compensated hereunder), or (B) the issuance of such Letter of Credit would violate any laws binding upon such Issuing Lender.

(c) Issuance Procedure. (i) Each Letter of Credit shall be issued upon notice, given not later than 11:00 a.m. (New York time) on the third Business Day prior to the proposed issuance date of such Letter of Credit, by the requesting Borrower to the relevant Issuing Lender (or such shorter notice as shall be acceptable to such Issuing Lender), with a copy to the Administrative Agent, and the Administrative Agent shall give to each Lender prompt notice thereof by telecopier or email. Each such notice from the requesting Borrower (a "Notice of Issuance") shall be by telecopier or email, confirmed promptly by hard copy, specifying therein the Issuing Lender and the requested date of issuance (which shall be a Business Day) of such Letter of Credit, its face amount and expiration date and the name and address of the beneficiary thereof, and shall attach the proposed form thereof (or such other information as shall be necessary to prepare such Letter of Credit). If requested by the applicable Issuing Lender, the requesting Borrower shall supply such application and agreement for letter of credit, in the form reasonably satisfactory to the relevant Issuing Lender, as the relevant Issuing Lender may require in connection with such requested Letter of Credit ("L/C Related Documents") along with such other information reasonably related to the requested Letter of Credit.

(ii) If the proposed Letter of Credit complies with the requirements of this Section 2.02, such Issuing Lender will, unless the Issuing Lender has received written notice from the Administrative Agent, that one or more of the applicable conditions set forth in Article IV shall not be satisfied, make such Letter of Credit available to the requesting Borrower as agreed with the requesting Borrower in connection with such issuance. In the event and to the extent that the provisions of any L/C Related Documents shall conflict with this Agreement, the provisions of this Agreement shall govern.

(iii) Each Issuing Lender shall furnish (A) upon request of the Administrative Agent, copies of the Letters of Credit issued by it hereunder, and (B) to the Administrative Agent on the first Business Day of each fiscal quarter a written report setting forth the Letters of Credit issued in Alternate Currencies, solely for purposes of determining the Dollar Equivalent thereof.

(d) Reimbursement; Syndicate Participation. (i) Automatically upon the issuance of each Letter of Credit, each Lender shall be deemed to have automatically and



unconditionally acquired a participation therein to the extent of such Lender's Commitment Percentage on the terms provided in this clause (d) without any further action.

(ii) Upon receipt from the beneficiary of any Letter of Credit of any notice of drawing under such Letter of Credit, the relevant Issuing Lender shall notify the requesting Borrower and the Administrative Agent thereof. Not later than 1:00 p.m. (New York time) on the second Business Day following any L/C Payment by an Issuing Lender (the "Honor Date"), the Borrowers jointly and severally agree to reimburse such Issuing Lender directly in an amount equal to the amount of such L/C Payment.

(iii) If the Borrowers fail to so reimburse such Issuing Lender by such date, or if any amounts reimbursed by any Borrower are required to be returned or disgorged for any reason, such Issuing Lender shall promptly notify the Administrative Agent and the Administrative Agent shall promptly notify each Lender of the Honor Date, the unreimbursed amount of such L/C Payment (the "Unreimbursed Amount"), and the amount of such Lender's pro rata share thereof. In such event, such Borrower shall be irrevocably deemed to have requested a Borrowing of ABR Loans to be disbursed on the Honor Date in an aggregate Dollar Equivalent amount equal to the Unreimbursed Amount (without regard to the minimum and multiples specified in Section 2.01(b)); provided that, notwithstanding any other provision to the contrary in this Section 2.02, no such Borrowing of ABR Loans shall be permitted unless the Debt to Equity Ratio shall be less than or equal to <sup>[\*\*]</sup> 1.00 after giving pro forma effect to such Borrowing and the conditions specified in clauses (a) and (b) of Section 4.02 have been satisfied on or as of the date of such Borrowing. Any notice given by an Issuing Lender or the Administrative Agent pursuant to this Section 2.02(d)(iii) may be given by telephone if immediately confirmed in writing; provided, that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

(iv) Subject to the proviso in Section 2.02(d)(iii), each Lender (including any Lender acting as an Issuing Lender) unconditionally agrees upon any notice pursuant to Section 2.02(d)(iii) to make funds available to the Administrative Agent for the account of the relevant Issuing Lender at the Administrative Agent's Account in an amount equal to its Commitment Percentage of the unpaid L/C Reimbursement Obligation not later than 1:00 p.m. (New York time) on the Business Day specified in such notice by the Administrative Agent, whereupon each Lender that so makes funds available shall be deemed to have made an ABR Loan to the Borrower in such amount. The Administrative Agent shall remit the funds so received to the relevant Issuing Lender.

(v) The Borrowers jointly and severally agree to pay interest on the unreimbursed amount of each L/C Reimbursement Obligation to the relevant Issuing Lender, for each day from the date of the relevant L/C Payment until such L/C Reimbursement Obligation is reimbursed or refinanced in full as herein provided, at the rate provided in Section 3.02(b)(ii).

(vi) Subject to the proviso in Section 2.02(d)(iii), each Lender's obligation to make the payments provided in clause (iv) above to reimburse an Issuing Lender for any

[\*\*] = *Certain information contained in this document, marked by "[\*\*]" has been excluded because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.*

L/C Payment shall be absolute and unconditional and shall not be affected by (A) any setoff or counterclaim which such Lender may have against an Issuing Lender, any Borrower or any other Person, (B) the occurrence or continuance of a Default or any reduction or termination of the Commitments or any of them, (C) any of the matters referred to in clause (e) below or (D) any other circumstance whatsoever.

(vii) If any Lender fails timely to make available to the Administrative Agent for the account of an Issuing Lender any amount required to be paid by such Lender pursuant to the foregoing provisions of this Section 2.02, such Issuing Lender shall be entitled to recover from such Lender (acting through the Administrative Agent), on demand, such amount with interest thereon for the period from the date such payment is required to the date on which such payment is immediately available to such Issuing Lender at a rate per annum equal to the Federal Funds Rate from time to time in effect (without duplication of amounts paid by any Borrower under clause (v) above). A certificate of such Issuing Lender submitted to any Lender (through the Administrative Agent) with respect to any amounts owing under this clause (vii) shall be conclusive absent manifest error.

(viii) At any time after an Issuing Lender has made an L/C Payment and has received funds from a Lender in respect of such payment in accordance with Section 2.02, if the Administrative Agent receives for the account of such Issuing Lender any payment in respect of the related Unreimbursed Amount or interest thereon (whether directly from a Borrower or otherwise, including proceeds of cash collateral applied thereto by the Administrative Agent), the Administrative Agent will promptly distribute to such Lender its pro rata share thereof in the same funds as those received by the Administrative Agent.

(e) Borrowers Obligations Unconditional. The joint and several obligation of the Borrowers to reimburse each Issuing Lender for each L/C Payment under each Letter of Credit shall be absolute, unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement under all circumstances whatsoever, including the following:

(i) any lack of validity or enforceability of such Letter of Credit, any Loan Document or any other agreement or instrument relating thereto;

(ii) the existence of any claim, counterclaim, set-off, defense or other right that the Borrower may have at any time against any beneficiary of such Letter of Credit (or any Person for whom any such beneficiary may be acting), such Issuing Lender or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or by such Letter of Credit or any agreement or instrument relating thereto; or

(iii) any sight draft, demand, certificate or other document presented under such Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect, or any loss or delay in the transmission or otherwise of any document required in order to obtain an L/C Payment under such Letter of Credit; or

(iv) any payment by such Issuing Lender under such Letter of Credit against presentation of a sight draft or certificate that does not strictly comply with the terms of such Letter of Credit or any payment made by such Issuing Lender under such Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any bankruptcy, insolvency, reorganization or similar law.

(f) Issuing Lender Rights. Each Lender and each Borrower agrees that, in making any L/C Payment under a Letter of Credit, the relevant Issuing Lender shall not have any responsibility to obtain any document (other than any sight draft, certificate and other document expressly required by the Letter of Credit) or to ascertain or inquire as to the validity or accuracy of any such document or the authority of the Person executing or delivering the same. None of the Issuing Lenders, the Administrative Agent, any of the respective Related Parties, nor any correspondents, participants or assignees of the Issuing Lender shall be liable to any Lender for (i) any action taken or omitted in connection herewith at the request or with the approval of the Lenders or the Majority Lenders, as applicable, (ii) any action taken or omitted in the absence of bad faith, gross negligence or willful misconduct, or (iii) the due execution, effectiveness, validity or enforceability of any document or instrument related to any Letter of Credit or L/C Related Document. None of the Issuing Lenders, the Administrative Agent, any of the respective Related Parties, nor any correspondents, participants or assignees of the Issuing Lender, shall be liable or responsible for any of the matters described in Section 2.02(e); provided that anything therein or elsewhere in this Agreement to the contrary notwithstanding, the Borrowers may have a claim against an Issuing Lender, and such Issuing Lender may be liable to the Borrowers, to the extent, but only to the extent, of any direct (as opposed to special, indirect, consequential or punitive) damages suffered by the Borrowers which were directly caused by such Issuing Lender's bad faith, willful misconduct or gross negligence as determined by a final and nonappealable ruling of a court of competent jurisdiction. In furtherance and not in limitation of the foregoing, each Issuing Lender may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

(g) Applicability of ISP98. Unless otherwise expressly agreed by an Issuing Lender and the requesting Borrower when a Letter of Credit is issued, the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance) shall apply to each Letter of Credit.

SECTION 2.03. Fees.

(a) Agency Fee. The Borrowers jointly and severally agree to pay to the Administrative Agent, for the Administrative Agent's own account, an administrative agency fee at the times and in the amounts as agreed in writing by KCMH and the Administrative Agent.

(b) Facility Fee. The Borrowers jointly and severally agree to pay to the Administrative Agent, for the account of each Lender, a facility fee on the amount of the Commitment of such Lender for each day during the period from the date hereof until the

Commitment Termination Date, at the rate per annum described in the fee schedule set forth on Annex A, payable quarterly in arrears on the entire Aggregate Facility Amount (irrespective of usage) on the last Business Day of March, June, September and December of each year, on the Commitment Termination Date and on the date of termination of the Commitments.

(c) Letter of Credit Fees.

(i) The Borrowers jointly and severally agree to pay to the Administrative Agent, for the pro rata account of the Lenders based on their respective Commitment Percentages, a commission on the average daily undrawn amount of each outstanding Letter of Credit at a rate equal to the Applicable Margin then in effect for Eurocurrency Loans (minus the amount of the fronting fee referred to below), payable quarterly in arrears on the last Business Day of March, June, September and December of each year and on the Commitment Termination Date, commencing on the first such date after the date hereof.

(ii) The Borrowers jointly and severally agree to pay to each Issuing Lender, for the sole account of such Issuing Lender, (x) a fronting fee with respect to each Letter of Credit issued by such Issuing Lender, payable quarterly in arrears on the last Business Day of each March, June, September and December and on the Commitment Termination Date, in an amount equal to [\*\*]% per annum of the average daily available amount of such Letter of Credit and (y) such customary fees and charges in connection with the issuance or administration of each Letter of Credit issued by such Issuing Lender as may be agreed in writing between KCMH and such Issuing Lender from time to time. The Issuing Lender will notify the Borrowers of any and all such fees and charges payable under this Section.

(d) Other Fees. The Borrower shall pay to the Administrative Agent and the Lead Arranger for their own respective accounts such other fees in the amounts and at the times as may be agreed in writing between KCMH and the Administrative Agent and/or the Lead Arranger.

SECTION 2.04. Changes of Commitments.

(a) Commitment Termination Date. The Commitment of each Lender shall be automatically reduced to zero on the Commitment Termination Date.

(b) Commitment Termination or Reduction. KCMH shall have the right, upon at least three Business Days' notice to the Administrative Agent, to terminate in whole or reduce ratably in part the unused portions of the Commitments; provided, that (i) each partial reduction shall be in a minimum aggregate amount of \$5,000,000 and (ii) after giving effect to such termination or reduction, (A) the Total Credit Exposure does not exceed the Aggregate Facility Amount and (B) the L/C Exposure does not exceed the Letter of Credit Facility Amount. Once terminated or reduced, the Commitments may not be reinstated.

SECTION 2.05. Concerning Joint and Several Liability of the Borrowers.

*[\*\*] = Certain information contained in this document, marked by "[\*\*]" has been excluded because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.*

(a) Each of the Borrowers is accepting joint and several liability hereunder and under the other Loan Documents in consideration of the financial accommodations to be provided by the Lenders and the Administrative Agent under this Agreement, for the mutual benefit, directly and indirectly, of each of the Borrowers and in consideration of the undertakings of each other Borrower to accept joint and several liability for the Obligations.

(b) Each of the Borrowers, jointly and severally, hereby irrevocably and unconditionally accepts, not merely as a surety but also as a primary obligor and co-debtor, joint and several liability with each other Borrower, with respect to the payment and performance of all of the Obligations (including, without limitation, any Obligations arising under this Section 2.05), it being the intention of the parties hereto that all the Obligations shall be the joint and several obligations of each of the Borrowers without preferences or distinction among them.

(c) If and to the extent that any of the Borrowers shall fail to make any payment with respect to any of the Obligations as and when due or to perform any of the Obligations in accordance with the terms thereof, then, in each such event, the other Borrowers will make such payment with respect to, or perform, such Obligation.

(d) The Obligations of each of the Borrowers under the provisions of this Section 2.05 constitute the full recourse Obligations of each of the Borrowers enforceable against each such Person to the full extent of its properties and assets, irrespective of the validity, regularity or enforceability of this Agreement or the other Loan Documents or any other circumstance whatsoever.

(e) Except as otherwise expressly provided herein, each Borrower hereby waives promptness, diligence, presentment, demand, protest, notice of acceptance of its joint and several liability, notice of any and all advances of the Loans made under this Agreement and any promissory note issued hereunder, notice of occurrence of any Default or Event of Default (except to the extent notice is expressly required to be given pursuant to the terms of this Agreement or any of the other Loan Documents), or of any demand for any payment under this Agreement, notice of any action at any time taken or omitted by the Administrative Agent or the Lenders under or in respect of any of the Obligations hereunder, any requirement of diligence and, generally, all demands, notices and other formalities of every kind in connection with this Agreement and the other Loan Documents. Each Borrower hereby waives all defenses which may be available by virtue of any valuation, stay, moratorium law or other similar law now or hereafter in effect, any right to require the marshaling of assets of the Borrowers and any other entity or Person primarily or secondarily liable with respect to any of the Obligations, and all surety ship defenses generally. Each Borrower hereby assents to, and waives notice of, any extension or postponement of the time for the payment, or place or manner for payment, compromise, refinancing, consolidation or renewals of any of the Obligations hereunder, the acceptance of any partial payment thereon, any waiver, consent or other action or acquiescence by the Administrative Agent and the Lenders at any time or times in respect of any default by any Borrower in the performance or satisfaction of any term, covenant, condition or provision of this Agreement and the other Loan Documents, any and all other indulgences whatsoever by the Administrative Agent and the Lenders in respect of any of the Obligations hereunder, and the taking, addition, substitution or release, in whole or in part, at any time or times, of any security for any of such Obligations or the addition, substitution or release, in whole or in part, of any

Borrower or any other entity or Person primarily or secondarily liable for any Obligation. Each Borrower further agrees that its Obligations shall not be released or discharged, in whole or in part, or otherwise affected by the adequacy of any rights which the Administrative Agent or any Lender may have against any collateral security, guaranty or other means of obtaining repayment of any of the Obligations, the impairment of any collateral security securing or guaranty supporting the Obligations, including, without limitation, the failure to protect or preserve any rights which any Administrative Agent or any Lender may have in such collateral security or guaranty or the substitution, exchange, surrender, release, loss or destruction of any such collateral security, any other act or omission which might in any manner or to any extent vary the risk of such Borrower, or otherwise operate as a release or discharge of such Borrower, all of which may be done without notice to such Borrower. If for any reason any other Borrower has no legal existence or is under no legal obligation to discharge any of the Obligations, or if any of the Obligations have become irrecoverable from any other Borrower by reason of such other Borrower's insolvency, bankruptcy or reorganization or by other operation of law or for any reason, this Agreement and the other Loan Documents to which it is a party shall nevertheless be binding on such Borrower to the same extent as if such Borrower at all times had been the sole obligor on such Obligations. Without limiting the generality of the foregoing, each Borrower assents to any other action or delay in acting or failure to act on the part of the Administrative Agent and the Lenders, including, without limitation, any failure strictly or diligently to assert any right or to pursue any remedy or to comply fully with applicable laws or regulations thereunder which might, but for the provisions of this Section 2.05, afford grounds for terminating, discharging or relieving such Borrower, in whole or in part, from any of its obligations under this Section 2.05, it being the intention of each Borrower that, so long as any of the Obligations hereunder remain unsatisfied, the obligations of such Borrower under this Section 2.05 shall not be discharged except by performance and then only to the extent of such performance. The Obligations of each Borrower under this Section 2.05 shall not be diminished or rendered unenforceable by any winding up, reorganization, arrangement, liquidation, reconstruction or similar proceeding with respect to any reconstruction or similar proceeding with respect to any other Borrower, or any of the Lenders. The joint and several liability of the Borrowers hereunder shall continue in full force and effect notwithstanding any absorption, merger, amalgamation or any other change whatsoever in the name, ownership, membership, constitution or place of formation of any Borrower or the Lenders. Each of the Borrowers acknowledges and confirms that it has itself established its own adequate means of obtaining from the other Borrowers on a continuing basis all information desired by such Borrower concerning the financial condition of the other Borrowers and that each such Borrower will look to the other Borrowers and not to the Administrative Agent or any Lender in order for such Borrower to keep adequately informed of changes in the other Borrowers' respective financial conditions.

(f) The provisions of this Section 2.05 are made for the benefit of the Lenders and the Administrative Agent and their respective permitted successors and assigns, and may be enforced by it or them from time to time against any or all of the Borrowers as often as occasion therefor may arise and without requirement on the part of the Lenders, the Administrative Agent or such successor or assign first to marshal any of its or their claims or to exercise any of its or their rights against the other Borrowers or to exhaust any remedies available to it or them against any other Borrower or to resort to any other source or means of obtaining payment of any of the Obligations hereunder or to elect any other remedy. The provisions of this Section 2.05 shall

remain in effect until all of the Obligations shall have been paid in full or otherwise fully satisfied and all Commitments terminated. If at any time, any payment, or any part thereof made in respect of any of the Obligations, is rescinded or must otherwise be restored or returned by any Lender or the Administrative Agent upon the insolvency, bankruptcy or reorganization of any of the Borrowers, or otherwise, the provisions of this Section 2.05 will forthwith be reinstated in effect, as though such payment had not been made.

(g) Each of the Borrowers hereby agrees that it will not enforce any of its rights of reimbursement, contribution, subrogation or the like against any other Borrower with respect to any liability incurred by it hereunder or under any of the other Loan Documents, any payments made by it to any of the Lenders or the Administrative Agent with respect to any of the Obligations or any collateral security therefor until such time as all of the Obligations have been indefeasibly paid in full in cash and all Commitments terminated. Any claim which any Borrower may have against any other Borrower with respect to any payments to the Lenders or the Administrative Agent hereunder or under any other Loan Documents are hereby expressly made subordinate and junior in right of payment, without limitation as to any increases in the Obligations arising hereunder or thereunder, to the prior payment in full of the Obligations and, in the event of any insolvency, bankruptcy, receivership, liquidation, reorganization or other similar proceeding under the laws of any jurisdiction relating to any Borrower, its debts or its assets, whether voluntary or involuntary, all such Obligations shall be paid in full before any payment or distribution of any character, whether in cash, securities or other property, shall be made to any other Borrower therefor.

(h) Each of the Borrowers hereby agrees that the payment of any amounts due with respect to the indebtedness owing by any Borrower to any other Borrower is hereby subordinated to the prior payment in full in cash of the Obligations and the termination of the all Commitments. Each Borrower hereby agrees that after the occurrence and during the continuance of any Event of Default, unless the Administrative Agent otherwise agrees, such Borrower will not demand, sue for or otherwise attempt to collect any indebtedness of any other Borrower owing to such Borrower until the Obligations shall have been paid in full in cash. If, notwithstanding the foregoing sentence, such Borrower shall collect, enforce or receive any amounts in respect of such indebtedness, such amounts shall be collected, enforced and received by such Borrower as trustee for the Administrative Agent on account of the Obligations and shall be paid promptly after receipt to the Administrative Agent.

#### SECTION 2.06. Contribution.

(a) To the extent that any Borrower shall make a payment under Section 2.05 of all or any of the Obligations (other than Loans made to that Borrower for which it is primarily liable) (a "Support Payment") that, taking into account all other Support Payments then previously or concurrently made by any other Borrower, exceeds the amount that such Borrower would otherwise have paid if each Borrower had paid the aggregate Obligations satisfied by such Support Payment in the same portion that such Borrower's Allocable Amount (as determined immediately prior to such Support Payment) bore to the aggregate Allocable Amounts of each of the Borrowers as determined immediately prior to the making of such Support Payment, then, following indefeasible payment in full in cash of the Obligations and termination of the

Commitments, such Borrower shall be entitled to receive contribution and indemnification payments from, and be reimbursed by, the other Borrowers for the net amount of such excess, pro rata based upon their respective Allocable Amounts in effect immediately prior to such Support Payment.

(b) As of any date of determination, the “Allocable Amount” of any Borrower shall be equal to the maximum amount of the claim that could then be recovered from such Borrower under Section 2.06(a) without rendering such claim voidable or avoidable under Section 548 of Chapter 11 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law.

(c) This Section 2.06 is intended only to define the relative rights of Borrowers and nothing set forth in this Section 2.06 is intended or shall impair the obligations of the Borrowers, jointly and severally, to pay any amounts as and when the same shall become due and payable in accordance with the terms of this Agreement, including Section 2.05. Nothing contained in this Section 2.06 shall limit the liability of any Borrower to pay the Loans or L/C Reimbursement Obligations made directly or indirectly to or for the benefit of that Borrower and accrued interest, fees and expenses with respect thereto for which such Borrower shall be primarily liable.

(d) The parties hereto acknowledge that the rights of contribution and indemnification of any Borrower under this Section 2.06 shall constitute assets of such Borrower.

(e) The rights of an indemnifying Borrower against the other Borrowers under this Section 2.06 shall be exercisable upon the full and indefeasible payment of the Obligations and the termination of Commitments.

### ARTICLE III

#### PAYMENTS

SECTION 3.01. Repayment. Each Borrower agrees to repay the full principal amount of each Loan by each Lender, and each such Loan shall mature, on the Commitment Termination Date.

#### SECTION 3.02. Interest.

(a) Ordinary Interest. The Borrowers jointly and severally agree to pay interest on the unpaid principal amount of each Loan, from the date of such Loan until such principal amount shall be paid in full, at the following rates per annum:

(i) ABR Loans. While such Loan is an ABR Loan, a rate per annum equal to the ABR in effect from time to time plus the Applicable Margin as in effect from time to time, interest under this clause (i) to be payable quarterly in arrears on the last Business Day of each March, June, September and December and on the date such ABR Loan shall be Converted and on the date of each payment of principal thereof.



(ii) Eurocurrency Loans. While such Loan is a Eurocurrency Loan, a rate per annum for each Interest Period for such Loan equal to the Eurocurrency Rate for such Interest Period plus the Applicable Margin as in effect from time to time, interest under this clause (ii) to be payable on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on the date three months after the first day of such Interest Period, and on each date on which such Eurocurrency Loan shall be Continued or Converted and on the date of each payment of principal thereof.

(b) Default Interest. Notwithstanding the foregoing, the Borrowers jointly and severally shall pay interest on:

(i) any principal of any Loan that is not paid when due (whether at scheduled maturity or otherwise), payable on demand and in any event on the date such amount shall be paid, at a rate per annum equal at all times to two percent (2%) per annum above the rate per annum required to be paid on such Loan pursuant to said Section 3.02(a)(i) or (a)(ii), as applicable; and

(ii) any interest, fee or other amount thereof (other than any principal) that is not paid when due, from the due date thereof until such amount shall be paid, payable on demand and in any event on the date such amount shall be paid in full, at a rate per annum equal at all times to two percent (2%) per annum above the rate per annum then required to be paid on ABR Loans.

SECTION 3.03. Eurocurrency Reserves. The Borrowers jointly and severally shall pay to each Lender, as long as such Lender shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as “Eurocurrency Liabilities”), additional interest on the unpaid principal amount of each Eurocurrency Loan equal to the actual costs of such reserves allocated to such Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive), which shall be due and payable on each date on which interest is payable on such Loan, provided KCMH shall have received at least 10 days’ prior notice (with a copy to the Administrative Agent) of such additional interest from such Lender. If a Lender fails to give notice 10 days prior to the relevant interest payment date, such additional interest shall be due and payable 10 days from receipt of such notice.

SECTION 3.04. Interest Rate Determinations.

(a) Notice of Interest Rates. The Administrative Agent shall give prompt notice to KCMH and the Lenders of the applicable interest rates determined by the Administrative Agent.

(b) Eurocurrency Rate Inadequate. If, with respect to any Eurocurrency Loan, (x) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Eurocurrency Rate (including because the Screen Page is not available or published on a current basis), for such Interest Period or (y) the Majority Lenders notify the Administrative Agent that the Eurocurrency Rate for any Interest Period for such Loans will not fairly reflect the cost to

such Majority Lenders of making, funding or maintaining their respective Eurocurrency Loans for such Interest Period, the Administrative Agent shall so notify KCMH and the Lenders, whereupon:

- (i) any Notice of Borrowing requesting a Borrowing comprised of Eurocurrency Loans shall be ineffective;
- (ii) each Eurocurrency Loan will automatically, on the last day of the then current Interest Period therefor, be Converted into an ABR Loan; and
- (iii) the obligation of the Lenders to make or Continue, or to Convert Loans into, Eurocurrency Loans shall be suspended until the Administrative Agent shall notify KCMH and such Lenders that the circumstances causing such suspension no longer exist.

(c) Alternative Rate of Interest. If at any time the Administrative Agent determines (which determination shall be conclusive absent manifest error) that (i) the circumstances set forth in clause (b)(x) have arisen and such circumstances are unlikely to be temporary or (ii) the circumstances set forth in clause (b)(x) have not arisen but either (w) the supervisor for the administrator of the Screen Page has made a public statement that the administrator of the Screen Page is insolvent (and there is no successor administrator that will continue publication of the Screen Page), (x) the administrator of the Screen Page has made a public statement identifying a specific date after which the Screen Page will permanently or indefinitely cease to be published by it (and there is no successor administrator that will continue publication of the Screen Page), (y) the supervisor for the administrator of the Screen Page has made a public statement identifying a specific date after which the Screen Page will permanently or indefinitely cease to be published or (z) the supervisor for the administrator of the Screen Page or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which the Screen Page may no longer be used for determining interest rates for loans, then the Administrative Agent and the Borrowers shall endeavor to establish an alternate rate of interest to the Eurocurrency Rate that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the United States at such time, and shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable (but for the avoidance of doubt, such related changes shall not include a reduction of the Applicable Margin); provided that, if such alternate rate of interest as so determined would be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement. Notwithstanding anything to the contrary in Section 9.01, such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Administrative Agent shall not have received, within five Business Days of the date notice of such alternate rate of interest is provided to the Lenders, a written notice from the Majority Lenders stating that such Majority Lenders object to such amendment. Until an alternate rate of interest shall be determined in accordance with this clause (c) (but, in the case of the circumstances described in clause (ii)(w), clause (ii)(x) or clause (ii)(y) of the first sentence of this Section 3.04(c), only to the extent the Screen Page for such Interest Period is not available or published at such time on a current basis), (x) any Notice of Borrowing that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a Eurodollar Borrowing

shall be ineffective and (y) if any Notice of Borrowing requests a Eurodollar Borrowing, such Borrowing shall be made as an ABR Borrowing.

(d) Certain Mandatory Conversions.

(i) Upon the occurrence and during the continuance of any Event of Default, (x) each Eurocurrency Loan will automatically, on the last day of the then current Interest Period therefor, be Converted into an ABR Loan and (y) the obligation of the Lenders to make or Continue, or to Convert Loans into, Eurocurrency Loans shall be suspended.

(ii) If this Agreement shall require that any Eurocurrency Loan be Converted to an ABR Loan and such Eurocurrency Loan is denominated in an Alternate Currency, the Borrowers jointly and severally shall on the last day of the current Interest Period pay or prepay the full amount of such Eurocurrency Loan (provided, that the foregoing shall not prevent the Borrower from borrowing additional Loans to the extent otherwise permitted hereunder).

SECTION 3.05. Voluntary Conversion or Continuation of Loans.

(a) Conversions. The requesting Borrower may on any Business Day, upon written notice (or telephonic notice promptly confirmed in writing) given to the Administrative Agent not later than 11:00 a.m. (New York time) on the third Business Day (or, with respect to Interest Periods other than one, two, three or six months, fourth Business Day) prior to the date of the proposed Conversion, Convert all or any portion of the outstanding Loans of one Type comprising part of the same Borrowing into Loans of the other Type; provided that in the case of any such Conversion of a Eurocurrency Loan into an ABR Loan on a day other than the last day of an Interest Period therefor, the Borrowers jointly and severally shall promptly reimburse the Lenders the amounts provided in Section 3.12 relating to such prepayment. Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Loans to be Converted, and (z) if such Conversion is into Eurocurrency Loans, the duration of the initial Interest Period for each such Loan. Each notice of Conversion shall be irrevocable and binding on the Borrowers.

(b) Continuations. The requesting Borrower may, on any Business Day, upon written notice (or telephonic notice promptly confirmed in writing) given to the Administrative Agent not later than 11:00 a.m. (New York time) on the third Business Day (or, with respect to Interest Periods other than one, two, three or six months, fourth Business Day) prior to the date of the proposed Continuation, Continue all or any portion of the outstanding Eurocurrency Loans comprising part of the same Borrowing for one or more Interest Periods. Each such notice of a Continuation shall, within the restrictions specified above, specify (i) the date of such Continuation, (ii) the Eurocurrency Loans to be Continued and (y) the duration of the next Interest Period for the Eurocurrency Loans subject to such Continuation. Each notice of Continuation shall be irrevocable and binding on the Borrowers.

SECTION 3.06. Prepayments of Loans.

(a) Optional Prepayment. The requesting Borrower may, on notice (given not later than 11:00 a.m. (New York time) on the Business Day of the proposed prepayment of Loans, with respect to ABR Loans, and on the third Business Day prior to the date of prepayment with respect to Eurocurrency Loans) stating the proposed date and aggregate principal amount (stated in Dollars) of the prepayment, and if such notice is given the Borrowers jointly and severally shall, prepay the outstanding principal amounts of the Loans comprising part of the same Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (i) each partial prepayment shall be in an aggregate principal amount not less than \$5,000,000 or integral multiples of \$1,000,000 in excess thereof (or, in the case of Loans denominated in an Alternate Currency, the Alternate Currency Equivalent thereof in such Alternate Currency) and (ii) in the case of any such prepayment of a Eurocurrency Loan on a day other than the last day of an Interest Period therefor, the Borrowers jointly and severally shall reimburse the Lenders the amounts provided in Section 3.12 relating to such prepayment.

(b) Alternate Currency Revaluation. If at any time by reason of fluctuations in foreign exchange rates the Total Credit Exposure exceeds 105% of the then aggregate amount of the Commitments, and the Majority Lenders so request, the Administrative Agent shall use all reasonable efforts to give prompt written notice thereof to KCMH, specifying the amount to be prepaid under this clause (b), and the Borrowers jointly and severally shall prepay Loans or, if no Loans are outstanding, provide cash collateral for or otherwise backstop outstanding Letters of Credit on terms reasonably satisfactory to KCMH, the Issuing Lender and the Administrative Agent, in such aggregate amount as may be required to cause the Total Credit Exposure (treating such cash collateralization or other backstopping for purposes hereof as a reduction in such Total Credit Exposure) to be equal to or less than the aggregate amount of the Commitments, such payments or other measures to be made within 10 Business Days of demand or, in the case of prepayment of Eurocurrency Loans, on the date that is the earlier of (i) the last day of the then current Interest Period therefor and (ii) the last Business Day of the first full calendar month after such revaluation, provided that any such prepayment shall be accompanied by any amounts payable under Section 3.12. The determinations of the Administrative Agent hereunder shall be conclusive and binding on the Borrowers in the absence of manifest error.

SECTION 3.07. Payments; Computations; Etc.

(a) Pro Rata Payments. The Loans comprising each Borrowing shall be made pro rata among the Lenders based on their respective Commitment Percentages. Except as otherwise provided hereunder, all payments of principal of and interest on the Loans shall be made for the pro rata account of the Lenders based on the respective outstanding principal amounts thereof, and all payments of commitment fees and letter of credit commission shall be made for the pro rata account of the Lenders based on their respective Commitment Percentages.

(b) Lenders' Obligations Several. The obligations of the Lenders under this Agreement are several and the failure of any Lender to make any Loan or any payment required to be made by it hereunder shall not relieve any other Lender of its obligations hereunder, nor shall any Lender be responsible for any other Lender's failure to make any Loan required to be made by such other Lender.

(c) Currencies. All payments by the Borrower of or in respect of principal of and interest on and other amounts directly relating to any Loan that are denominated in an Alternate Currency shall be made in such Alternate Currency. All payments of principal and interest on any Loan denominated in Dollars, all payments in respect of any Letter of Credit, and all payments of fees payable pursuant to Section 2.03(c), commitment fees and agency fees hereunder and all other payments by any Borrower provided for in this Agreement, except as provided in the preceding sentence, shall be made in Dollars.

(d) Payments.

(i) The Borrowers shall make each payment hereunder and under each other Loan Document without set-off, counterclaim or deduction of any kind to the Administrative Agent at the Administrative Agent's Account in the Principal Financial Center for the relevant Currency not later than 11:00 a.m. Local Time on the due date of such payment (each such payment made after such time on such date to be deemed to have been made on the next Business Day).

(ii) The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal or interest ratably to the Lenders as provided in Section 3.07(a) for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Lender to such Lender for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Assumption and recording of the information contained therein in the Register pursuant to Section 9.06(c), from and after the assignment date set forth therein, the Administrative Agent shall remit all payments hereunder and under the Notes in respect of the interest assigned thereby to the Lender assignee thereunder, and the parties to such Assignment and Assumption shall make all appropriate adjustments in such payments for periods prior to such assignment date directly between themselves.

(e) Computations. All computations of interest based on the ABR (except any Federal Funds Rate component thereof) shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be, for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable. All computations of interest based on the Eurocurrency Rate or the Federal Funds Rate and of commitment fee shall be made by the Administrative Agent, and any computations of amounts payable pursuant to Section 3.03, shall be made on the basis of a year of 360 days, for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or other amount is payable. Each determination by the Administrative Agent of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(f) Payment Dates. Whenever any payment hereunder or under the Notes would be due on a day other than a Business Day, such due date shall be extended to the next succeeding Business Day, and any such extension of such due date shall in such case be included in the computation of interest; provided, that if such extension would cause payment of principal

or interest in respect of Eurocurrency Loans to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(g) Presumption by Administrative Agent.

(i) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed time of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made its share available at such time in accordance with Section 2.01(b) and may (but shall not be obligated), in reliance upon such assumption, make available to a Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then (A) the applicable Lender, on one hand, and (B) the Borrowers on a joint and several basis on the other hand, severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to a Borrower to but excluding the date of payment to the Administrative Agent, at (x) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation and (y) in the case of a payment to be made by a Borrower, the interest rate applicable to ABR Loans. If a Borrower and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to such Borrower the amount of such interest paid by such Borrower for such period. If such Lender pays its share of the applicable Borrowing to the Administrative Agent, then the amount so paid shall constitute such Lender's Loan included in such Borrowing. Any payment by a Borrower shall be without prejudice to any claim such Borrower may have against a Lender that shall have failed to make such payment to the Administrative Agent.

(ii) Unless the Administrative Agent shall have received notice from KCMH prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrowers will not make such payment, the Administrative Agent may assume that the Borrowers have made such payment on such date in accordance herewith and may (but shall not be obligated), in reliance upon such assumption, distribute to the Lenders the amount due. In such event, if the Borrowers have not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation (if such Loan is denominated in Dollars) or at the overnight London Interbank offered rate for the relevant Currency (if such Loan is denominated in an Alternate Currency).

SECTION 3.08. Sharing of Payments, Etc. If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or other obligations hereunder resulting in such Lender's receiving

payment of a proportion of the aggregate amount of its Loans and accrued interest thereon or other such obligations greater than its pro rata share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and such other obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them, provided, that:

(i) if any such participation is purchased and all or any portion of the related payment is recovered, such participation shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and

(ii) the provisions of this subsection shall not be construed to apply to (x) any payment made by the Borrowers pursuant to and in accordance with the express terms of this Agreement or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans other than to a Borrower or any Subsidiary thereof (as to which the provisions of this subsection shall apply).

The Borrowers consent to the foregoing and agree, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrowers, jointly and severally, rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrowers in the amount of such participation.

SECTION 3.09. Increased Costs.

(a) Eurocurrency Costs. If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any reserve requirement contemplated by Section 3.03) or the Issuing Lender; or

(ii) impose on any Lender or the Issuing Lender or the London interbank market any other condition, cost or expense affecting this Agreement or Eurocurrency Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurocurrency Loan (or of maintaining its obligation to make any Eurocurrency Loan), or to increase the cost to such Lender or the Issuing Lender of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender or the Issuing Lender hereunder (whether of principal, interest or any other amount) then, from time to time upon request of such Lender or the Issuing Lender, the Borrowers jointly and severally will pay to such Lender or the Issuing Lender such additional amount or amounts as will compensate such Lender or the Issuing Lender, as the case may be, for such additional costs

incurred or reduction suffered. This Section 3.09 shall not apply to Excluded Taxes or any matters covered by Section 3.11 relating to Taxes.

(b) Capital Requirements. If any Lender or the Issuing Lender determines that any Change in Law affecting such Lender or the Issuing Lender or any lending office of such Lender or the Issuing Lender or such Lender's or the Issuing Lender's holding company, if any, regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or the Issuing Lender's capital or on the capital of such Lender's or the Issuing Lender's holding company as a consequence of this Agreement, the Commitments of such Lender or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letter of Credit issued by the Issuing Lender, to a level below that which such Lender or the Issuing Lender or such Lender's or the Issuing Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or the Issuing Lender's policies and the policies of such Lender's or the Issuing Lender's holding company with respect to capital adequacy), then from time to time upon request of such Lender or the Issuing Lender, the Borrowers jointly and severally will pay to such Lender or the Issuing Lender, as the case may be, such additional amount or amounts as will compensate such Lender or the Issuing Lender or such Lender's or the Issuing Lender's holding company for such reduction.

(c) Certificates for Reimbursement. A certificate of any Lender or the Issuing Lender setting forth the amount or amounts and a reasonable basis for the determination thereof necessary to compensate such Lender or the Issuing Lender or its holding company, as the case may be, as specified in clauses (a) or (b) of this Section 3.09 and delivered to KCMH shall be conclusive on all Borrowers absent manifest error. The Borrowers jointly and severally shall pay such Lender or the Issuing Lender, as the case may be, the amount shown as due on any such certificate within 10 Business Days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Lender or the Issuing Lender to demand compensation pursuant to this Section 3.09 shall not constitute a waiver of such Lender's or the Issuing Lender's right to demand such compensation, provided, that the Borrowers shall not be required to compensate a Lender or the Issuing Lender pursuant to this Section for any increased costs incurred or reductions suffered more than 180 days prior to the date that such Lender or the Issuing Lender, as the case may be, notifies KCMH of the Change in Law giving rise to such increased costs or reductions and of such Lender's or the Issuing Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof).

SECTION 3.10. Illegality. Notwithstanding any other provision of this Agreement, if any Lender shall notify the Administrative Agent that the introduction of or any change in or in the interpretation of any law or regulation makes it unlawful, or any central bank or other Governmental Authority asserts that it is unlawful, for such Lender or its Eurocurrency Lending Office to perform its obligations hereunder to make or continue Eurocurrency Loans or to fund or otherwise maintain Eurocurrency Loans hereunder, (a) the obligation of such Lender to make or Continue, or to Convert Loans into, Eurocurrency Loans shall be suspended until the Administrative Agent shall notify KCMH and the Lenders that the circumstances causing such suspension no longer exist and (b) each Eurocurrency Loan of such Lender shall convert into an



ABR Loan at the end of the then current Interest Period for such Eurocurrency Loan, if such Lender may lawfully continue to maintain such Eurocurrency Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such Eurocurrency Loans.

SECTION 3.11. Taxes.

(a) All payments on account of the principal of and interest on the Loans and the Notes, fees and all other amounts whatsoever payable by the Borrowers under the Loan Documents shall be made free and clear of and without reduction or liability for any Taxes, except as required by applicable law, decree or regulation.

(b) In the event that any Borrower or the Administrative Agent shall be required by applicable law, decree or regulation to deduct or withhold any Tax from any amounts payable to the Administrative Agent or any Lender on, under or in respect of this Agreement, the Loans or any Loan Document, the Borrowers jointly and severally shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law, decree or regulation and, if such Tax is an Indemnified Tax, then the Borrowers jointly and severally shall promptly pay such recipient such additional amounts as may be required, after the deduction or withholding of Indemnified Taxes, to enable such recipient to receive from the Borrowers on the due date thereof an amount equal to the full amount stated to be payable to such recipient.

(c) The Borrowers jointly and severally shall indemnify the Administrative Agent and each Lender (including each Issuing Lender) against, and reimburse them upon demand for, any incremental Taxes, interest or penalties, that they may incur at any time arising out of or in connection with any such failure of the Borrowers to make any payment of Indemnified Taxes when due.

(d) KCMH shall furnish to the Administrative Agent original or certified copies of official tax receipts in respect of each payment of Indemnified Taxes required under this Section 3.11, as soon as practicable after the date such payment is made, and the Borrowers shall promptly furnish to the Administrative Agent at its request or at the request of any Lender (through the Administrative Agent) to KCMH any other information, documents and receipts that the Administrative Agent or such Lender may reasonably require to establish that full and timely payment has been made of all Indemnified Taxes required to be paid under this Section 3.11.

(e)

(i) Each Lender or Participant that is not a "U.S. Person" as defined in Section 7701(a)(30) of the Code (a "Non-U.S. Lender") shall deliver to KCMH and the Administrative Agent (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form W-8BEN or W-8BEN-E, as applicable, Form W-8ECI, Form W-8IMY, Form W-8 EXP, or, in the case of a Non-U.S. Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a statement

substantially in the form of Exhibit E-1, Exhibit E-2, Exhibit E-3 or Exhibit E-4, as applicable, and a Form W-8BEN or W-8BEN-E, as applicable, or any subsequent versions thereof or successors thereto, properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. federal withholding tax on all payments by the Borrower under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of any Participant, on or before the date such Participant purchases the related participation).

(ii) Each Lender that is a "U.S. Person" as defined in Section 7701(a)(30) of the Code shall deliver to KCMH and the Administrative Agent (or, in the case of a Participant of a Non-U.S. Lender, to such Non-U.S. Lender) on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of KCMH or the Administrative Agent), executed originals of IRS Form W-9 certifying that such Lender or Participant, as applicable, is exempt from U.S. Federal backup withholding tax.

(f) Each Lender shall deliver to any Borrower and the Administrative Agent at the time or times prescribed by applicable law and at such time or times reasonably requested by such Borrower or the Administrative Agent such documentation prescribed by applicable law and such additional documentation reasonably requested by such Borrower or the Administrative Agent as may be necessary for such Borrower or the Administrative Agent to comply with any obligations of such Borrower of the Administrative Agent under FATCA or any similar regime arising as a result of the transactions contemplated under any Loan Document.

In addition, each Non-U.S. Lender shall deliver such forms promptly upon the written request of KCMH after the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Each Non-U.S. Lender shall promptly notify KCMH at any time it determines that it is no longer in a position to provide any previously delivered certificate to KCMH (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this paragraph, a Non-U.S. Lender shall not be required to deliver any form pursuant to this paragraph that such Non-U.S. Lender is not legally able to deliver.

(g) A Lender that is entitled to an exemption from or reduction of non-U.S. withholding tax under the law of the jurisdiction in which a Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to KCMH (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by KCMH, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate, provided that such Lender is legally entitled to complete, execute and deliver such documentation and in such Lender's judgment such completion, execution or submission would not materially prejudice the legal position of such Lender.

(h) If the Administrative Agent, any Lender or the Issuing Lender determines, in its sole discretion, that it has received a refund or credit (in lieu of such refund) of any Taxes or Other Taxes as to which it has been indemnified by the Borrowers or with respect to which a Borrower has paid additional amounts pursuant to this Section 3.11, it shall pay to such Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by such Borrower under this Section 3.11 with respect to the Taxes or Other Taxes giving rise to such refund), net of all reasonable out-of-pocket expenses of the Administrative Agent, any Lender or the Issuing Lender, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that each Borrower, upon the request of the Administrative Agent, any Lender or the Issuing Lender, agrees to repay the amount paid over to such Borrower to the Administrative Agent, any Lender or the Issuing Lender in the event the Administrative Agent, any Lender or the Issuing Lender is required to repay such refund to such Governmental Authority. This subsection shall not be construed to require the Administrative Agent, any Lender or the Issuing Lender to make available its tax returns or its books or records (or any other information relating to its taxes that it deems confidential) to any Borrower or any other Person.

(i) If pursuant to this Section 3.11 a Borrower is required to pay to or for the account of any Lender any additional amounts, then such Lender shall use commercially reasonable efforts to change the jurisdiction of its Applicable Lending Office if, in the sole and absolute judgment of such Lender, such change (i) would eliminate or reduce any such excess additional amounts and (ii) would not otherwise be materially disadvantageous to such Lender.

SECTION 3.12. Break Funding Payments. The Borrowers jointly and severally agree to indemnify each Lender and to hold each Lender harmless from any loss, cost or expense incurred by such Lender which is in the nature of funding breakage costs or costs of liquidation or redeployment of deposits or other funds and any other related expense (but excluding loss of margin or other loss of anticipated profit), which such Lender may sustain or incur as a consequence of (a) default by any Borrower in making any Borrowing of Eurocurrency Loans after a Borrower has given a Notice of Borrowing requesting the same in accordance with the provisions of this Agreement (including as a result of any failure to fulfill, on or before the date specified in such Notice of Borrowing, the applicable conditions set forth in Article IV), (b) default by any Borrower in making any prepayment of any Eurocurrency Loan when due after such Borrower has given notice thereof in accordance with this Agreement, (c) the making by any Borrower of a prepayment of any Eurocurrency Loan on a day which is not the last day of an Interest Period with respect thereto, (d) default by any Borrower in payment when due of the principal of or interest on any Eurocurrency Loan, (e) the Conversion or Continuation of any Eurocurrency Loan on a day other than on the last day of an Interest Period with respect thereto, and (f) any assignment such Lender is required to make pursuant to Section 3.13(b) if such Lender holds Eurocurrency Loans at the time of such assignment. A certificate of any Lender setting forth any amount or amounts and a reasonable basis for the determination thereof that such Lender is entitled to receive pursuant to this Section and delivered to KCMH shall be conclusive absent manifest error. The Borrowers jointly and severally shall pay to such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 3.13. Mitigation Obligations; Replacement of Lenders.

(a) Designation of a Different Lending Office. If any Lender requests compensation under Section 3.09, or requires any Borrower to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.11, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, if, in the sole and absolute judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 3.09 or 3.11, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender.

(b) Replacement of Lenders. If any Lender requests compensation under Section 3.09, or if any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 3.11, or if any Lender becomes a Defaulting Lender, or if any Lender has failed to consent to a proposed amendment, waiver, discharge or termination that, pursuant to the terms of Section 9.01, requires the consent of all of the Lenders or all of the Lenders affected (and such Lender is an affected Lender) and with respect to which the Majority Lenders shall have granted their consent, then such Borrower may, at the Borrowers' joint and several sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, Section 9.06), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an Eligible Assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment), provided that:

(i) no Default or Event of Default has occurred and is continuing on and as of the date of such notice and the date of such assignment;

(ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under Section 3.12) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts);

(iii) in the case of any such assignment resulting from a claim for compensation under Section 3.09 or payments required to be made pursuant to Section 3.11, such assignment will result in a reduction in such compensation or payments thereafter; and

(iv) such assignment does not conflict with applicable Laws.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling a Borrower to require such assignment and delegation cease to apply. A Lender so replaced shall not be required to pay the processing and recordation fee referred to in Section 9.06(b).

SECTION 3.14. Defaulting Lenders.

(a) Adjustments. Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(i) Waivers and Amendments. Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of Majority Lenders.

(ii) Reallocation of Payments. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VII or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 9.03 shall be applied at such time or times as may be determined by the Administrative Agent as follows: *first*, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; *second*, to the payment on a pro rata basis of any amounts owing by such Defaulting Lender to the Issuing Lender hereunder; *third*, to cash collateralize the Issuing Lenders' L/C Exposure with respect to such Defaulting Lender; *fourth*, as any Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; *fifth*, if so determined by the Administrative Agent and KCMH, to be held in a deposit account and released pro rata in order to (x) satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement and (y) cash collateralize the Issuing Lender's future L/C Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement; *sixth*, to the payment of any amounts owing to the Lenders or the Issuing Lenders as a result of any judgment of a court of competent jurisdiction obtained by any Lender or the Issuing Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; *seventh*, so long as no Default or Event of Default exists, to the payment of any amounts owing to any Borrower as a result of any judgment of a court of competent jurisdiction obtained by such Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and *eighth*, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans or L/C Payments in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made or the related Letters of Credit were issued at a time when the conditions set forth in Section 4.02 were satisfied or waived, such payment shall be applied solely to pay the Loans of, and L/C Payments owed to, all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of, or L/C Payments owed to, such Defaulting Lender until such time as all Loans and funded and unfunded participations in L/C Reimbursement Obligations are held by the Lenders pro rata in accordance with their Commitments without giving effect to Section 3.14(a)(iv). Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post cash collateral pursuant to this Section 3.14(a)(ii) shall be deemed

paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(iii) Certain Fees. Each Defaulting Lender shall be entitled to receive the facility fee pursuant to Section 2.03(b) for any period during which that Lender is a Defaulting Lender only to extent allocable to the sum of (1) the outstanding principal amount of the Revolving Loans funded by it, and (2) its Commitment Percentage of the stated amount of Letters of Credit for which it has provided cash collateral. Each Defaulting Lender shall be entitled to receive letter of credit fees pursuant to Section 2.03(c) for any period during which that Lender is a Defaulting Lender only to the extent allocable to its Commitment Percentage of the stated amount of Letters of Credit for which it has provided cash collateral pursuant to the terms hereof. With respect to any facility fee or letter of credit fee not required to be paid to any Defaulting Lender pursuant to this Section 3.14(a)(iii), the Borrowers jointly and severally shall (x) pay to each Non-Defaulting Lender that portion of any such fee otherwise payable to such Defaulting Lender with respect to such Defaulting Lender's participation in Letters of Credit that has been reallocated to such Non-Defaulting Lender pursuant to clause (iv) below, (y) pay to the Issuing Lender the amount of any such fee otherwise payable to such Defaulting Lender to the extent allocable to the Issuing Lender's L/C Exposure to such Defaulting Lender, and (z) not be required to pay the remaining amount of any such fee.

(iv) Reallocation of Participations to Reduce L/C Exposure. All or any part of such Defaulting Lender's participation in Letters of Credit shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Commitment Percentages (calculated without regard to such Defaulting Lender's Commitment) but only to the extent that (x), if requested by the applicable Issuing Lender, the conditions set forth in Section 4.02 are satisfied at the time of such reallocation (and, unless the Borrowers shall have otherwise notified the Administrative Agent at such time, the Borrowers shall be deemed to have represented and warranted that such conditions are satisfied at such time), and (y) such reallocation does not cause the aggregate of the Total Credit Exposure allocable to any Non-Defaulting Lender to exceed such Non-Defaulting Lender's Commitment. No reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender's increased exposure following such reallocation

(v) Cash Collateral. If the reallocation described in clause (iv) above cannot, or can only partially, be effected, the Borrowers shall jointly and severally, without prejudice to any right or remedy available to it hereunder or under law, promptly cash collateralize the Issuing Lenders' L/C Exposure.

(b) Defaulting Lender Cure. If KCMH, the Administrative Agent and the Issuing Lender agree in writing in their sole discretion that a Defaulting Lender should no longer be deemed to be a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth

therein (which may include arrangements with respect to any cash collateral), such Lender will, to the extent applicable, purchase that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Letters of Credit to be held on a *pro rata* basis by the Lenders in accordance with their Commitment Percentages (without giving effect to Section 3.14(a)(iv)), whereupon that Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrowers while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

(c) New Letters of Credit. So long as any Lender is a Defaulting Lender, the Issuing Lender shall not be required to issue, extend, renew or increase any Letter of Credit unless it is reasonably satisfied that it will have no L/C Exposure after giving effect thereto.

#### ARTICLE IV

##### CONDITIONS PRECEDENT

SECTION 4.01. Closing Conditions. Effectiveness of this Agreement is subject to the satisfaction or waiver of the following conditions precedent:

(a) The Administrative Agent's receipt of the following:

(i) this Agreement, duly executed and delivered by the Borrower and each of the other parties hereto;

(ii) the Guarantee and Security Agreement, duly executed and delivered by the Borrowers as of the Closing Date, together with duly prepared financing statements in form for filing under the applicable UCC in the jurisdiction of formation of each Borrower;

(iii) certified copies of (x) the constitutive documents of each Borrower and (y) resolutions or other authorizing documentation of each Obligor and the General Partner evidencing the taking of all necessary action authorizing and approving the execution, delivery and performance by each Borrower of the Loan Documents to which it is a party;

(iv) a certificate of an officer of each Borrower certifying the names and true signatures of the officers authorized to sign the Loan Documents and any other documents to be delivered hereunder by each Borrower;

(v) the legal opinion of Simpson Thacher & Bartlett LLP, counsel to the Borrowers, in a form reasonably acceptable to the Administrative Agent;

(vi) a certificate of an officer of KCMH, dated the Closing Date, certifying that (a) the representations and warranties contained in Section 5.01 and in the other Loan Documents are true and correct in all material respects on and as of such date as though made on and as of such date and (b) no event has occurred and is continuing on and as of such date which constitutes a Default or an Event of Default;

(vii) a certificate attesting to the Solvency of KCMH and its Subsidiaries, taken as a whole, after giving effect to the effectiveness of this Agreement and any Loans made or Letters of Credit issued or outstanding on the Closing Date; and

(viii) (a) all documentation and other information reasonably requested in writing at least five Business Days prior to the Closing Date in order to allow the Administrative Agent to comply with applicable “know your customer” and anti-money laundering rules and regulations, including without limitation, the Patriot Act and (b) any other such documents in customary form and previously agreed between the parties.

(b) KCMH shall have (a) paid (i) all accrued and unpaid fees and any outstanding and accrued and unpaid principal and interest thereon under the Existing Credit Agreement and (ii) all fees and expenses (including fees, charges and disbursements of counsel invoiced prior to the Closing Date) required to be paid on or prior to the Closing Date to the Administrative Agent or the Lead Arranger in connection with this Agreement and (b) delivered a written notice of termination of the Existing Credit Agreement in form and substance reasonably acceptable to the Administrative Agent.

The Administrative Agent will promptly notify the Lenders of the occurrence of the Closing Date.

SECTION 4.02. Conditions Precedent to Each Borrowing and Issuance. The obligation of each Lender to make a Loan during the Availability Period on the occasion of each Borrowing and of the Issuing Lender to issue each Letter of Credit shall be subject to the conditions precedent that on the date of and after giving effect to such Borrowing or issuance, the Total Credit Exposure shall not exceed the then Aggregate Facility Amount, and that the following statements shall be true:

(a) the representations and warranties contained in Section 5.01 and in the other Loan Documents are true and correct in all material respects on and as of the date of such Borrowing or issuance as though made on and as of such date, except to the extent such representation or warranty expressly relates to an earlier date, in which case it is true and correct in all material respects on and as of such earlier date;

(b) no event has occurred and is continuing, or would result from such Borrowing or issuance or from the application of the proceeds from such Borrowing, which constitutes a Default or an Event of Default;

(c) the Debt to Equity Ratio shall be less than or equal to **[\*\*]** to 1.00 after giving pro forma effect to such Borrowing or issuance; and

*[\*\*] = Certain information contained in this document, marked by “[\*\*]” has been excluded because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.*



(d) the Administrative Agent and, if applicable, the Issuing Lender shall have received a request for Borrowing or issuance of Letter of Credit in accordance with the requirements hereof.

Each request for a Borrowing or issuance of a Letter of Credit (other than a notice for Conversion or Continuation of Loans) submitted by a Borrower shall be deemed to be a representation and warranty that the conditions specified in clauses (a), (b) and (c) of this Section 4.02 have been satisfied on and as of the date of such request.

## ARTICLE V

### REPRESENTATIONS AND WARRANTIES

SECTION 5.01. Representations and Warranties. Each Borrower represents and warrants to the Administrative Agent and the Lenders as follows:

(a) Organization. Each Borrower is duly organized, validly existing and in good standing as a limited partnership or limited liability company, as applicable, under the laws of Delaware, and each Guarantor and the General Partner is duly organized, validly existing and in good standing (to the extent such concept is recognized under such law) under the laws of its jurisdiction of organization. Each Obligor (i) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to (A) own or lease its assets and carry on its business and (B) execute, deliver and perform its obligations under the Loan Documents to which it is a party, and (ii) is duly qualified and is licensed and, as applicable, in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification or license; except in each case referred to in clause (i)(A) or (ii), to the extent that failure to do so would not reasonably be expected to result in a Material Adverse Effect

(b) Authorization. The execution, delivery and performance by each Borrower of this Agreement and the other Loan Documents are within its powers as set forth in its applicable constituent documents, as the case may be, and have been duly authorized by all necessary action thereunder, and the execution, delivery and performance by each Guarantor of the Guarantee and Security Agreement are within the powers of such Guarantor and have been duly authorized by all necessary action and the execution, delivery and performance by KCMH of the Loan Documents have been duly authorized by all necessary action of the General Partner.

(c) Approvals; No Conflicts; Etc. The execution, delivery and performance by each Obligor of the Loan Documents to which it is a party (i) do not require any consent or approval of, or registration or filing with, any Governmental Authority or Self Regulatory Organization (except for (A) such as have been obtained or made and are in full force and effect in all material respects, (B) filings and recordings in respect of Liens created pursuant to the Guarantee and Security Agreement and (C) such licenses, approvals, authorizations or consents the failure to obtain or make would not reasonably be expected to result in a Material Adverse Effect), (ii) will not violate any applicable Law, regulation or order of any Governmental Authority the violation of which would be reasonably expected to result in a Material Adverse

Effect, and (iii) will not violate or constitute an event of default under any credit agreement, loan agreement, note or indenture, or any other material agreement, binding upon it or its Property; and no Default has occurred and is continuing.

(d) Enforceability. Each Obligor has duly executed and delivered each Loan Document to which it is a party and each such Loan Document constitutes the legal, valid and binding obligation of such Obligor enforceable in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and subject to general principles of equity.

(e) No Material Adverse Change. Since December 31, 2019, no event or circumstance has occurred that has had, or would reasonably be expected to have, a Material Adverse Effect.

(f) No Litigation. There are no actions, suits or proceedings by or before any Governmental Authority pending against or, to the knowledge of KCMH, threatened against or affecting it or any of its Subsidiaries that would reasonably be expected to result in a Material Adverse Effect.

(g) Compliance with Laws. Each Obligor is in compliance with all Laws and all orders, writs, injunctions and decrees of any Governmental Authority applicable to it or its Property (including, without limitation, the Patriot Act, ERISA, environmental laws and Rule 15c3-1), except where the failure to be in compliance, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

(h) Investment Company Status; Margin Regulations. None of the Obligors is required to register under and none of the Obligors is subject to regulation under the Investment Company Act of 1940, as amended. No Borrower is engaged and no Borrower will engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U), or extending credit for the purpose of purchasing or carrying margin stock, in each case in violation of such Regulation U. Each U.S. Broker-Dealer Subsidiary is a broker-dealer subject to Regulation T. Neither the making of any Loan hereunder, nor the use of proceeds thereof, will violate or be inconsistent with the provisions of Regulation T, U or X.

(i) Disclosure. No written report, financial statement, certificate or other written information furnished by or on behalf of it to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, taken as a whole, in the light of the circumstances under which they were made, not misleading; provided that with respect to projected financial information, it represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time and that actual results may differ materially from such information.

(j) Use of Proceeds. The proceeds of the Loans and Letters of Credit shall be used by KCMH and/or its Subsidiaries to facilitate debt capital markets "fronting" arrangements

pursuant to which KCMH or such Subsidiary is acting as the initial purchaser or lender of a debt instrument that has been reserved by KCMH or such Subsidiary for purchase by another Person from whom an order has been received and such arrangement involves terms that are customary in the market for “fronting” transactions.

(k) Guarantee and Security Agreement. The Guarantee and Security Agreement is effective to create in favor of the Administrative Agent, for the benefit of the Secured Creditors, a legal, valid and enforceable security interest in the Collateral described therein and proceeds thereof (except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors’ rights generally and subject to general principles of equity). Subject to the Intercreditor Agreement, in the case of the Pledged Stock represented by certificates described in the Guarantee and Security Agreement, when any stock certificates representing such Pledged Stock are delivered to the Administrative Agent (or its designee), and in the case of the other Collateral described in the Guarantee and Security Agreement, when financing statements in appropriate form are duly completed and filed in the offices specified on Annex I to the Guarantee and Security Agreement and such other filings as are specified on Annex I to the Guarantee and Security Agreement have been completed, the Guarantee and Security Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Obligors in such Collateral and the proceeds thereof, as security for the Obligations (as defined in the Guarantee and Security Agreement), in each case prior and superior in right to any other Person (other than with respect to Liens permitted by this Agreement), in each case to the extent security interests in such Collateral may be perfected by delivery of such certificates representing Pledged Stock or such filings.

(l) Ownership of Property. KCMH and each of its Subsidiaries has good record and marketable title to, or valid leasehold interests in, all property necessary in the ordinary conduct of its business, except for such defects in title as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(m) Taxes. Except as would not reasonably be expected to have a Material Adverse Effect, KCMH and each of its Subsidiaries have paid and discharged all material taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, other than those (i) not yet delinquent or (ii) contested in good faith as to which adequate reserves have been provided to the extent required by Law and in accordance with GAAP and which would not reasonably be expected to result in a Material Adverse Effect.

(n) ERISA Matters. (i) No ERISA Event has occurred or is reasonably expected to occur with respect to any Plan and (ii) neither KCMH nor any ERISA Affiliate has incurred or is reasonably expected to incur any Withdrawal Liability to any Multiemployer Plan, which in either case of (i) or (ii) has not been fully satisfied or, with respect to clauses (i) and (ii), except as would not reasonably be expected to result in any Material Adverse Effect.

(o) Subsidiaries. Schedule II is a complete list of Subsidiaries of KCMH as of the Closing Date.

(p) Registered Broker-Dealer Membership. Each of KCM U.S. and each other U.S. Broker-Dealer Subsidiary is duly registered with the SEC as a broker-dealer and is a member in good standing of FINRA, and each non-U.S. Broker-Dealer Subsidiary is duly registered with, or licensed by, any Governmental Authority that requires registration or licensing and is a member in good standing of any local body similar to FINRA, including, but not limited to, the Financial Services Authority (in the case of KCM U.K.) and the Securities and Futures Commission (in the case of KCM Asia) to the extent that such membership is required by any Governmental Authority.

(q) SIPC Assessments. No U.S. Broker-Dealer Subsidiary is in arrears with respect to any assessment made upon it by the SIPC, and no non-U.S. Broker Dealer Subsidiary is in arrears with respect to any assessment made upon it by any local body which is similar to the SIPC.

## ARTICLE VI

### COVENANTS

SECTION 6.01. Affirmative Covenants. So long as any principal of or interest on any Loan or any other amount or obligation under the Loan Documents (other than contingent indemnity obligations not then due) shall remain unpaid or unsatisfied or any Lender shall have any Commitment or any Letter of Credit shall remain outstanding hereunder (unless such Letter of Credit has been cash collateralized or otherwise backstopped on terms reasonably satisfactory to the relevant Issuing Lender), KCMH covenants and agrees that, unless the Majority Lenders shall otherwise consent in writing:

(a) Reporting Requirements. KCMH will furnish to the Lenders:

(i) within 50 days after the end of each of the first three fiscal quarters, its unaudited consolidated balance sheet and related statements of income, stockholders' equity and cash flows, in each case as of the end of and for such fiscal quarter, setting forth in each case in comparative form (if applicable) the figures for the corresponding period of the previous fiscal year, certified by a Financial Officer to the effect that such financial statements present fairly in all material respects the financial condition and results of operations of KCMH and its Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to the absence of (or absence of a requirement to have) footnotes and to year-end adjustments;

(ii) within 100 days after the end of each fiscal year, KCMH's unaudited consolidated balance sheet and related statements of income, stockholders' equity and cash flows as of the end of and for such fiscal year, setting forth in each case in comparative form (if applicable) the figures for the previous fiscal year, certified by a Financial Officer to the effect that such financial statements present fairly in all material respects the financial condition and results of operations of KCMH and its Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to the absence of (or absence of a requirement to have) footnotes;

(iii) concurrently with any delivery of financial statements under clauses (i) and (ii) above, a certificate of a Financial Officer (x) certifying that no Default has occurred or, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (y) identifying any Subsidiary that has become a Material Foreign Subsidiary during the most recently ended fiscal quarter and (z) setting forth calculations demonstrating in reasonable detail compliance with Section 6.03;

(iv) concurrently with the delivery of financial statements under clause (ii) above, an operating income budget of KCMH in reasonable detail for the current fiscal year as customarily prepared by management of KCMH for their internal use, setting forth the principal assumptions upon which such budget is based;

(v) as soon as available, but in any event within five Business Days of delivery to any Governmental Authority or Self Regulatory Organization, the audited annual financial statements of any Broker-Dealer Subsidiary required to be furnished to such Governmental Authority or Self Regulatory Organization; and

(vi) promptly upon request by the Administrative Agent on behalf of the Majority Lenders, such other information regarding the business, operations and financial condition of any Obligor as such Lender may reasonably request (it being understood that the Administrative Agent shall use reasonable efforts to coordinate any such requests).

(b) Existence; Conduct of Business. It will, and will cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and, except to the extent that failure to do so would not reasonably be expected to result in a Material Adverse Effect, the rights, licenses, permits, privileges and franchises material to the conduct of its business (including, in the case of each Broker-Dealer Subsidiary, its registration, license or qualification as a broker-dealer with the SEC and/or such other applicable domestic or foreign Governmental Authority); provided that the foregoing shall not prohibit any transaction expressly permitted under Section 6.02(c).

(c) Compliance with Laws. It will, and will cause each of its Subsidiaries to, comply with all Laws and all orders, writs, injunctions and decrees of any Governmental Authority applicable to it, its business or its Property (including, in the case of each Broker-Dealer Subsidiary, such rules and regulations of the SEC, FINRA and/or such other applicable domestic or foreign Governmental Authority or Self Regulatory Organization) except, with respect to all matters other than noncompliance by any Broker-Dealer Subsidiary with applicable minimum capital requirements, where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

(d) Maintenance of Insurance. It will, and will cause each of its Subsidiaries to, maintain with financially sound and reputable insurance companies insurance on all its tangible Property in at least such amounts and against at least such risks as KCMH believes (in the good faith judgment of KCMH) are usually insured against in the same general area by

companies of a similar size engaged in the same or a similar business and in a manner that is consistent with KCMH's and its Subsidiaries' past practices.

(e) Payment of Taxes. It will, and will cause each of its Subsidiaries to, pay and discharge, all material taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which material penalties attach thereto, and all lawful material claims in respect of any Taxes imposed, assessed or levied that, if unpaid, could reasonably be expected to become a material Lien upon any Property of KCMH or any Subsidiary, provided that neither KCMH, nor any Subsidiary shall be required to pay any such tax, assessment, charge, levy or claim that is being contested in good faith and by proper proceedings if it has maintained adequate reserves (in the good faith judgment of management of KCMH) with respect thereto in accordance with GAAP and the failure to pay would not reasonably be expected to result in a Material Adverse Effect.

(f) Maintenance of Properties. It will, and will cause each of its Subsidiaries to, keep and maintain all Property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, except to the extent failure to do so would not reasonably be expected to result in a Material Adverse Effect.

(g) Books and Records; Visitation and Inspection Rights. It will, and will cause each Borrower as well as each of its Material Subsidiaries to, keep proper books of record and account in accordance with GAAP, and permit representatives designated by the Administrative Agent, upon reasonable prior notice, to visit and inspect its Properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants (it being agreed that KCMH shall be given the opportunity to participate in any such discussion with its independent accountants), all at the reasonable expense of KCMH and at such reasonable times during normal business hours, but in each case subject to and in accordance with all applicable laws of any Governmental Authority and such confidentiality measures relating thereto as KCMH may reasonably require; provided that, other than after the occurrence of and during the continuance of an Event of Default, (i) such visitations and inspections shall not be permitted on more than two instances in any calendar year and (ii) only one such visitation and inspection shall be at the expense of KCMH.

(h) Notices of Material Events. It will furnish to the Administrative Agent and each Lender prompt written notice of the following:

(i) the occurrence of any Default or Event of Default;

(ii) the filing or commencement of any action, suit or proceeding by or before any Governmental Authority against or affecting it or any of its Subsidiaries which would reasonably be expected to be adversely determined and, if so determined, would reasonably be expected to result in a Material Adverse Effect; and

(iii) any other event that has had, or would reasonably be expected to have, a Material Adverse Effect.

Each notice delivered under this subsection shall be accompanied by a statement of a Financial Officer setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

(i) Additional Guarantors and Grantors; Additional Borrowers.

(i) Subject to any applicable limitations set forth in the Guarantee and Security Agreement, KCMH will promptly cause each direct or indirect Wholly-Owned Domestic Subsidiary (other than any Domestic Subsidiary of a Foreign Subsidiary or a Domestic Subsidiary substantially all of whose assets consist of capital stock and/or indebtedness of one or more Foreign Subsidiaries) formed or otherwise purchased or acquired after the date hereof, to execute a supplement to the Guarantee and Security Agreement substantially in the form attached to the Guarantee and Security Agreement (or otherwise in a form reasonable satisfactory to the Administrative Agent) in order to become a Guarantor and a grantor thereunder and take all other action reasonably requested by the Administrative Agent to grant a perfected security interest in its assets to substantially the same extent as granted by the Obligors on the Closing Date; provided that in any event, no Broker-Dealer Subsidiary shall be required to enter into, provide a guarantee, or grant any security interests in its assets under the Guarantee and Security Agreement or any other Loan Document.

(ii) From time to time after the Closing Date, with fifteen Business Days' prior written notice to the Administrative Agent and subject to the satisfaction of the conditions set forth in this Section 6.01(i)(ii), KCHM may designate any Subsidiary as an Additional Borrower; provided that in no event shall a Subsidiary become an Additional Borrower if such Subsidiary either (A) is an entity that would not be required to be an additional Guarantor under Section 6.01(i)(i), or (B) is a direct or indirect Subsidiary of a Person that is not required to be an additional Guarantor under Section 6.01(i)(i); and provided further that:

(A) such Subsidiary is a Wholly-Owned Subsidiary of KCMH organized or incorporated in the United States or a jurisdiction otherwise approved by the Administrative Agent and the applicable Lenders; provided that, in the case of a jurisdiction in which no Borrower is organized or incorporated on the Closing Date, such designation shall be prohibited if the Administrative Agent or any applicable Lender shall not have the ability or authorization to lend into such jurisdiction;

(B) such Subsidiary is or becomes a Guarantor prior to or contemporaneously with becoming an Additional Borrower;

(C) no Default or Event of Default has occurred and is continuing or would result from such Subsidiary becoming an Additional Borrower;

(D) the Administrative Agent and the Lenders shall have received at least ten Business Days prior to the date such Subsidiary becomes an Additional Borrower such documentation and information as is reasonably requested in

writing by the Administrative Agent or any applicable Lender to the extent required by regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including, without limitation, the Patriot Act;

(E) the Administrative Agent shall have received a duly executed and delivered Additional Borrower Joinder Agreement and a duly executed and delivered pledge of the equity of such Subsidiary in accordance with the Guarantee and Security Agreement; and

(F) the Administrative Agent shall have received (i) a copy of the resolutions of the board of directors or other managers of such Subsidiary (or a duly authorized committee thereof) authorizing (a) the execution, delivery, and performance of the Additional Borrower Joinder Agreement and the other Loan Documents (and any agreements relating thereto) to which it is a party and (b) the extensions of credit contemplated hereunder, (ii) the certificate of incorporation and by-laws, certificate of formation and operating agreement or other comparable organizational documents, as applicable, of such Subsidiary, (iii) signature and incumbency certificates (or other comparable documents evidencing the same) of the authorized officers of such Subsidiary executing the Additional Borrower Joinder Agreement and the other Loan Documents to which it is a party, and (iiii) if requested by Administrative Agent, a customary legal opinion from outside counsel to the Borrower as to customary joinder matters.

(iii) Upon any Subsidiary becoming an Additional Borrower in accordance with Section 6.01(i), such Subsidiary shall be, jointly and severally, for all purposes, and with all rights and obligations of, a “Borrower” under this Agreement and the other Loan Documents.

(j) Pledge of Material Foreign Subsidiaries. Subject to any applicable limitations set forth in the Guarantee and Security Agreement, KCMH will promptly deliver to the Administrative Agent a local law pledge agreement under the jurisdiction of organization or formation of each Subsidiary that is directly owned by an Obligor and identified as a Material Foreign Subsidiary in accordance with Section 6.01(a)(iii)(y) in a customary form reasonably satisfactory to the Administrative Agent, together with (i) copies of such Material Foreign Subsidiary’s constitutive documents and documents evidencing that such Material Foreign Subsidiary has taken of all necessary action authorizing and approving the execution, delivery and performance of the Loan Documents to which it is a party, and (ii) a legal opinion in a form reasonably satisfactory to the Administrative Agent from counsel to such Material Foreign Subsidiary.

(k) Pledge of Additional Stock and Evidence of Indebtedness. Subject to the Intercreditor Agreement and to any applicable limitations set forth in the Guarantee and Security Agreement or with respect to which, in the reasonable judgment of the Administrative Agent (confirmed in writing by notice to KCMH), the cost or other consequences (including any adverse tax consequences) of doing so shall be excessive in view of the benefits to be obtained by the Lenders therefrom, KCMH will cause (i) all certificates representing Equity Interests (if



any) of any Subsidiary held directly by any Borrower or any Guarantor and (ii) all evidences of Indebtedness in excess of \$5,000,000 received by any Borrower or any of the Guarantors, in each case, promptly to be delivered along with applicable instruments of transfer duly executed in blank to the Administrative Agent (or its designee) as security for the obligations owed under the Loan Documents, under the Guarantee and Security Agreement.

(l) Further Assurances. Subject to the Intercreditor Agreement, it will, and will cause each of the Guarantors to, from time to time give, execute, deliver, file and/or record any financing statement, notice, instrument, document, agreement or other paper that is necessary to cause the Liens created by the Guarantee and Security Agreement to be valid first priority perfected Liens on the Property purported to be covered thereby (including after-acquired Property, it being understood that, except as set forth in paragraph (j) above, there shall be no requirement to enter into or deliver security agreements or pledge agreements governed by the laws of any non-U.S. jurisdiction or otherwise take steps to perfect any security interest or Lien securing the Obligations under the laws of any non-U.S. jurisdiction), subject to no equal or prior Lien except as otherwise permitted by the Loan Documents, and promptly from time to time obtain and maintain in full force and effect, and cause each of the Guarantors to obtain and maintain in full force and effect, all licenses, consents, authorizations and approvals of, and make all filings and registrations with, any Governmental Authority necessary under the Laws of the jurisdiction of organization of such Guarantor (or any other jurisdiction in which part of the Collateral owned by it or by any Guarantor may be situated) for the making and performance by it of the Loan Documents to which it is a party. Notwithstanding the foregoing or anything to the contrary in any Loan Document, it is hereby agreed and acknowledged that any requirement to take any action to establish perfection by control under any Loan Document is subject to the Intercreditor Agreement, and the establishment of such control by the Administrative Agent's designee or bailee set forth in the Intercreditor Agreement shall constitute compliance with any such requirement to establish such control by the Administrative Agent under the Loan Documents.

(m) Post Closing Actions. Notwithstanding anything to the contrary in any Loan Document, it will, within 60 days after the Closing Date (or such later date as the Administrative Agent shall reasonably agree) enter into an update to the existing control agreement, in a manner previously agreed between the Borrower and the Administrative Agent, with respect to the Pledged Deposit Account (as defined in the Guaranty and Security Agreement), in a form reasonably satisfactory to the Administrative Agent.

SECTION 6.02. Negative Covenants. So long as any principal of or interest on any Loan or any other amount or obligation under the Loan Documents (other than contingent indemnity obligations not then due) shall remain unpaid or unsatisfied or any Lender shall have any Commitment or any Letter of Credit shall remain outstanding hereunder (unless such Letter of Credit has been cash collateralized or otherwise backstopped on terms reasonably satisfactory to the relevant Issuing Lender), KCMH covenants and agrees that, unless the Majority Lenders shall otherwise consent in writing:

(a) Indebtedness. It will not, and will not permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Indebtedness, provided that KCMH and any Subsidiary may incur Indebtedness (and all premiums (if any), interest (including post-petition

interest), fees, expenses, charges and additional or contingent interest with regard to such Indebtedness) if (x) immediately before and after such incurrence, no Default or Event of Default shall have occurred and be continuing and (y) the Debt to Equity Ratio is less than or equal to **[\*\*]** to 1.00 after giving pro forma effect thereto. The limitations set forth in the immediately preceding sentence shall not apply to any of the following items:

- (i) Indebtedness arising under the Loan Documents;
- (ii) Intercompany Indebtedness owed among the Borrowers and/or their Subsidiaries (including any Indebtedness used to finance any Financing Transaction);
- (iii) Permitted Subordinated Debt;
- (iv) Indebtedness in respect of Hedging Agreements;
- (v) Indebtedness in respect of overdraft facilities, netting services, automatic clearinghouse arrangements and other cash management and similar arrangements in the ordinary course of business;
- (vi) additional Indebtedness of KCMH and its Subsidiaries in an aggregate principal amount not to exceed **[\$\*\*]** at any time outstanding;
- (vii) Indebtedness arising under the Five-Year Credit Agreement (and the other Loan Documents (as defined therein)), and any refinancing, renewal or replacement thereof;
- (viii) Indebtedness arising under fronting and/or settlement facilities (“Fronting Facilities”); provided that, at least 10 Business Days prior to incurring any such Indebtedness (or such shorter period as MHCB shall reasonably agree, it being agreed MHCB shall use commercially reasonable efforts to provide a response to KCMH as soon as practicable after receipt of such notice), KCMH and/or the relevant Subsidiary shall have provided MHCB a bona fide opportunity (through a written notice to MHCB) to provide such Indebtedness, including an offer regarding the timing of establishing such indebtedness, and MHCB shall have either (1) declined (through a written notice from the Administrative Agent to KCMH and/or such Subsidiary) to accept such offer to provide such Indebtedness or (2) failed to respond in writing to such offer, in each case, within such 10 Business Day period; and
- (ix) all premiums (if any), interest (including post-petition interest), fees, expenses, charges and additional or contingent interest on obligations described in clauses (i) through (viii) above.

(b) Liens. It will not, nor will it permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any Property now owned or hereafter acquired by it, except Liens under the Guarantee and Security Agreement and other Liens in favor of the Administrative Agent as contemplated hereby and except:

- (i) Liens arising under the Loan Documents;

**[\*\*]** = *Certain information contained in this document, marked by “[\*\*]” has been excluded because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.*

(ii) Liens securing Finance Subsidiary Debt; provided that the terms of any Finance Subsidiary Debt (including any intercreditor arrangements entered into in connection therewith) shall provide that the Liens on the Collateral granted under the Guarantee and Security Agreement have at least second priority (to the extent the terms of such Finance Subsidiary Debt do not permit the obligations under the Loan Documents to be secured on a first priority basis pari passu with such Finance Subsidiary Debt) after giving effect to the incurrence of such Finance Subsidiary Debt; provided further that the assets securing any such Finance Subsidiary Debt shall be limited to (A) the assets of the Finance Subsidiary or Finance Subsidiaries incurring such Finance Subsidiary Debt and (B) the common equity interests of such Finance Subsidiary or Finance Subsidiaries;

(iii) Permitted Liens;

(iv) Liens securing Indebtedness or other obligations of a KCMH or any Subsidiary of KCMH in favor of KCMH or any Subsidiary of KCMH;

(v) Liens (A) of a collecting bank arising under Section 4-208 of the UCC on items in the course of collection, (B) attaching to commodity trading accounts or other commodities brokerage accounts incurred in the ordinary course of business; and (C) in favor of a banking institution arising as a matter of law encumbering deposits (including the right of set-off);

(vi) Liens encumbering reasonable customary initial deposits and margin deposits and similar Liens attaching to commodity trading accounts or other brokerage accounts incurred in the ordinary course of business;

(vii) Liens that are contractual rights of set-off (A) relating to the establishment of depository relations with banks not given in connection with the issuance of Indebtedness, (B) relating to pooled deposit or sweep accounts of KCMH or any of its Subsidiaries to permit satisfaction of overdraft or similar obligations incurred in the ordinary course of business of KCMH and its Subsidiaries or (C) relating to agreements entered into with customers of KCMH or any of its Subsidiaries in the ordinary course of business;

(viii) additional Liens so long as the aggregate principal amount of the obligations secured thereby at any time outstanding does not exceed \$[\*\*];

(ix) the modification, replacement, extension or renewal of any Lien permitted by this Section 6.02(b) upon or in the same assets theretofore subject to such Lien (or upon or in after-acquired property that is affixed or incorporated into the property covered by such Lien or any proceeds or products thereof) or the replacement, extension or renewal (without increase in the amount or change in any direct or contingent obligor except to the extent otherwise permitted hereunder) of the Indebtedness secured thereby;

(x) Liens securing obligations in respect of Indebtedness outstanding under Section 6.02(a)(vii), provided such Liens shall only extend to Collateral and shall be pari passu with the Liens securing the Obligations hereunder and subject to the

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Intercreditor Agreement, or junior to the Liens securing the Obligations and subject to an intercreditor agreement in form and substance reasonably satisfactory to the Administrative Agent and KCMH; and

(xi) Liens securing obligations in respect of Indebtedness outstanding under Section 6.02(a)(viii), provided such Liens only extend to the loans made pursuant to such Fronting Facility and other assets related thereto, and in each case, the proceeds thereof. It is agreed that upon the incurrence of a Lien permitted pursuant to this clause (xi), any Collateral subject to such Lien shall be automatically released from the Liens securing the Obligations (and the Administrative Agent shall take such actions as reasonably requested by KCMH to evidence such release (or absence) of such Lien, it being understood that the Lenders authorize the Administrative Agent to enter into any such documentation, with the Administrative Agent authorized to rely on a certificate from KCMH confirming the automatic release (or absence) of such Lien hereunder in delivering any such documentation).

(c) Mergers, Consolidations, Sales of Assets, Etc. It will not merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its Property (in each case, whether now owned or hereafter acquired), or liquidate or dissolve (provided, that, if at the time thereof and immediately after giving effect thereto no Default or Event of Default shall have occurred and be continuing, any Person may merge into KCMH in a transaction in which KCMH is the surviving entity) and it will not permit any of its Subsidiaries to merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with any Subsidiary, if a Default or Event of Default would result as a result from any such merger or consolidation and, if involving a Borrower or a Guarantor, unless such Borrower or Guarantor is the surviving entity or such successor entity is a Subsidiary of KCMH immediately following such merger or consolidation and expressly assumes the obligations of such Borrower or Guarantor, as applicable, under the Loan Documents; provided further that Subsidiaries of KCMH shall be permitted to liquidate or dissolve, except to the extent such liquidation or dissolution would reasonably be expected to result in a Material Adverse Effect and provided that upon or prior to the liquidation or dissolution of any Borrower no Borrowings of such Borrower or Letters of Credit issued for the account of such Borrower are outstanding.

(d) Investments. Without the prior written consent of the Majority Lenders (such consent not to be unreasonably withheld), it will not, and will not permit any of its Subsidiaries to, make any Investment in KKR or its Affiliates; provided, that so long as no Event of Default has occurred and is continuing, KCMH and its Subsidiaries may make Investments in the ordinary course of KCMH and its Subsidiaries' capital markets business and in compliance with Section 6.02(i) in (i) any KCM Group Entity, (ii) any portfolio company (or any entity controlled by a portfolio company) of any fund, separately managed account or partnership managed or controlled or sponsored by KKR and/or its Affiliates (any such fund, account or partnership, a "KKR Vehicle") and (iii) any KKR Vehicle with publicly traded securities or securities issued pursuant to Rule 144A of the Securities Act of 1933 or any foreign equivalent or with respect to which a registration statement or equivalent foreign document has been filed.

(e) Dividends. It will not, and will not permit any of its Subsidiaries to, declare or pay any dividends or make distributions (other than dividends or distributions payable solely in its Equity Interests (other than Disqualified Equity Interests)) or return any capital to its equity holders or make any other distribution, payment or delivery of property or cash to its equity holders as such, or redeem, retire, purchase or otherwise acquire, directly or indirectly, for consideration, any of its Equity Interests or Equity Interests of any direct or indirect parent thereof now or hereafter outstanding, or set aside any funds for any of the foregoing purposes, or permit any of its Subsidiaries to purchase or otherwise acquire for consideration any Equity Interests of KCMH, now or hereafter outstanding (all of the foregoing, “dividends”), provided that KCMH and any Subsidiary may pay dividends if (x) immediately before and after paying such dividend, no (1) Default or (2) Event of Default shall have occurred and be continuing and (y) the Debt to Equity Ratio is less than or equal to **[\*\*]** to 1.00 after giving pro forma effect thereto. The limitations set forth in the immediately preceding sentence (other than subclause (x)(2) in the proviso thereto) shall not apply to any of the following items so long as KCMH is in compliance with Section 6.03 after giving pro forma effect thereto:

(i) it may (or may pay dividends to permit any direct or indirect parent thereof to) redeem in whole or in part any of its Equity Interests for another class of its (or such parent’s) Equity Interests (other than Disqualified Equity Interests) or with proceeds from substantially concurrent equity contributions or issuances of new Equity Interests (other than Disqualified Equity Interests), provided that such new Equity Interests contain terms and provisions at least as advantageous to the Lenders in all respects material to their interests as those contained in the Equity Interests redeemed thereby;

(ii) it may pay dividends, the proceeds of which will be used to pay (or to pay dividends to allow any direct or indirect parent of KCMH to pay (including to the individual owners of any direct or indirect parent of KCMH)) the tax liability of such parent and the individual owners of any direct or indirect parent, determined at the highest rate combined federal, state and local income tax rate applicable to an individual resident in New York City, attributable to KCMH or its Subsidiaries determined as if KCMH and its Subsidiaries filed separately;

(iii) it or any of its Subsidiaries may (i) pay cash in lieu of fractional Equity Interests in connection with any dividend, split or combination thereof and (ii) honor any conversion request by a holder of convertible Indebtedness and make cash payments in lieu of fractional shares in connection with any such conversion; and

(iv) any Subsidiary of KCMH may pay dividends to its direct parent; provided that if any such dividends are paid by a non-Wholly-Owned Subsidiary, such dividends shall be made ratably based on the equity holder’s interests therein (or any other amount more favorable to KCMH), provided further that if the proceeds of any outstanding Loans or Letters of Credit have been used for an Investment in such non-Wholly-Owned Subsidiary, any cash dividends paid to such parent shall be applied to prepay such Loans or cash collateralize such Letters of Credit if no Loans are outstanding, at the option of the Administrative Agent, without application of Section 3.12 or at the end of the next Interest Period(s).

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(f) Subordinated Debt Payments. It will not, and will not permit any of its Subsidiaries to, prepay, repurchase or redeem, defease or otherwise satisfy prior to the scheduled maturity thereof in any manner, or make any payment in violation of any subordination terms of, any Subordinated Indebtedness; provided that KCMH and any Subsidiary may prepay, repurchase or redeem, defease or otherwise satisfy any Subordinated Indebtedness if (x) immediately before and after such payment, no Default or Event of Default shall have occurred and be continuing and (y) the Debt to Equity Ratio is less than or equal to **[\*\*]** to 1.00 after giving pro forma effect thereto. Notwithstanding the foregoing, nothing in this Section 6.02(f) shall prohibit the repayment or prepayment of intercompany Subordinated Indebtedness owed among KCMH and/or its Subsidiaries, in either case unless an Event of Default has occurred and is continuing and KCMH has received a notice from the Administrative Agent instructing it not to make or permit any such repayment or prepayment.

(g) Burdensome Agreements. It will not, and will not permit any of its Subsidiaries to, enter into or suffer to exist or become effective any agreement that prohibits or limits the ability (i) of any Obligor to create, incur, assume or suffer to exist any Lien upon any of its material Property or revenues, whether now owned or hereafter acquired, to secure the obligations or, in the case of any Guarantor, its obligations under the Guarantee and Security Agreement, or (ii) of any Subsidiary to make Restricted Payments to any Borrower or any Guarantor or to otherwise transfer property to or invest in any Borrower or any Guarantor, other than (A) this Agreement and the other Loan Documents, (B) any agreements governing Finance Subsidiary Debt and, in the case of clause (i) above only, purchase money Liens (or any permitted refinancing in respect thereof) or Finance Lease Obligations otherwise permitted hereby (in which case, any prohibition or limitation shall only be effective against the assets financed thereby and in the case of any permitted refinancing of purchase money Indebtedness, no more restrictive than that in the relevant refinanced agreement), (C) any such agreement in effect at the time any Subsidiary becomes a Subsidiary of KCMH, so long as such agreement was not entered into solely in contemplation of such Person becoming a Subsidiary of KCMH, (D) any such agreement imposed or required by or otherwise entered into with any applicable Governmental Authority, (E) any agreement in respect of Indebtedness outstanding under Section 6.02(a)(vii) or (viii) and (F) any agreement in respect of Indebtedness permitted to be outstanding under this Agreement, provided such restrictions do not, in the good faith judgment of KCMH, impair in any material respect the ability of the Borrowers hereunder to comply with their payment obligations under the Loan Documents.

(h) Affiliate Transactions. It will not, and will not permit any of its Subsidiaries to, enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of Property, the rendering of any service or the payment of any management, advisory or similar fees, with any Affiliate (other than KCMH or any of its Subsidiaries) unless such transaction is (a) otherwise permitted under this Agreement, including the payment and receipt of any dividend permitted pursuant to Section 6.02(e), and (b) upon terms that, in the aggregate, are no less favorable to KCMH or such Subsidiary, as the case may be, than it would obtain in a comparable arm's length transaction with a Person that is not an Affiliate; provided that nothing in this Section 6.02(h) shall prohibit KCMH or any of its Subsidiaries from providing placement, advisory or other services in the ordinary course of business so long as such services do not include a funding obligation of KCMH or such Subsidiary.

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(i) Line of Business. It will not, nor will it permit any of its Subsidiaries to, enter into any business, either directly or through any Subsidiary, except for those businesses in which KCMH and its Subsidiaries are engaged on the Closing Date or that are reasonably related thereto.

(j) Change in Fiscal Year. It will not make any change to its fiscal year; provided that KCMH may, upon written notice to the Administrative Agent, change its fiscal year end to any other fiscal year end reasonably acceptable to the Administrative Agent, in which case KCMH and the Administrative Agent will, and are hereby authorized by the other parties hereto to, make any adjustments to this Agreement that are necessary to effect such change.

SECTION 6.03. Financial Covenant. So long as any principal of or interest on any Loan or any other amount or obligation under the Loan Documents (other than contingent indemnity obligations not then due) shall remain unpaid or unsatisfied or any Lender shall have any Commitment or any Letter of Credit shall remain outstanding hereunder (unless such Letter of Credit has been cash collateralized or otherwise backstopped on terms reasonably satisfactory to the relevant Issuing Lender and the Administrative Agent), KCMH covenants and agree that, unless the Majority Lenders shall otherwise consent in writing, KCMH will not permit the Debt to Equity Ratio on the last day of any fiscal quarter of KCMH to exceed [\*\*] to 1.00.

## ARTICLE VII

### EVENTS OF DEFAULT

SECTION 7.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

- (a) any Borrower shall fail to pay when due any principal of any Loan;
- (b) any Borrower shall fail for five Business Days or more to pay any interest, fee or L/C Reimbursement Obligation or any other amount (other than principal) payable by such Borrower under any Loan Document when and as the same shall become due and payable;
- (c) any representation or warranty made or deemed made by an Obligor in this Agreement, any other Loan Document or in any certificate furnished pursuant to this Agreement shall prove to have been untrue in any material respect when made or deemed made;
- (d) any Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 6.01(b) (with respect to the legal existence of such Borrower), (h)(i), 6.02 (other than those contained in clause (j) of such Section) or 6.03;
- (e) any Obligor shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (a), (b) or (d) of this Section) or in any other Loan Document, and such failure shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent to KCMH;

[\*\*] = *Certain information contained in this document, marked by "[\*\*]" has been excluded because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.*

(f) any Borrower or any Subsidiary (other than any Finance Subsidiary that is not a Borrower) shall fail to make any payment of principal of or interest on any Material Indebtedness when and as the same shall become due and payable (beyond any period of grace, if any); or any event or condition occurs that results in the acceleration (or, solely with respect to any Material Indebtedness incurred under Section 6.02(a)(iii), permits the holders of such Indebtedness (or a trustee or agent on behalf of such holders) to cause such acceleration) of such Material Indebtedness prior to its scheduled maturity;

(g) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, winding up, reorganization or other relief in respect of any Borrower or any Material Subsidiary (other than any Finance Subsidiary that is not a Borrower) or its debts, or of a substantial part of its Property, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Borrower or any Material Subsidiary (other than any Finance Subsidiary that is not a Borrower) or for a substantial part of its Property, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(h) any Borrower or any Material Subsidiary (other than any Finance Subsidiary that is not a Borrower) shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, winding up, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (g) of this Section, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Borrower or any Material Subsidiary (other than any Finance Subsidiary) or for a substantial part of its Property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(i) any Borrower or any Material Subsidiary (other than any Finance Subsidiary that is not a Borrower) shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(j) one or more judgments for the payment of money in an aggregate amount in excess of \$[\*\*] shall be rendered against KCMH or any Subsidiary and the same shall remain undischarged for a period of 60 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any Property of KCMH or any Subsidiary to enforce any such judgment;

(k) an ERISA Event shall have occurred that, when taken together with all other ERISA Events that have occurred for which liability has not been fully satisfied, would reasonably be expected to result in a Material Adverse Effect; or

[\*\*] = *Certain information contained in this document, marked by “[\*\*]” has been excluded because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.*



(l) the Guarantee and Security Agreement shall cease to be valid and binding on, or enforceable against, (i) KCMH or (ii) any other Borrower or Guarantor which is a Material Subsidiary (other than pursuant to the terms hereof or thereof or as a result of acts or omissions of the Administrative Agent or any Lender), or KCMH or any such other Borrower or Guarantor shall so assert in writing; or

(m) a Change of Control shall occur;

then the Administrative Agent shall upon the request of the Majority Lenders, by notice to KCMH, take any or all of the following actions, at the same or different times: (i) terminate the Commitments and thereupon they shall terminate immediately, (ii) terminate any obligation of the Issuing Lender to issue Letters of Credit hereunder, and thereupon such obligations shall terminate, (iii) declare the Loans and all other amounts payable by the Obligors under the Loan Documents to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of each Borrower accrued and other amounts payable by the Obligors under the Loan Documents, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Borrower, and/or (iv) require the Borrowers to jointly and severally provide cash collateral for L/C Reimbursement Obligations and the outstanding undrawn Letters of Credit in an aggregate amount equal to the then aggregate L/C Exposure and thereupon the Borrowers shall forthwith provide such cash collateral on terms and subject to documentation reasonably satisfactory to the relevant Issuing Lenders and the Administrative Agent; and in case of any event applicable to any Borrower described in clause (g) or (h) of this Section, the Commitments and such obligations of the Issuing Lender shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Obligors accrued under the Loan Documents, shall automatically become due and payable, and the Borrowers jointly and severally shall automatically be required to provide such cash collateral, all without presentment, demand, protest or other notice of any kind, all of which are hereby waived by each Borrower. Nothing herein shall terminate or otherwise modify the obligations of the Lenders under Section 2.02(d).

SECTION 7.02. Investors' Right to Cure.

(a) Notwithstanding anything to the contrary contained in Section 7.01(d), in the event that KCMH fails to comply with the requirements of the covenant set forth in Section 6.03, until the expiration of the tenth day after the date on which financial statements for the fiscal period in which the covenant set forth in such Section 6.03 is being measured are required to be delivered pursuant to Section 6.01(a), any Person shall have the right to make a direct or indirect equity investment in KCMH in cash (the "Cure Right"), and upon the receipt by such Person of net cash proceeds pursuant to the exercise of the Cure Right (including through the capital contribution of any such net cash proceeds to such Person), the covenant set forth in such Section 6.03 shall be recalculated, giving effect to a pro forma increase to Total Equity as of the relevant date of determination in an amount equal to such net cash proceeds.

(b) If, after the exercise of the Cure Right and the recalculations pursuant to clause (a) above, KCMH shall then be in compliance with the requirements of the covenant set forth in Section 6.03 for the relevant fiscal quarter, KCMH shall be deemed to have satisfied the requirements of such covenant as of the relevant date of determination with the same effect as though there had been no failure to comply therewith at such date, and the applicable Default or Event of Default under Section 7.01(d) that had occurred shall be deemed cured.

## ARTICLE VIII

### THE ADMINISTRATIVE AGENT

SECTION 8.01. Appointment and Authority. (a) Each of the Lenders hereby irrevocably appoints MHC B to act on its behalf as the Administrative Agent under and in connection with the Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent and the Lenders and the Borrowers shall have no rights as a third party beneficiary of any of such provisions.

(b) Each Issuing Lender shall act on behalf of the Lenders with respect to any Letters of Credit issued by it and the documents associated therewith, and each such Issuing Lender shall have all of the benefits and immunities (i) provided to the Administrative Agent in this Article VIII with respect to any acts taken or omissions suffered by such Issuing Lender in connection with Letters of Credit issued by it or proposed to be issued by it and the applications and agreements for letters of credit pertaining to such Letters of Credit as fully as if the term "Administrative Agent" as used in this Article VIII included such Issuing Lender with respect to such acts or omissions, and (ii) as additionally provided herein with respect to such Issuing Lender.

(c) The Administrative Agent shall also act as the "collateral agent" under the Loan Documents, and each of the Lenders and the Issuing Lender hereby irrevocably appoints and authorizes the Administrative Agent to act as the agent of such Lender and the Issuing Lender for purposes of acquiring, holding and enforcing any and all Liens on Collateral granted by any of the Obligors to secure any of the obligations of the Obligors under the Loan Documents, together with such powers and discretion as are reasonably incidental thereto. In this connection, the Administrative Agent, as "collateral agent" and any co-agents, sub-agents and attorneys-in-fact appointed by the Administrative Agent pursuant to Section 8.05 for purposes of holding or enforcing any Lien on the Collateral (or any portion thereof) granted under the Loan Documents, or for exercising any rights and remedies thereunder at the direction of the Administrative Agent, shall be entitled to the benefits of all provisions of this Article VIII and Article IX as though such co-agents, sub-agents and attorneys-in-fact were the "collateral agent" under the Loan Documents) as if set forth in full herein with respect thereto.

SECTION 8.02. Rights as a Lender. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term

“Lender” shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with any Obligor or any Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

SECTION 8.03. Exculpatory Provisions.

(a) The Administrative Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent:

(i) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(ii) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Majority Lenders (or such other number or percentage of the Lenders as shall be expressly provided for in the Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or applicable law; and

(iii) shall not, except as expressly set forth in the Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any Obligor or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

(b) The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Majority Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in Section 9.01) or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent by a Borrower or a Lender.

(c) The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein,

other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

SECTION 8.04. Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan or issuance of a Letter of Credit that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Loan or such issuance. The Administrative Agent may consult with legal counsel (who may be counsel for a Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

SECTION 8.05. Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers under any Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent and any Issuing Lender may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent and the Issuing Lender, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

SECTION 8.06. Resignation of Administrative Agent. The Administrative Agent may at any time give notice of its resignation to the Lenders and KCMH. Upon receipt of any such notice of resignation, the Majority Lenders shall have the right, in consultation with KCMH, to appoint a successor, which shall be a nationally recognized bank with an office in New York, New York or an Affiliate of any such bank with an office in New York, New York. If no such successor shall have been so appointed by the Majority Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may on behalf of the Lenders, appoint a successor Administrative Agent meeting the qualifications set forth above, provided, that if the Administrative Agent shall notify KCMH and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (a) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders under any of the Loan Documents, the retiring Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (b) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time as the Majority

Lenders appoint a successor Administrative Agent as provided for above in this subsection. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations under the Loan Documents (if not already discharged therefrom as provided above in this subsection). The fees payable by the Borrowers to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between KCMH and such successor. After the retiring Administrative Agent's resignation, the provisions of this Article and Section 9.04 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

SECTION 8.07. Non-Reliance on Administrative Agent and Other Lenders. Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon any Loan Document or any related agreement or any document furnished hereunder or thereunder.

SECTION 8.08. No Other Duties; Etc. Anything herein to the contrary notwithstanding, the Lead Arranger and any bookrunner listed on the cover page hereof shall not, in such capacities, have any powers, duties or responsibilities under any of the Loan Documents.

SECTION 8.09. Intercreditor Agreement Governs. The Administrative Agent, each Lender and each Obligor hereby agrees that it will be bound by and will take no actions contrary to the provisions of the Intercreditor Agreement and any other intercreditor agreement entered into pursuant to the terms hereof. Each Lender hereby authorizes and instructs the Administrative Agent to enter into the Intercreditor Agreement and each other intercreditor agreement entered into pursuant to the terms hereof (including any amendments or other modifications thereof) and to subject the Liens securing the Obligations to the provisions thereof.

SECTION 8.10. Collateral Matters; Credit Bidding.

(a) Except with respect to the exercise of setoff rights in accordance with Section 9.03 or with respect to a Secured Creditor's right to file a proof of claim in an insolvency proceeding, no Secured Creditor shall have any right individually to realize upon any of the Collateral or to enforce any Guarantee of the Obligations, it being understood and agreed that all powers, rights and remedies under the Loan Documents may be exercised solely by the Administrative Agent on behalf of the Secured Creditors in accordance with the terms thereof.

(b) The Secured Creditors hereby irrevocably authorize the Administrative Agent, at the direction of the Majority Lenders, to credit bid all or any portion of the Obligations

(including by accepting some or all of the Collateral in satisfaction of some or all of the Obligations pursuant to a deed in lieu of foreclosure or otherwise) and in such manner purchase (either directly or through one or more acquisition vehicles) all or any portion of the Collateral (a) at any sale thereof conducted under the provisions of any bankruptcy laws, including under Sections 363, 1123 or 1129 of the United States Bankruptcy Code, or (b) at any other sale, foreclosure or acceptance of collateral in lieu of debt conducted by (or with the consent or at the direction of) the Administrative Agent (whether by judicial action or otherwise) in accordance with any applicable law; *provided* that to the extent the Loans are paid in full in cash, the Commitments are terminated and the Letters of Credit cash collateralized in accordance with the terms hereof, the consent of Majority Lenders shall not be required in connection with any such credit bid. In connection with any such credit bid and purchase, the Obligations owed to the Secured Creditors shall be entitled to be, and shall be, credit bid by the Administrative Agent at the direction of the Majority Lenders and, except as set forth above, with the consent of the Majority Lenders, on a ratable basis (with Obligations with respect to contingent or unliquidated claims receiving contingent interests in the acquired assets on a ratable basis that shall vest upon the liquidation of such claims in an amount proportional to the liquidated portion of the contingent claim amount used in allocating the contingent interests) for the asset or assets so purchased (or for the equity interests or debt instruments of the acquisition vehicle or vehicles that are issued in connection with such purchase). In connection with any such bid, (i) the Administrative Agent shall be authorized to form one or more acquisition vehicles and to assign any successful credit bid to such acquisition vehicle or vehicles, (ii) each of the Secured Creditors' ratable interests in the Obligations which were credit bid shall be deemed without any further action under this Agreement to be assigned to such vehicle or vehicles for the purpose of closing such sale, (iii) the Administrative Agent shall be authorized to adopt documents providing for the governance of the acquisition vehicle or vehicles (provided that any actions by the Administrative Agent with respect to such acquisition vehicle or vehicles, including any disposition of the assets or equity interests thereof, shall be governed, directly or indirectly, by, and the governing documents shall provide for, control by the vote of the Majority Lenders or their permitted assignees under the terms of this Agreement or the governing documents of the applicable acquisition vehicle or vehicles, as the case may be, irrespective of the termination of this Agreement and without giving effect to the limitations on actions by the Majority Lenders contained in Section 9.01 of this Agreement), (iv) the Administrative Agent on behalf of such acquisition vehicle or vehicles shall be authorized to issue to each of the Secured Creditors, ratably on account of the relevant Obligations which were credit bid, interests, whether as equity, partnership, limited partnership interests or membership interests, in any such acquisition vehicle and/or debt instruments issued by such acquisition vehicle, all without the need for any Secured Creditor or acquisition vehicle to take any further action, and (v) to the extent that Obligations that are assigned to an acquisition vehicle are not used to acquire Collateral for any reason (as a result of another bid being higher or better, because the amount of Obligations assigned to the acquisition vehicle exceeds the amount of Obligations credit bid by the acquisition vehicle or otherwise), such Obligations shall automatically be reassigned to the Secured Creditors pro rata with their original interest in such Obligations and the equity interests and/or debt instruments issued by any acquisition vehicle on account of such Obligations shall automatically be cancelled, without the need for any Secured Creditor or any acquisition vehicle to take any further action. Notwithstanding that the ratable portion of the Obligations of each Secured Creditor are deemed assigned to the acquisition vehicle or vehicles as set forth in clause (ii)

above, each Secured Creditor shall execute such documents and provide such information regarding the Secured Creditor (and/or any designee of the Secured Creditor which will receive interests in or debt instruments issued by such acquisition vehicle) as the Administrative Agent may reasonably request in connection with the formation of any acquisition vehicle, the formulation or submission of any credit bid or the consummation of the transactions contemplated by such credit bid.

## ARTICLE IX

### MISCELLANEOUS

#### SECTION 9.01. Amendments, Etc.

(a) No amendment or waiver of any provision of this Agreement or any other Loan Document, nor consent to any departure by a Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Borrowers and the Majority Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, that no amendment, waiver or consent shall, unless in writing and signed by each Lender directly and adversely affected thereby, do any of the following: (i) subject such Lender to any additional obligations including, without limitation, any extension of the expiry date of the Commitment of such Lender or increase the Commitment of such Lender, (ii) reduce the principal of, or rate of interest on, any Loan, L/C Reimbursement Obligation or any fees or other amounts payable hereunder, (iii) postpone any date for payment of principal of, or interest on, any Loan, L/C Reimbursement Obligation or any fees or other amounts payable hereunder when due (other than fees or other amounts payable for the sole account of an Issuing Lender), or (iv) modify any of the provisions of the Loan Documents relating to pro rata payments; and provided further, that no amendment, waiver or consent shall, unless in writing and signed by all of the Lenders, change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans, or the number of Lenders, which shall be required for the Lenders or any of them to take any action hereunder, (A) amend Section 3.07(a) or (b), or this Section 9.01, or (B) release all or substantially all of the Collateral or all or substantially all of the value of the Guarantees provided by the Guarantors; and provided further, that (x) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent and the Issuing Lenders in addition to the Lenders required above to take such action, affect the rights or duties of the Administrative Agent or, as the case may be, the Issuing Lenders under any Loan Document and (y) if the Administrative Agent and KCMH shall have jointly identified an obvious error or any error or omission of a technical or immaterial nature in any provision of the Loan Documents, then the Administrative Agent and KCMH shall be permitted to amend such provision and such amendment shall become effective without any further action or consent of any other party to any Loan Document if the same is not objected to in writing by the Majority Lenders within five Business Days after notice thereof. Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Commitment of such Lender may not be increased or extended without the consent of such Lender (it being understood that any Commitments or Loans held or deemed held by any

Defaulting Lender shall be excluded for a vote of the Lenders hereunder requiring any consent of the Lenders).

(b) This Agreement, the other Loan Documents and the other agreements provided for herein constitute the entire agreement of the parties hereto and thereto with respect to the subject matter hereof and thereof.

SECTION 9.02. Notices, KCMH as Administrative Borrower, Etc.

(a) Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsections (b) and (c) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier, and all notices and other communications expressly permitted hereunder to given by telephone shall be made to the applicable telephone number, in each case, as follows:

(i) if to any Borrower or any Guarantor:

c/o KKR Capital Markets Holdings L.P.  
9 West 57th Street, Suite 4200  
New York, New York 10019  
Attention: [ ] – Financial Controller; [ ] - Counsel  
Telephone: [ ]  
Facsimile: [ ]  
Electronic Mail: [ ]

(ii) if to the Administrative Agent:

Mizuho Bank, Ltd.  
New York Branch  
1271 Avenue of the Americas  
New York, New York 10020  
Attention: [ ]  
Telephone: [ ]  
Facsimile: [ ]  
Electronic Mail: [ ]

(iii) if to the Issuing Lender:

Mizuho Bank, Ltd.  
New York Branch  
1271 Avenue of the Americas  
New York, New York 10020  
Attention: [ ]  
Telephone: [ ]  
Facsimile: [ ]  
Electronic Mail: [ ]



(iv) if to a Lender, to it at its address (or telecopier number, electronic mail address or telephone number) set forth in its Administrative Questionnaire;

provided, that any party may change its address, telecopier number, electronic mail address or telephone number for notices and other communications hereunder by notice to the other parties. Except as provided in clause (d) below, notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient), except that notices and communications to the Administrative Agent pursuant to Article II or Article VII shall not be effective until received by the Administrative Agent. Notices delivered through electronic communications to the extent provided in clause (b) below, shall be effective as provided in said clause (b).

(b) Notices and other communications to any Lender hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Article II if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or any Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next Business Day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) Each Borrower further agrees that the Administrative Agent may make communications to Lenders available to the Lenders by posting the communications on Intralinks or a substantially similar electronic transmission system (the "Platform"). THE PLATFORM IS PROVIDED "AS IS" AND "AS AVAILABLE". THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE COMMUNICATIONS, OR THE ADEQUACY OF THE PLATFORM AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS OR OMISSIONS IN THE COMMUNICATIONS. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY THE AGENT PARTIES IN CONNECTION WITH THE

COMMUNICATIONS OR THE PLATFORM. IN NO EVENT SHALL THE ADMINISTRATIVE AGENT OR ANY OF ITS AFFILIATES OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, ADVISORS OR REPRESENTATIVES (COLLECTIVELY, THE "AGENT PARTIES") HAVE ANY LIABILITY TO ANY OBLIGOR, ANY LENDER OR ANY OTHER PERSON OR ENTITY FOR DAMAGES OF ANY KIND, INCLUDING, WITHOUT LIMITATION, DIRECT OR INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, LOSSES OR EXPENSES (WHETHER IN TORT, CONTRACT OR OTHERWISE) ARISING OUT OF SUCH OBLIGOR'S OR THE ADMINISTRATIVE AGENT'S TRANSMISSION OF COMMUNICATIONS THROUGH THE INTERNET, EXCEPT TO THE EXTENT THE LIABILITY OF ANY AGENT PARTY IS FOUND IN A FINAL NON-APPEALABLE JUDGMENT BY A COURT OF COMPETENT JURISDICTION TO HAVE RESULTED PRIMARILY FROM SUCH AGENT PARTY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

(d) The Administrative Agent agrees that the receipt of the communications by the Administrative Agent at its e-mail address set forth above shall constitute effective delivery of the communications to the Administrative Agent for purposes of the Loan Documents. Each Lender agrees that notice to it (as provided in the next sentence) specifying that the communications have been posted to the Platform shall constitute effective delivery of the communications to such Lender for purposes of the Loan Documents. Each Lender agrees (i) to provide to the Administrative Agent in writing (including by electronic communication), promptly after the date of this Agreement, one or more e-mail addresses to which the foregoing notice may be sent by electronic transmission and (ii) that the foregoing notice may be sent to such e-mail address or addresses.

(e) Nothing herein shall prejudice the right of the Administrative Agent or any Lender to give any notice or other communication pursuant to any Loan Document in any other manner specified in such Loan Document.

(f) The Borrowers each hereby irrevocably appoint KCMH as the administrative borrower with respect to this Agreement and the other Loan Documents, and all notices, demands and interactions with KCMH are hereby authorized by the other Borrowers, and shall be conclusive and binding on the other Borrowers, who duly and irrevocably authorize KCMH to act on their behalf for all purposes under this Agreement and the other Loan Documents, and the Administrative Agent and the Lenders may conclusively rely on all notices, directions, and other interactions with KCMH without consulting in any manner with the other Borrowers.

SECTION 9.03. No Waiver; Remedies; Setoff.

(a) No failure on the part of any Lender or the Administrative Agent to exercise, and no delay in exercising, any right, remedy, power or privilege hereunder or under any other Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies,

powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

(b) If an Event of Default shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender to or for the credit or the account of any Borrower against any and all of the obligations of such now or hereafter existing under this Agreement or any other Loan Document to such Lender irrespective of whether or not such Lender shall have made any demand under this Agreement or any other Loan Document and although such obligations of such Borrower may be contingent or unmatured or are owed to a branch or office of such Lender different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender may have. Each Lender agrees to notify KCMH and the Administrative Agent promptly after any such setoff and application, provided, that the failure to give such notice shall not affect the validity of such setoff and application.

SECTION 9.04. Expenses; Indemnity; Damage Waiver.

(a) Costs and Expenses. The Borrowers jointly and severally shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent, the Lead Arranger and their respective Affiliates (including the reasonable fees, charges and disbursements of one counsel (together with one local counsel in each relevant jurisdiction)), in connection with the syndication of the facility contemplated hereby, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof, (ii) all out-of-pocket expenses incurred by the Administrative Agent and the Lenders (including the fees, charges and disbursements of one counsel (together with one local counsel in each relevant jurisdiction) and, after notice to KCMH, of more than one such counsel to the extent the Administrative Agent or any Lender reasonably determines that there is an actual conflict of interest requiring the employment of separate counsel) in connection with the enforcement (including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect thereof) or, during the continuance of an Event of Default, protection of its rights in connection with this Agreement and the other Loan Documents, including its rights under this Section and (iii) all reasonable and documented out-of-pocket expenses incurred by the Issuing Lender in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder.

(b) Indemnification by the Borrower. The Borrowers jointly and severally hereby indemnify the Administrative Agent, the Lead Arranger, each Lender and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of one counsel for the Indemnitees (together with one local counsel in each relevant jurisdiction) and, after notice to KCMH, of more than one such counsel to the extent any Indemnitee reasonably determines that

there is an actual conflict of interest requiring the employment of separate counsel), incurred by any Indemnitee or asserted against any Indemnitee by any third party or by any Borrower or any other Obligor arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or Letter of Credit or the use or proposed use of the proceeds therefrom, or (iii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by any Borrower or any other Obligor and regardless of whether any Indemnitee is a party thereto, provided, that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a final and nonappealable judgment of a court of competent jurisdiction to have resulted from the bad faith, gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by any Borrower against an Indemnitee for material breach of such Indemnitee's obligations hereunder or under any other Loan Document, if such Borrower has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(c) Reimbursement by Lenders. To the extent that the Borrowers for any reason fail to indefeasibly pay any amount required under clause (a) or (b) of this Section to be paid by it to the Administrative Agent, the Issuing Lender or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent, the Issuing Lender or such Related Party, as the case may be, such Lender's Commitment Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided, that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent or the Issuing Lender in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent or the Issuing Lender in connection with such capacity.

(d) Waiver of Consequential Damages, Etc. To the fullest extent permitted by applicable law, each party hereto agrees that it will not assert, and hereby waives, any claim against any other party hereto, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, any Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof or any Letter of Credit or the use of proceeds thereof. No Indemnitee referred to in subsection (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnitee through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the bad faith, gross negligence or willful misconduct of such Indemnitee as determined by a final and nonappealable judgment of a court of competent jurisdiction.

(e) Payments. All amounts due under this Section shall be payable not later than 15 Business Days after demand therefor.

SECTION 9.05. Binding Effect, Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Borrowers, the Administrative Agent and each Lender and their respective successors and permitted assigns, except that no Borrower shall have the right to assign its rights hereunder or any interest herein without the prior written consent of the Administrative Agent and the Lenders.

SECTION 9.06. Assignments and Participations.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Borrower may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of clause (b) of this Section, (ii) by way of participation in accordance with the provisions of clause (d) of this Section or (iii) by way of pledge or assignment of a security interest in accordance with clause (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in clause (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided, that

(i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof, unless each of the Administrative Agent and, unless an Event of Default has occurred and is continuing, KCMH otherwise consents (each such consent not to be unreasonably withheld or delayed);

(ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned;

(iii) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500 and the Eligible Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and

(iv) no assignment shall be made to a natural person.

Subject to notice to KCMH and acceptance and recording thereof by the Administrative Agent pursuant to clause (c) of this Section, from and after the Assignment Date specified in each Assignment and Assumption (an "Assignment Date"), the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3.09, 3.11, 3.12 and 9.04 with respect to facts and circumstances occurring prior to such Assignment Date. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with clause (d) of this Section.

(c) Register. The Administrative Agent, acting solely for this purpose as an agent of the Borrowers, shall maintain at its address specified in Section 9.02 a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrowers, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrowers and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, any Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or any Borrower or any of any of KCMH's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrowers, the Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided, that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso of Section 9.01 that affects such Participant. Subject to clause (e) of this Section, each Borrower agrees that each Participant shall be entitled to the benefits and obligations of Sections 3.09, 3.11, and 3.12 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to clause (b) of this Section 9.06. Each Lender that sells a participation shall, acting solely for this purpose as an agent of the Borrowers, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register to any Person (including the identity of any Participant or any information relating to a Participant's interest in any Commitments, Loans, Letters of Credit or its other obligations under any Loan Document) except to the extent that such disclosure is necessary to establish that such Commitment, Loan, Letter of Credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Sections 3.09, 3.11 and 3.12 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant.

(f) Certain Pledges. Any Lender, without the consent of any Borrower or the Administrative Agent may at any time grant security interest in all or any portion of its rights under this Agreement or any Note to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided, that no such pledge or assignment shall release such Lender from any of its obligations hereunder.

(g) Resignation as Issuing Lender after Assignment. Notwithstanding anything to the contrary contained herein, if at any time MHC B assigns all of its Commitment and Loans pursuant to Section 9.06(b), MHC B may, upon 30 days' notice to KCMH and the Lenders, resign as Issuing Lender. In the event of any such resignation as Issuing Lender, KCMH shall be entitled to appoint, from among the Lenders, a successor Issuing Lender hereunder; provided, however, that no failure by KCMH to appoint any such successor shall affect the resignation of MHC B as Issuing Lender. If MHC B resigns as Issuing Lender, it shall retain all the rights, powers, privileges and duties of the Issuing Lender hereunder with respect to all Letters of Credit outstanding as of the effective date of its resignation as Issuing Lender and all L/C Exposure with respect thereto. Upon the appointment of a successor Issuing Lender, (a) such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring Issuing Lender, and (b) the successor Issuing Lender shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or make other arrangements satisfactory to MHC B to effectively assume the obligations of MHC B with respect to such Letters of Credit.

SECTION 9.07. GOVERNING LAW; JURISDICTION; ETC.

(A) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

(B) SUBMISSION TO JURISDICTION. EACH BORROWER IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH BORROWER IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH BORROWER AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT SHALL AFFECT ANY RIGHT THAT THE ADMINISTRATIVE AGENT OR ANY LENDER MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AGAINST ANY BORROWER OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(C) WAIVER OF VENUE. EACH BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY COURT REFERRED TO IN CLAUSE (B) ABOVE. EACH BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT

(D) SERVICE OF PROCESS. EACH BORROWER AGREES THAT SERVICE OF PROCESS IN ANY SUCH ACTION OR PROCEEDING MAY BE EFFECTED BY MAILING A COPY THEREOF BY REGISTERED OR CERTIFIED MAIL (OR ANY SUBSTANTIALLY SIMILAR FORM OF MAIL), POSTAGE PREPAID, AT ITS ADDRESS SET FORTH IN SECTION 9.02, OR AT SUCH OTHER ADDRESS OF WHICH THE ADMINISTRATIVE AGENT SHALL HAVE BEEN NOTIFIED IN WRITING BY KCMH.



SECTION 9.08. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.09. Counterparts; Effectiveness; Execution.

(a) Counterparts; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or electronic transmission shall be effective as delivery of a manually executed counterpart of this Agreement.

(b) Electronic Execution of Loan Documents or any Assignments. The words “execution,” “signed,” “signature,” and words of like import in this Agreement or any other Loan Documents or any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

SECTION 9.10. Survival. The provisions of Sections 3.09, 3.11 and 3.12 and Article VIII and Section 9.04 shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans and the Commitments or the termination of this Agreement or any provision hereof.

SECTION 9.11. Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.12. Confidentiality. Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Affiliates and to its and its Affiliates' respective partners, directors, officers, employees, agents, advisors and other representatives (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and will be subject to customary confidentiality obligations of professional practice or will agree (which agreement may be oral or pursuant to company policy) to be bound by the terms of this Section 9.12 (or language substantially similar to this Section 9.12)), (b) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any Self Regulatory Organization), (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies under this Agreement or any other Loan Document or any action or proceeding relating to the Agreement or any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to any Borrower and its obligations, (g) with the consent of KCMH or (h) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent, any Lender or any of their respective Affiliates on a non-confidential basis from a source other than KCMH or its Subsidiary.

For purposes of this Section, "Information" means all information received from KCMH or any of its Subsidiaries relating to KCMH or any of its Subsidiaries or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a non-confidential basis prior to disclosure by KCMH or any of its Subsidiaries. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.13. No Fiduciary Relationship. In connection with all aspects of each transaction contemplated hereby, each Borrower acknowledges and agrees, and acknowledges its Affiliates' understanding, that: (a) the credit facility provided for hereunder and any related arranging or other services in connection therewith (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document) are an arm's length commercial transaction between the Borrowers and their Affiliates, on the one hand, and the Administrative Agent and the Lead Arranger, on the other hand, and each Borrower is capable of evaluating and understanding and understands and accepts the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents (including any amendment, waiver or other modification thereof); (b) in connection with the process leading to such transaction, the Administrative Agent and the Lead Arranger, each is and has been acting solely as a principal and is not the financial advisor, agent or fiduciary, for any Borrower or any of its Affiliates, equity holders, creditors or employees or any other Person; (c) neither the Administrative Agent nor the Lead Arranger has assumed or will assume an advisory, agency or fiduciary responsibility in favor of any Borrower with respect to any of the transactions contemplated hereby or the process leading thereto, including with respect to any

amendment waiver or other modification hereof or of any other Loan Document (irrespective of whether the Administrative Agent or the Lead Arranger has advised or is currently advising any Borrower or any of its Affiliates on other matters) and neither the Administrative Agent nor the Lead Arranger has any obligation to any Borrower or any of its Affiliates with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; (d) the Administrative Agent and the Lead Arranger and their respective Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Borrowers and their Affiliates, and neither the Administrative Agent nor the Lead Arranger has any obligation to disclose any of such interests by virtue of any advisory, agency or fiduciary relationship; and (e) the Administrative Agent and the Lead Arranger have not provided and will not provide any legal, accounting, regulatory or tax advice with respect to any of the transactions contemplated hereby (including any amendment, waiver or other modification hereof or of any other Loan Document) and the Borrowers have consulted their own legal, accounting, regulator and tax advisors to the extent it has deemed appropriate. Each Borrower hereby waives and releases, to the fullest extent permitted by law, any claims that it may have against the Administrative Agent and the Lead Arranger with respect to any breach or alleged breach of agency or fiduciary duty.

SECTION 9.14. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.15. USA PATRIOT Act. Each Lender hereby notifies each Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record information that identifies such Borrower, which information includes the name and address of the Borrowers and other information that will allow such Lender to identify such Borrower in accordance with the Patriot Act.

SECTION 9.16. Judgment Currency. This is an international loan transaction in which the specification of Dollars or an Alternate Currency, as the case may be (the "Specified Currency"), and any payment in New York City or the country of the Specified Currency, as the case may be (the "Specified Place"), is of the essence, and the Specified Currency shall be the currency of account in all events relating to amounts denominated in such Specified Currency. The payment obligations of the Borrowers under this Agreement and the other Loan Documents shall not be discharged by an amount paid in another currency or in another place, whether pursuant to a judgment or otherwise, to the extent that the amount so paid on conversion to the Specified Currency and transfer to the Specified Place under normal banking procedures does not yield the amount of the Specified Currency at the Specified Place due hereunder. If for the purpose of obtaining judgment in any court it is necessary to convert a sum due hereunder in the Specified Currency into another currency (the "Second Currency"), the rate of exchange which shall be applied shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase the Specified Currency with the Second Currency on the Business Day next preceding that on which such judgment is rendered. The obligation of the Borrowers in respect of any such sum due from it to the Administrative Agent or any Lender hereunder shall, notwithstanding the rate of exchange actually applied in rendering such judgment, be discharged only to the extent that on the Business Day following receipt by the

Administrative Agent or such Lender, as the case may be, of any sum adjudged to be due hereunder or under the Notes in the Second Currency to the Administrative Agent or such Lender, as the case may be, may in accordance with normal banking procedures purchase and transfer to the Specified Place the Specified Currency with the amount of the Second Currency so adjudged to be due; and the Borrowers hereby, as a separate obligation and notwithstanding any such judgment, jointly and severally agree to indemnify the Administrative Agent or such Lender, as the case may be, against, and to pay the Administrative Agent or such Lender, as the case may be, on demand in the Specified Currency, any difference between the sum originally due to the Administrative Agent or such Lender, as the case may be, in the Specified Currency and the amount of the Specified Currency so purchased and transferred.

SECTION 9.17. European Monetary Union. (a) Definitions. In this Section 9.17 and in each other provision of this Agreement to which reference is made in this Section 9.17 (whether expressly or impliedly), the following terms have the following respective meanings:

“EMU” shall mean economic and monetary union as contemplated in the Treaty on European Union.

“EMU Legislation” shall mean legislative measures of the European Council for the introduction of, changeover to or operation of a single or unified European currency, being in part the implementation of the third stage of EMU.

“Euro” shall mean the single currency of Participating Member States of the European Union, which shall be a Currency under this Agreement.

“Euro Unit” shall mean a currency unit of the Euro.

“National Currency Unit” shall mean a unit of any Currency (other than a Euro Unit) of a Participating Member State.

“Participating Member State” shall mean each state so described in any EMU Legislation.

“Target Operating Day” shall mean any day that is not (a) a Saturday or Sunday, (b) Christmas Day or New Year’s Day or (c) any other day on which the Trans-European Real-time Gross Settlement Express Transfer system (or any successor settlement system) is not operating (as determined by the Administrative Agent).

“Treaty on European Union” shall mean the Treaty of Rome of March 25, 1957, as amended by the Single European Act 1986 and the Maastricht Treaty (which was signed at Maastricht on February 7, 1992, and came into force on November 1, 1993), as amended from time to time.

(b) Alternative Currencies. If and to the extent that any EMU Legislation provides that an amount denominated either in the Euro or in the National Currency Unit of a Participating Member State and payable within the Participating Member State by crediting an account of the creditor can be paid by the debtor either in the Euro Unit or in that National

Currency Unit, any party to this Agreement shall be entitled to pay such amount either in the Euro Unit or in such National Currency Unit.

(c) Payments by the Administrative Agent Generally. With respect to the payment of any amount denominated in the Euro or in a National Currency Unit, the Administrative Agent shall not be liable to any Borrower or any of the Lenders in any way whatsoever for any delay, or the consequences of any delay, in the crediting to any account of any amount required by this Agreement to be paid by the Administrative Agent if the Administrative Agent shall have taken all relevant steps to achieve, on the date required by this Agreement, the payment of such amount in immediately available, freely transferable, cleared funds (in the Euro Unit or, as the case may be, in a National Currency Unit) to the account of any Borrower or any Lender, as the case may be, in the Principal Financial Center in the Participating Member State which the Borrower or, as the case may be, such Lender shall have specified for such purpose. In this paragraph (c), “all relevant steps” shall mean all such steps as may be prescribed from time to time by the regulations or operating procedures of such clearing or settlement system as the Administrative Agent may from time to time reasonably determine for the purpose of clearing or settling payments of the Euro.

(d) Determination of Eurocurrency Rate. For the purposes of determining the date on which the applicable rate for Eurocurrency Loans, as the case may be, is determined under this Agreement for any Loan denominated in the Euro (or any National Currency Unit) for any Interest Period therefor, references in this Agreement to London Banking Days shall be deemed to be references to Target Operating Days. In addition, if the Administrative Agent determines that there is no Eurocurrency Rate displayed on the Screen Page for deposits denominated in the National Currency Unit in which any Loans are denominated, the Eurocurrency Rate for such Loans shall be based upon the rate displayed on the applicable Screen Page for the offering of deposits denominated in Euro Units.

(e) Rounding. Without prejudice and in addition to any method of conversion or rounding prescribed by the EMU Legislation, each reference in this Agreement to a minimum amount (or a multiple thereof) in a National Currency Unit to be paid to or by the Administrative Agent shall be replaced by a reference to such reasonably comparable and convenient amount (or a multiple thereof) in the Euro Unit as the Administrative Agent may from time to time specify.

(f) Other Consequential Changes. Without prejudice to the respective liabilities of the Borrowers to the Lenders and the Lenders to the Borrowers under or pursuant to this Agreement, except as expressly provided in this Section 9.17, each provision of this Agreement shall be subject to such reasonable changes of construction as the Administrative Agent may from time to time specify to be necessary or appropriate to reflect the introduction of or changeover to the Euro in Participating Member States.

SECTION 9.18. Acknowledgement and Consent to Bail-In of Affected Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Affected Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the Write-Down and

Conversion Powers of the applicable Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

- (a) the application of any Write-Down and Conversion Powers by the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an Affected Financial Institution; and
- (b) the effects of any Bail-In Action on any such liability, including, if applicable:
  - (i) a reduction in full or in part or cancellation of any such liability;
  - (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such Affected Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or
  - (iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of the applicable Resolution Authority.

[Signature Pages Follow]

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be executed by their respective officers or representatives thereunto duly authorized, as of the date first above written.

KKR CAPITAL MARKETS HOLDINGS L.P.,  
as a Borrower

By: KKR CAPITAL MARKETS HOLDINGS  
GP LLC, its general partner

By: /s/ Adam Smith  
Name: Adam Smith  
Title: Chief Executive Officer

KKR CORPORATE LENDING LLC, as a Borrower

By: /s/ Adam Smith  
Name: Adam Smith  
Title: Chief Executive Officer

KKR CORPORATE LENDING (CA) LLC, as a Borrower

By: /s/ Adam Smith  
Name: Adam Smith  
Title: Chief Executive Officer

KKR CORPORATE LENDING (TN) LLC, as a Borrower

By: /s/ Adam Smith  
Name: Adam Smith  
Title: Chief Executive Officer

[Signature Page to 364-Day Revolving Credit Agreement]

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KKR CORPORATE LENDING (UK) LLC, as a Borrower

By: /s/ Adam Smith

Name: Adam Smith

Title: Chief Executive Officer

[Signature Page to 364-Day Revolving Credit Agreement]

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MIZUHO BANK, LTD.,  
as Administrative Agent and as a Lender

By: /s/ Raymond Ventura  
Name: Raymond Ventura  
Title: Managing Director

[Signature Page to 364-Day Revolving Credit Agreement]

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## PRICING GRID

The Applicable Margin (“Applicable Margin”) in respect of Borrowings, Letters of Credit under Section 2.03(c)(i) and the facility fee payable under Section 2.03(b) shall equal the amounts indicated in the pricing grid (the “Pricing Grid”) below (based, in the case of the Applicable Margin for Loans, on the number of days such Loan (or as applicable, Letter of Credit) remains outstanding after the date it is initially outstanding, as set forth below):

DAYS FROM DATE LOAN (OR AS APPLICABLE LETTER OF CREDIT) IS INITIALLY OUTSTANDING	APPLICABLE MARGIN FOR EUROCURRENCY LOANS	APPLICABLE MARGIN FOR ABR LOANS	APPLICABLE MARGIN FOR FACILITY FEE
[**]	1.50%	0.50%	[**]%
[**]	[**]%	[**]%	[**]%
[**]	[**]%	[**]%	[**]%
[**]	2.75%	1.75%	[**]%

[\*\*] = Certain information contained in this document, marked by “[\*\*]” has been excluded because it is both (i) not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

GUARANTEE AND SECURITY AGREEMENT

GUARANTEE AND SECURITY AGREEMENT, dated as of April 10, 2020 (as amended, supplemented or otherwise modified from time to time, this "Agreement"), among KKR CAPITAL MARKETS HOLDINGS L.P., a Delaware limited partnership ("KCMH"), each Subsidiary of KCMH identified under the caption "GUARANTORS" on the signature pages hereto and each entity, if any, that becomes a "Guarantor" hereunder as contemplated by Section 7.13 hereof (individually, a "Guarantor" and, collectively, the "Guarantors" and, together with KCMH, the "Obligors"), and MIZUHO BANK, LTD., as administrative agent for the parties defined as "Lenders" under the Credit Agreement referred to below (in such capacity, together with its successors in such capacity, the "Administrative Agent").

Reference is made to that certain 364-Day Revolving Credit Agreement, dated as of April 10, 2020, among KCMH, KKR CORPORATE LENDING LLC, a Delaware limited liability company ("KCL U.S."), KKR CORPORATE LENDING (CA) LLC, a Delaware limited liability company ("KCL C.A."), KKR CORPORATE LENDING (TN) LLC, a Delaware limited liability company ("KCL T.N."), any Additional Borrower party thereto, and KKR CORPORATE LENDING (UK) LLC, a Delaware limited liability company ("KCL U.K."; each of KCMH, KCL U.S., KCL C.A., KCL T.N., KCL U.K. and any Additional Borrower party thereto are individually referred to herein as a "Borrower" and collectively referred to herein as the "Borrowers") and the Administrative Agent (as the same may be modified and supplemented from time to time, the "Credit Agreement"), providing, subject to the terms and conditions thereof, for extensions of credit (by means of loans and letters of credit) to be made by the Lenders to the Borrowers. In addition, the Borrowers may from time to time be obligated to various Lenders (or their Affiliates) in respect of one or more Hedging Agreements.

Each Obligor is, as of the date hereof, the owner of (a) the shares of Equity Interests (the "Initial Pledged Equity"), (b) the indebtedness (the "Initial Pledged Debt") and (c) the deposit account the ("Pledged Deposit Account"), each as set forth opposite such Obligor's name on Part A of Annex II hereto.

To induce each Lender to enter into the Credit Agreement and to extend credit thereunder and under any Hedging Agreements, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Guarantor, jointly and severally with each other Guarantor, has agreed to guarantee the Guaranteed Obligations (as hereinafter defined) and each Obligor has agreed to grant a security interest in the Collateral (as so defined) as security for the Secured Obligations (as so defined) and each Guarantor and each other Obligor have agreed to enter into this Agreement pursuant to the terms set forth below.

Accordingly, the parties hereto hereby agree as follows:

SECTION 1. Definitions, Etc.

1.01 Terms Generally. Terms used herein and not otherwise defined herein are used herein as defined in the Credit Agreement.

1.02 Certain Uniform Commercial Code Terms. As used herein, the terms “Account”, “Chattel Paper”, “Deposit Accounts”, “Document”, “Equipment”, “General Intangible”, “Instrument”, “Inventory”, “Investment Property”, “Letter-of-Credit Right”, “Commercial Tort Claims” and “Proceeds” have the respective meanings set forth in Article 9 of the UCC, and the terms “Entitlement Holder”, “Financial Asset” and “Securities Account” have the respective meanings set forth in Article 8 of the UCC.

1.03 Additional Definitions. In addition, as used herein:

“Bankruptcy Law” has the meaning assigned to such term in Section 2.01.

“Collateral” has the meaning assigned to such term in Section 4.

“Collateral Account” has the meaning assigned to such term in Section 5.01.

“Excess Funding Guarantor” has the meaning assigned to such term in Section 2.08.

“Excess Payment” has the meaning assigned to such term in Section 2.08.

“Guaranteed Obligations” has the meaning assigned to such term in Section 2.01.

“Initial Pledged Debt” has the meaning assigned to such term in the preamble hereto.

“Initial Pledged Equity” has the meaning assigned to such term in the preamble hereto.

“L/C Exposure Sub-Account” has the meaning assigned to such term in Section 5.04.

“Pledged Deposit Account” has the meaning assigned to such term in the preamble hereto.

“Pledged Debt” has the meaning assigned to such term in Section 4(b)(iv).

“Pledged Equity” has the meaning assigned to such term in Section 4(b)(iii).

“Pro Rata Share” has the meaning assigned to such term in Section 2.08.

“Secured Creditors” means, collectively, the Lenders (including each Issuing Lender) and the Administrative Agent, any other holder from time to time of any of the Secured Obligations and, in each case, their respective successors and assigns.

“Secured Obligations” means, collectively, (a) in the case of the Borrowers, (i) all obligations of the Borrowers under the Loan Documents to pay the principal of and interest on the Loans and the L/C Reimbursement Obligations and all fees, premiums, costs, expenses, indemnification payments and other amounts or obligations whatsoever, whether direct or indirect, absolute or contingent, now or hereafter from time to time

owing to the Secured Creditors or any of them under the Loan Documents and (ii) all obligations of the Borrowers to any Lender (or any Affiliate thereof) under any Hedging Agreement, (b) in the case of the Guarantors, all obligations of the Guarantors under Section 2 hereof and (c) in the case of each of the foregoing, including all interest thereon and expenses related thereto, including any interest or expenses accruing or arising after the commencement of any case with respect to any Obligor under the United States Bankruptcy Code or any other bankruptcy or insolvency law (whether or not such interest or expenses are allowed or allowable as a claim in whole or in part in such case).

“Security Collateral” has the meaning assigned to such term in Section 4(b).

“Subagent” has the meaning assigned to such term in Section 6.15(b).

“Subordinated Obligations” has the meaning assigned to such term in Section 2.10.

1.04 Treatment of Hedging Agreements. For purposes hereof, it is understood that any obligations of any Borrower to a Person arising under a Hedging Agreement entered into with a Lender or an Affiliate thereof shall nevertheless continue to constitute Secured Obligations and Guaranteed Obligations, and such Person shall continue to be a Secured Creditor, for purposes hereof, notwithstanding that such Person (or its Affiliates) may have assigned all of its Loans and other interests in the Credit Agreement and, therefore, at the time a claim is to be made in respect of such obligations, such Person (or its Affiliates) is no longer a “Lender” party to the Credit Agreement.

## SECTION 2. Guarantee.

2.01 The Guarantee. Each Guarantor hereby absolutely, unconditionally and irrevocably guarantees to each of the Secured Creditors and their respective successors and assigns the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of:

(a) the principal of and interest on the Loans and the L/C Reimbursement Obligations and all fees, premiums, costs, expenses, indemnification payments and other amounts or obligations whatsoever, whether direct or indirect, absolute or contingent, now or hereafter from time to time owing to the Lenders or the Administrative Agent or any of them by any Obligor under any of the Loan Documents, and

(b) all obligations of any Borrower to any Lender (or any Affiliate thereof) under any Hedging Agreement,

in each case in accordance with the terms thereof and including all interest and expenses accrued or incurred subsequent to the commencement of any bankruptcy or insolvency proceeding with respect to any Obligor, whether or not such interest or expenses are allowed as a claim in such proceeding (such obligations being herein collectively called the “Guaranteed Obligations”). Each Guarantor hereby further jointly and severally agrees that if any Obligor shall fail to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the Guaranteed Obligations, such Guarantor will promptly pay the same, without any demand or notice

whatsoever, and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal.

Each Guarantor, the Administrative Agent and each other Secured Creditor, hereby confirms that it is the intention of all such Persons that this Agreement and the obligations of each Guarantor hereunder do not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law (as hereinafter defined), the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar foreign, federal or state law to the extent applicable to this Agreement and the obligations of each Guarantor hereunder. To effectuate the foregoing intention, the Administrative Agent, the other Secured Creditors and the Guarantors hereby irrevocably agree that the Guaranteed Obligations of each Guarantor at any time shall be limited to the maximum amount as will result in the obligations of such Guarantor not constituting a fraudulent transfer or conveyance. For purposes hereof, "Bankruptcy Law" means any proceeding of the type referred to in Sections 7.01(g) or (h) of the Credit Agreement or under Title 11, U.S. Code, or any similar foreign, federal or state law for the relief of debtors.

2.02 Obligations Unconditional. The obligations of each Guarantor under Section 2.01 are absolute and unconditional, joint and several, irrespective of the value, genuineness, validity, regularity or enforceability of the obligations of any Obligor under any of the Loan Documents or any substitution, release or exchange of any other guarantee of or security for any of the Guaranteed Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this Section 2.02 that the obligations of such Guarantor hereunder shall be absolute and unconditional, joint and several, under any and all circumstances. Without limiting the generality of the foregoing, it is agreed that the occurrence of any one or more of the following shall not alter or impair the liability of such Guarantor hereunder, which shall remain absolute and unconditional as described above:

(a) at any time or from time to time, without notice to the Guarantors, the time for any performance of or compliance with any of the Guaranteed Obligations shall be extended, or such performance or compliance shall be waived;

(b) any of the acts mentioned in any of the provisions of the Loan Documents or any other agreement or instrument referred to herein or therein shall be done or omitted;

(c) the maturity of any of the Guaranteed Obligations shall be accelerated, or any of the Guaranteed Obligations shall be modified, supplemented or amended in any respect, or any right under any of the Loan Documents shall be waived or any other guarantee of any of the Guaranteed Obligations or any security therefor shall be released or exchanged in whole or in part or otherwise dealt with;

(d) any Lien in favor of any Secured Creditor as security for any of the Guaranteed Obligations shall fail to be perfected or be released;

(e) any lack of validity or enforceability of any Loan Document or any agreement or instrument relating thereto; or

(f) any other circumstance (including, without limitation, any statute of limitations) or any existence of or reliance on any representation by any Secured Creditor that might otherwise constitute a defense available to, or discharge of, any Obligor or any other guarantor or surety.

Each Guarantor hereby expressly, unconditionally and irrevocably waive diligence, presentment, promptness, demand of payment, protest, default, acceleration and all notices whatsoever, and any requirement that any Secured Creditor exhaust any right, power or remedy or proceed against any Obligor under any of the Loan Documents or against any other Person under any other guarantee of, or security for, any of the Guaranteed Obligations.

Each Guarantor hereby unconditionally and irrevocably waives (a) any defense arising by reason of any claim or defense based upon an election of remedies by any Secured Creditor that in any manner impairs, reduces, releases or otherwise adversely affects the subrogation, reimbursement, exoneration, contribution or indemnification rights of such Guarantor or other rights of such Guarantor to proceed against any of the other Obligors, any other guarantor or any other Person or any Collateral and (b) any defense based on any right of set-off or counterclaim against or in respect of the obligations of such Guarantor hereunder.

Each Guarantor acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated by the Loan Documents and that the waivers set forth in this Section 2 are knowingly made in contemplation of such benefits.

2.03 Reinstatement. The obligations of each Guarantor under this Section 2 shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of any Borrower in respect of the Guaranteed Obligations is rescinded or must be otherwise restored by any holder of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and each Guarantor jointly and severally agrees that it will indemnify the Secured Creditors on demand for all reasonable costs and expenses (including fees of counsel) incurred by the Secured Creditors in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

2.04 Subrogation. Each Guarantor jointly and severally agrees that, until the payment and satisfaction in full of all Guaranteed Obligations (other than contingent indemnity obligations not then due) and the expiration and termination of the Commitments under the Credit Agreement and the expiry, termination or cash collateralization or other back-stopping on terms reasonably satisfactory to the relevant Issuing Lender, the Administrative Agent and KCMH of all Letters of Credit thereunder, they shall not exercise any right or remedy (whether or not arising in equity or under contract, statute or common law) arising by reason of any existence, payment, enforcement or performance by such Guarantor of its obligations under any Loan Document, whether by subrogation or otherwise, against any Obligor or any other

guarantor of any of the Guaranteed Obligations or any security for any of the Guaranteed Obligations.

2.05 Remedies. Each Guarantor jointly and severally agrees that, as between such Guarantor and the Lenders, the obligations of any Borrower under the Credit Agreement may be declared to be forthwith due and payable as provided in Article VII of the Credit Agreement (and shall be deemed to have become automatically due and payable in the circumstances provided in said Article VII) for purposes of Section 2.01 notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against any Borrower and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable), such obligations (whether or not due and payable by any Borrower) shall forthwith become due and payable by the Guarantors for purposes of Section 2.01.

2.06 Instrument for the Payment of Money. Each Guarantor acknowledges that the guarantee in this Section 2 constitutes an instrument for the payment of money, and consents and agrees that any Secured Creditor, at its sole option, in the event of a dispute by such Guarantor in the payment of any moneys due hereunder, shall have the right to bring motion-action under New York CPLR Section 3213.

2.07 Continuing Guarantee; Assignments. The guarantee in this Section 2 is a continuing guarantee, and shall (a) remain in full force and effect until the latest of (i) the payment in full in cash of the Guaranteed Obligations (other than any contingent indemnity obligations not then due), (ii) the termination or expiration of all the Commitments of the Lenders and (iii) the latest date of expiration or termination of all Letters of Credit (unless cash collateralized or otherwise backstopped on terms reasonably satisfactory to the relevant Issuing Lender, the Administrative Agent and KCMH), (b) be binding upon each Guarantor, its successors and assigns and (c) inure to the benefit of and be enforceable by the Secured Creditors and their successors, transferees and assigns. Without limiting the generality of clause (c) of the immediately preceding sentence, any Secured Creditor may assign or otherwise transfer all or any portion of its rights and obligations under the Credit Agreement (including, without limitation, all or any portion of its Commitments, the Loans owing to it and the Note or Notes held by it) to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Secured Creditor herein or otherwise, in each case as and to the extent provided in Section 9.06 of the Credit Agreement.

2.08 Rights of Contribution. The Guarantors hereby agree, as between themselves, that if any Guarantor shall become an Excess Funding Guarantor (as defined below) by reason of the payment by such Guarantor of any Guaranteed Obligations, then each other Guarantor shall, upon the demand of such Excess Funding Guarantor (but subject to the next sentence), pay to such Excess Funding Guarantor an amount equal to such Guarantor's Pro Rata Share (as defined below and determined, for this purpose, without reference to the properties, debts and liabilities of such Excess Funding Guarantor) of the Excess Payment (as defined below) in respect of such Guaranteed Obligations. The payment obligation of a Guarantor to any Excess Funding Guarantor under this Section 2.08 shall be subordinate and subject in right of payment to the prior payment in full of the obligations of such Guarantor to the Secured Creditor under the other provisions of this Section 2 and such Excess Funding Guarantor shall not



exercise any right or remedy with respect to such excess until payment and satisfaction in full of all of such obligations.

For purposes of this Section 2.08, (a) "Excess Funding Guarantor" means, in respect of any Guaranteed Obligations, a Guarantor that has paid an amount in excess of its Pro Rata Share of such Guaranteed Obligations, (b) "Excess Payment" means, in respect of any Guaranteed Obligations, the amount paid by an Excess Funding Guarantor in excess of its Pro Rata Share of such Guaranteed Obligations and (c) "Pro Rata Share" means, for any Guarantor, the ratio (expressed as a percentage) of (x) the amount by which the aggregate fair saleable value of all properties of such Guarantor (excluding any shares of stock or other equity interest of any other Guarantor) exceeds the amount of all the debts and liabilities of such Guarantor (including contingent, subordinated, unmatured and unliquidated liabilities, but excluding the obligations of such Guarantor hereunder and any obligations of any other Guarantor that have been Guaranteed by such Guarantor) to (y) the amount by which the aggregate fair saleable value of all properties of all of the Guarantors exceeds the amount of all the debts and liabilities (including contingent, subordinated, unmatured and unliquidated liabilities, but excluding the obligations of the Guarantors hereunder and under the other Loan Documents) of all of the Guarantors, determined (i) with respect to any Guarantor that is a party hereto on the date hereof, as of the date hereof, and (ii) with respect to any other Guarantor, as of the date such Guarantor becomes a Guarantor hereunder.

2.09 Payments Free and Clear of Taxes, Etc. Any and all payments made by any Guarantor under or in respect of this Agreement or any other Loan Document shall be made free and clear of and without deduction for any and all present or future Indemnified Taxes or Other Taxes on the same terms and to the same extent that payments by the Borrowers are required to be made free and clear of Indemnified Taxes and Other Taxes pursuant to Section 3.11 of the Credit Agreement.

2.10 Subordination. Each Guarantor hereby subordinates any and all debts, liabilities and other obligations owed to such Guarantor by each other Obligor (the "Subordinated Obligations") to the Guaranteed Obligations to the extent and in the manner hereinafter set forth in this Section 2.10:

(a) Prohibited Payments, Etc. Except after the occurrence of and during the continuance of an Event of Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to any other Obligor), each Guarantor may receive regularly scheduled payments from any other Obligor on account of the Subordinated Obligations.

(b) Prior Payment of Guaranteed Obligations. After the occurrence and during the continuance of any Default or Event of Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to any other Obligor), however, unless the Administrative Agent otherwise agrees, no Guarantor shall demand, accept or take any action to collect any payment on account of the Subordinated Obligations.

(c) Prior Payment of Guaranteed Obligations. In any proceeding under any Bankruptcy Law relating to any other Obligor, each Guarantor agrees that the Secured Creditors shall be entitled to receive payment in full in cash of all Guaranteed Obligations before such Guarantor receives payment of any Subordinated Obligations.

(d) Turn-Over. After the occurrence and during the continuance of any Event of Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to any other Obligor), each Guarantor shall, if the Administrative Agent so requests, collect, enforce and receive payments on account of the Subordinated Obligations as trustee for the Secured Creditors and deliver such payments to the Administrative Agent on account of the Guaranteed Obligations, together with any necessary endorsements or other instruments of transfer, but without reducing or affecting in any manner the liability of such Guarantor under the other provisions of this Agreement.

2.11 Covenants. Each Guarantor covenants and agrees that, so long as any part of the Guaranteed Obligations shall remain unpaid (other than any contingent indemnity obligations not then due), any Letter of Credit shall be outstanding (unless cash collateralized or otherwise backstopped on terms reasonably satisfactory to the relevant Issuing Lender, the Administrative Agent and KCMH) or any Lender shall have any Commitment, such Guarantor will perform and observe, and cause each of its Subsidiaries to perform and observe, all of the terms, covenants and agreements set forth in the Loan Documents that any Borrower has agreed to cause such Guarantor or such Subsidiaries to perform or observe.

SECTION 3. Representations and Warranties. Each Obligor represents and warrants to the Lenders and the Administrative Agent for the benefit of the Secured Creditors that:

3.01 Organizational Matters; Enforceability, Etc. In the case of each Guarantor the representations and warranties of the Borrowers relating to such Guarantor in Article V of the Credit Agreement are true as of the date such representations were made.

3.02 Title. Such Obligor is the sole beneficial owner of the Collateral in which it purports to grant a security interest pursuant to Section 4 and no Lien exists upon the Collateral (and no right or option to acquire the same exists in favor of any other Person) other than (a) Liens permitted by the Credit Agreement and (b) the security interest created or provided for herein, which security interest constitutes a valid first priority perfected Lien on the Collateral (or in the case of Collateral upon which Liens permitted by Section 6.02(b)(ii) of the Credit Agreement exist, a valid second priority perfected Lien on the Collateral) subject to Liens permitted by the Credit Agreement; provided that, except in the case of the Pledged Deposit Agreement listed on Part A of Annex II (subject to Section 6.01(m) of the Credit Agreement) or any other deposit account used as the primary account to deposit funds from the Credit Agreement, possession of certificated securities and Instruments, no Obligor shall be required to perfect the security interest created or provided for herein by any means other than filings pursuant to the UCC or with the United States Patent and Trademark Office (“PTO”) or the United States Copyright Office (and any similar office in any other country).

3.03 Names, Etc. The full and correct legal name, type of organization, jurisdiction of organization, organizational identification number (if applicable) and mailing address of each Obligor as of the date hereof are correctly set forth in Annex I hereto. Said Annex I correctly specifies (a) the place of business of such Obligor or, if such Obligor has more than one place of business, the location of the chief executive office of such Obligor, and (b) each location where any financing statement naming such Obligor as debtor is currently on file.

3.04 Changes in Circumstances. Such Obligor has not (a) within the period of three months prior to the date hereof, changed its location (as defined in Section 9-307 of the UCC), (b) heretofore changed its name, type of organization, jurisdiction of organization or organizational identification number or (c) heretofore become a “new debtor” (as defined in Section 9-102(a)(56) of the UCC) with respect to a currently effective security agreement previously entered into by any other Person.

3.05 Guarantors. Each Wholly-Owned Subsidiary of KCMH that is a Domestic Subsidiary, other than any Broker-Dealer Subsidiary, existing on the date hereof, has executed this Agreement and is identified under the caption “GUARANTOR” on the signature pages hereto.

3.06 Security

(a) If such Obligor is an issuer of Security Collateral, such Obligor confirms that it has received notice of the security interest granted hereunder.

(b) The Pledged Equity pledged by such Obligor hereunder, to the extent such Pledged Equity has been issued by another Obligor or Subsidiary of KCMH, has been duly authorized and validly issued and is fully paid and non-assessable (to the extent such terms are applicable). The Pledged Debt pledged by such Obligor hereunder, to the extent such Pledged Debt has been issued by another Obligor or Subsidiary of KCMH, has been duly authorized, authenticated or issued and delivered, is the legal, valid and binding obligation of the issuers thereof.

(c) The Initial Pledged Equity pledged by such Obligor constitutes, as of the date hereof, the percentage of the issued and outstanding Equity Interests of the issuers thereof indicated on Annex II hereto. The Initial Pledged Debt constitutes all of the outstanding indebtedness owed to such Obligor by the issuers thereof that is evidenced by instruments on the date hereof and is outstanding in the principal amount indicated on Annex II hereto.

(d) As of the date hereof, other than as set forth on Annex II, such Obligor has (i) no deposit accounts and (ii) no Securities Accounts.

SECTION 4. Collateral. As collateral security for the payment in full when due (whether at stated maturity, by acceleration or otherwise) of the Secured Obligations, each Obligor hereby pledges and grants to the Administrative Agent for the ratable benefit of the Secured Creditors, as hereinafter provided, a security interest in all of such Obligor’s right, title and interest in, to and under the following property, in each case whether tangible or intangible,

wherever located, and whether now owned by such Obligor or hereafter acquired and whether now existing or hereafter coming into existence:

(a) all Accounts, Chattel Paper, Collateral Accounts, Deposit Accounts, Documents, Equipment, General Intangibles, Instruments, Inventory, Investment Property, money; and

(b) the following (collectively, the “Security Collateral”):

(i) the Initial Pledged Equity and the certificates, if any, representing the Initial Pledged Equity, and all dividends, distributions, return of capital, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Initial Pledged Equity, all warrants, rights or options issued thereon or with respect thereto and all general intangibles (including membership status, control rights and economic interests) arising therefrom;

(ii) the Initial Pledged Debt and the instruments, if any, evidencing the Initial Pledged Debt, and all interest, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Initial Pledged Debt;

(iii) all additional shares of stock and other Equity Interests from time to time acquired by such Obligor in any manner (such shares and other Equity Interests, together with the Initial Pledged Equity, being the “Pledged Equity”), and the certificates, if any, representing such additional shares or other Equity Interest, and all dividends, distributions, return of capital, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such shares or other Equity Interests, all warrants, rights or options issued thereon or with respect thereto and all general intangibles (including membership status, control rights and economic interests) arising therefrom;

(iv) all additional indebtedness from time to time owed to such Obligor (such indebtedness, together with the Initial Pledged Debt, being the “Pledged Debt”) and the instruments, if any, evidencing such indebtedness, and all interest, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such indebtedness;

(v) the Securities Accounts, all security entitlements with respect to all financial assets from time to time credited to the Securities Accounts, and all financial assets, and all dividends, distributions, return of capital, interest, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such security entitlements or financial assets and all warrants, rights or options issued thereon or with respect thereto; and

(vi) all other investment property (including, without limitation, all (A) securities, whether certificated or uncertificated, (B) security entitlements, (C) securities accounts, (D) commodity contracts and (E) commodity accounts) in which such Obligor has now, or acquires from time to time hereafter, any right, title or interest in any manner, and the certificates or instruments, if any, representing or evidencing such investment property, and all dividends, distributions, return of capital, interest, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such investment property and all warrants, rights or options issued thereon or with respect thereto;

(c) all Proceeds of, collateral for, income, royalties and other economic rights or payments now or hereafter due and payable with respect to, any of the Collateral, all substitutions and replacements for, any of the Collateral, cash and, to the extent related to any Collateral, all books, correspondence, credit files, records, invoices and other papers (including all tapes, cards, computer runs and other papers and documents in the possession or under the control of such Obligor or any computer bureau or service company from time to time acting for such Obligor),

(all of the property described in this Section 4 being collectively referred to herein as “Collateral”) PROVIDED, HOWEVER, that notwithstanding anything to the contrary in this Agreement, this Agreement shall not constitute a grant of a security interest in (a) more than 65% of the issued and outstanding Voting Shares of any non-Domestic Subsidiary (or any Domestic Subsidiary substantially all of whose assets consist of capital stock and/or indebtedness of one of more Foreign Subsidiaries), (b) motor vehicles and other assets subject to certificates of title, Letter of Credit Rights and Commercial Tort Claims, (c) any application for registration of a trademark filed with the PTO on an intent-to-use basis until such time (if any) as a statement of use or amendment to allege use is accepted by the PTO, at which time such trademark shall automatically become part of the Collateral and subject to the security interest pledged, (d) those assets over which the granting of security interests in such assets would be prohibited by applicable law, regulation, or agreements containing anti-assignment clauses not overridden by the UCC or other applicable law and (e) those assets as to which the Administrative Agent and the Borrower reasonably determine that the cost of obtaining such a security interest or perfection thereof are excessive in relation to the benefit to the Lenders of the security to be afforded thereby.

#### SECTION 5. Collateral Account and Deposit Account.

5.01 Collateral Account. The Administrative Agent will, if so directed by the Issuing Lender or the Majority Lenders, as applicable, cause to be established at the Administrative Agent a collateral account (the “Collateral Account”), that

(a) to the extent of all Investment Property or Financial Assets (other than cash) credited thereto shall be a Securities Account in respect of which the Administrative Agent shall be the Entitlement Holder or which shall be subject to a control agreement in form and substance satisfactory to the Administrative Agent, and

(b) to the extent of any cash credited thereto shall be a Deposit Account in respect of which the Administrative Agent shall be the depositary bank's customer and shall have control over such Deposit Account, and

into which each Obligor agrees to deposit from time to time the cash proceeds of any of the Collateral required to be delivered to the Administrative Agent pursuant hereto or pursuant to any other Loan Document, and into which the Obligors may from time to time deposit any additional amounts that it wishes to provide as additional collateral security hereunder. The Collateral Account, and any money or other property from time to time therein, shall constitute part of the Collateral hereunder and shall not constitute payment of the Secured Obligations until applied as hereinafter provided.

5.02 Withdrawals. The balance from time to time in the Collateral Account shall be subject to withdrawal only as provided in this Section 5.02 and Section 5.03 below. The Administrative Agent shall (except as otherwise provided in the last sentence of this Section 5.02 and except after the occurrence of and during the continuation of an Event of Default) remit the collected balance standing to the credit of the Collateral Account to or upon the order of the relevant Obligor as such Obligor (through KCMH) shall from time to time instruct. At any time following the occurrence of and during the continuance of an Event of Default, the Administrative Agent may (and, if instructed by the Lenders as provided in the Credit Agreement, shall) in its (or their) discretion, after written notice to KCMH, apply or cause to be applied (subject to collection) the balance from time to time standing to the credit of the Collateral Account (regardless of the origin thereof) to the prepayment of the principal of the Loans (and/or to provide payment or cover for L/C Exposure) in the manner specified in Article VII of the Credit Agreement.

5.03 Investment of Balance in Collateral Account. The cash balance standing to the credit of the Collateral Account shall be invested from time to time as the respective Obligor through KCMH or, after the occurrence and during the continuance of an Event of Default, the Administrative Agent shall determine which investments shall be held in the name and be under the control of the Administrative Agent (and credited to the Collateral Account); provided that at any time after the occurrence and during the continuance of an Event of Default, the Administrative Agent may (and, if instructed by the Lenders as provided in the Credit Agreement, shall) in its (or their) discretion at any time and from time to time elect to liquidate any such investments and to apply or cause to be applied the proceeds thereof to the payment of the Secured Obligations then due and payable in the manner specified in Section 6.08.

5.04 Cover for L/C Exposure. Amounts deposited into the Collateral Account as cover for L/C Exposure under the Credit Agreement as contemplated by Article VII thereof shall be held by the Administrative Agent in a separate sub-account (designated "L/C Exposure Sub-Account") and all amounts held in such sub-account shall constitute collateral security first for the L/C Exposure outstanding from time to time and second as collateral security for the other Secured Obligations hereunder.

5.05 Delivery of Security Collateral. All certificates or instruments representing or evidencing Security Collateral (if and to the extent certificated and, with respect to Indebtedness (other than Intercompany Indebtedness), in an amount in excess of \$5,000,000),

other than Security Collateral that is subject to a Lien permitted by Section 6.02(b)(ii), shall be promptly delivered to and held by or on behalf of the Administrative Agent (or its bailee or designee) pursuant hereto and shall be in suitable form for transfer by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance reasonably satisfactory to the Administrative Agent (or its bailee or designee).

5.06 Maintaining Pledged Deposit Account. Subject to Section 6.01(m) of the Credit Agreement, so long as any Guaranteed Obligation or Secured Obligation shall remain unpaid (other than any contingent obligations not then due), any Letter of Credit shall be outstanding (unless cash collateralized or otherwise backstopped on terms reasonably satisfactory to the relevant Issuing Lender, the Administrative Agent and KCMH), or any Lender shall have any Commitment, each Obligor will maintain the primary account to deposit funds from the Credit Agreement only with the financial institution acting as Administrative Agent hereunder or with a bank that has agreed with such Obligor and the Administrative Agent (or its bailee or designee) to comply with instructions originated by the Administrative Agent (or its bailee or designee) directing the disposition of funds in such deposit account without the further consent of such Obligor, such agreement to be in form and substance reasonably satisfactory to the Administrative Agent (or its bailee or designee). As of the Closing Date the Pledged Deposit Account is used as the primary account to deposit funds from the Credit Agreement and, for the avoidance of doubt, such Pledged Deposit Account may be replaced by another deposit account as the primary account to deposit funds from the Credit Agreement, subject to the requirements of this Section 5.06.

SECTION 6. Collateral Account and Deposit Further Assurances; Remedies. In furtherance of the grant of the security interest pursuant to Section 4, each Obligor hereby, jointly and severally with each other Obligor, agrees with the Administrative Agent for the benefit of the Secured Creditors as follows:

6.01 Delivery and Other Perfection. Each Obligor shall promptly from time to time give, execute, deliver, file, record, authorize or obtain all such financing statements, continuation statements, notices, instruments, documents, agreements or consents or other papers as may be necessary to create, preserve, perfect, maintain the perfection of or validate the security interest granted pursuant hereto or to enable the Administrative Agent to exercise and enforce its rights hereunder with respect to such security interest, including recordations before the PTO, United States Copyright Office (and any similar office in any other country), as appropriate. Each Obligor hereby authorizes the Administrative Agent to file one or more financing statements indicating that such financing statement covers all assets or all personal property (or words of similar effect) of such Obligor, in each case without the signature of such Obligor, and regardless of whether any particular asset described in such financing statements falls within the scope of the UCC or the granting clause of this Agreement. A photocopy or other reproduction of this Agreement shall be sufficient as a financing statement where permitted by law.

6.02 Other Financing Statements or Control. Subject to the Intercreditor Agreement and except to the extent otherwise permitted by the Loan Documents, no Obligor shall (a) file or suffer to be on file, or authorize or permit to be filed or to be on file, in any jurisdiction, any financing statement or like instrument with respect to any of the Collateral in

which the Administrative Agent is not named as the sole secured party for the benefit of the Secured Creditors, or (b) cause or permit any Person other than the Administrative Agent to have “control” (as defined in Section 9-106 of the UCC) of any Equity Interest held by such Obligor in any of its Subsidiaries constituting part of the Collateral.

6.03 Preservation of Rights. The Administrative Agent shall not be required to take steps necessary to preserve any rights against prior parties to any of the Collateral.

6.04 Remedies. (a) Rights and Remedies Generally upon Default. Subject to the Intercreditor Agreement, if an Event of Default shall have occurred and is continuing, the Administrative Agent, in addition to other rights and remedies provided for herein or in any other Loan Document, or otherwise available to it, shall have all of the rights and remedies with respect to the Collateral of a secured party under the UCC (whether or not the UCC is in effect in the jurisdiction where the rights and remedies are asserted) and such additional rights and remedies to which a secured party is entitled under the laws in effect in any jurisdiction where any rights and remedies hereunder may be asserted, including the right, to the fullest extent permitted by law, to exercise all voting, consensual and other powers of ownership pertaining to the Collateral as if the Administrative Agent were the sole and absolute owner thereof (and each Obligor agrees to take all such action as may be appropriate to give effect to such right); and without limiting the foregoing:

(i) the Administrative Agent in its discretion may, in its name or in the name of any Obligor or otherwise, demand, sue for, collect or receive any money or other property at any time payable or receivable on account of or in exchange for any of the Collateral, but shall be under no obligation to do so;

(ii) the Administrative Agent may make any reasonable compromise or settlement deemed desirable with respect to any of the Collateral and may extend the time of payment, arrange for payment in installments, or otherwise modify the terms of, any of the Collateral; provided that the Administrative Agent shall provide KCMH with prior notice thereof;

(iii) the Administrative Agent may require the Obligors to notify (and each Obligor hereby authorizes the Administrative Agent to so notify) each account debtor in respect of any Account, Chattel Paper or General Intangible, and each obligor on any Instrument, constituting part of the Collateral that such Collateral has been assigned to the Administrative Agent hereunder, and to instruct that any payments due or to become due in respect of such Collateral shall be made directly to the Administrative Agent or as it may direct (and if any such payments, or any other Proceeds of Collateral, are received by any Obligor they shall be held in trust by such Obligor for the benefit of the Administrative Agent and as promptly as possible remitted or delivered to the Administrative Agent for application as provided herein);

(iv) the Administrative Agent may prohibit withdrawals from, and/or apply to the payment of the Secured Obligations, any money or other property in the Collateral Account; provided that the Administrative Agent shall provide KCMH with prior notice thereof;



(v) the Administrative Agent may require the Obligors to cause any securities constituting part of the Collateral, to be transferred of record into the name of the Administrative Agent or its nominee (and the Administrative Agent agrees that if any of such securities is transferred into its name or the name of its nominee, the Administrative Agent will thereafter promptly give to respective Obligor (through KCMH) copies of any notices and communications received by it with respect to such securities);

(vi) the Administrative Agent may sell, lease, license, assign or otherwise dispose of all or any part of the Collateral now owned or hereafter acquired at such place or places as the Administrative Agent deems best, and for cash or for credit or for future delivery (without thereby assuming any credit risk), at public or private sale, without demand of performance or notice of intention to effect any such disposition or of the time or place thereof (except such notice as is required by applicable statute and cannot be waived), and the Administrative Agent or any other Secured Creditor or anyone else may be the purchaser, lessee, licensee, assignee or recipient of any or all of the Collateral so disposed of at any public sale (or, to the extent permitted by law, at any private sale) and thereafter hold the same absolutely, free from any claim or right of whatsoever kind, including any right or equity of redemption (statutory or otherwise), of the Obligors, any such demand, notice and right or equity being hereby expressly waived and released. The Administrative Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the sale may be so adjourned; and

(vii) if the Administrative Agent shall determine to exercise its right to sell all or any of the Security Collateral of any Obligor pursuant to this Section 6, each Obligor agrees that, upon the request of the Administrative Agent, such Obligor will, at its own expense, do or cause to be done all such other acts and things as may be necessary to make such sale of such Security Collateral or any part thereof valid and binding and in compliance with applicable law.

The Proceeds of each collection, sale or other disposition under this Section 6.04, shall be applied in accordance with Section 6.08.

(b) Certain Securities Act Limitations. The Obligors recognize that, by reason of certain prohibitions contained in the Securities Act of 1933, as amended, and applicable state securities laws, the Administrative Agent may be compelled, with respect to any sale of all or any part of the Collateral, to limit purchasers to those who will agree, among other things, to acquire the Collateral for their own account, for investment and not with a view to the distribution or resale thereof. The Obligors acknowledge that any such public sales may be at prices and on terms less favorable to the Administrative Agent than those obtainable through a public sale without such restrictions, and, notwithstanding such circumstances, agree that any such public sale shall be deemed to have been made in a commercially reasonable manner and that the Administrative Agent shall have no obligation to engage in public sales and no obligation to delay the sale of any Collateral for the period of time necessary to permit the issuer thereof to register it for public sale.

(c) Notice. The Obligors agree that to the extent the Administrative Agent is required by applicable law to give reasonable prior notice of any sale or other disposition of any Collateral, fifteen Business Days' notice shall be deemed to constitute reasonable prior notice.

6.05 Deficiency. If the proceeds of sale, collection or other realization of or upon the Collateral pursuant to Section 6.04 are insufficient to cover the costs and expenses of such realization and the payment in full of the Secured Obligations, the Obligors shall remain liable for any deficiency.

6.06 Locations, Names, Etc. Without at least 30 days' prior written notice to the Administrative Agent (or such shorter period of time as the Administrative Agent shall reasonably agree), no Obligor shall (a) change its location (as defined in Section 9-307 of the UCC) or (b) change its name, type of organization, mailing address or jurisdiction of organization from those set forth in Annex I hereto.

6.07 Public Sale. None of the Secured Creditors and the Administrative Agent shall incur any liability as a result of the sale of the Collateral, or any part thereof, at any public sale pursuant to Section 6.04 conducted in a commercially reasonable manner. Each Obligor hereby waives any claims against the Secured Creditors or the Administrative Agent arising by reason of the fact that the price at which the Collateral may have been sold at such a public sale was less than the price that might have been obtained at a public sale without such restrictions or was less than the aggregate amount of the Secured Obligations, even if the Administrative Agent accepts the first offer received and does not offer the Collateral to more than one offeree.

6.08 Application of Proceeds. Subject to the Intercreditor Agreement, except as otherwise herein expressly provided and except as provided below in this Section 6.08, the Proceeds of any collection, sale or other realization of all or any part of the Collateral pursuant hereto, and any other cash at the time held by the Administrative Agent under Section 5 or this Section 6, shall be applied by the Administrative Agent:

First, to the payment of the costs and expenses of such collection, sale or other realization, including reasonable out-of-pocket costs and expenses of the Administrative Agent and the fees and expenses of its agents and counsel, and all expenses incurred and advances made by the Administrative Agent in connection therewith;

Second, to payment of that portion of the Secured Obligations constituting fees, indemnities, expenses and other amounts (other than principal and interest but including fees, charges and disbursements of counsel to the Administrative Agent) payable to the Administrative Agent in its capacity as such;

Third, to payment of that portion of the Secured Obligations constituting fees, indemnities and other amounts (other than principal, interest and Letter of Credit fees) payable to the Lenders and the Issuing Lender (including fees, charges and disbursements of counsel to the respective Lenders and the Issuing Lender), equally and ratably in accordance with the respective amounts thereof then due and owing;

Fourth, to payment of that portion of the Secured Obligations constituting accrued and unpaid Letter of Credit fees and interest on the Loans, L/C Reimbursement Obligations and other obligations of the Obligors under the Loan Documents, equally and ratably in accordance with the respective amounts thereof then due and owing;

Fifth, to the payment in full of the Secured Obligations (other than those specified in clauses Second, Third and Fourth above), in each case equally and ratably in accordance with the respective amounts thereof then due and owing or as the Lenders holding the same may otherwise agree; and

Finally, to the payment to the relevant Obligor, or its successors or assigns, or as a court of competent jurisdiction may direct, of any surplus then remaining.

Notwithstanding the foregoing, the proceeds of any cash or other amounts held in the L/C Exposure Sub-Account of the Collateral Account pursuant to Section 5.04 shall be applied first to the L/C Exposure outstanding from time to time and second to the other Secured Obligations in the manner provided above in this Section 6.08.

6.09 Attorney-in-Fact. Without limiting any rights or powers granted by this Agreement to the Administrative Agent while no Event of Default has occurred and be continuing, upon the occurrence and during the continuance of any Event of Default the Administrative Agent is hereby appointed the attorney-in-fact of each Obligor for the purpose of carrying out the provisions of this Section 6 and taking any action and executing any instruments that the Administrative Agent may deem necessary or advisable to accomplish the purposes hereof, which appointment as attorney-in-fact is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, so long as the Administrative Agent shall be entitled under this Section 6 to make collections in respect of the Collateral, the Administrative Agent shall have the right and power to receive, endorse and collect all checks made payable to the order of any Obligor representing any dividend, payment or other distribution in respect of the Collateral or any part thereof and to give full discharge for the same.

6.10 Continuing Security Interest; Assignments. (a) This Agreement shall create a continuing security interest in the Collateral and shall, subject to clause (b) below, (i) remain in full force and effect until the latest of (A) the payment in full in cash of the Secured Obligations (other than any contingent obligations indemnity not then due), (B) the termination or expiration of all of the Commitments of the Lenders and (C) the termination or expiration of all Letters of Credit (unless cash collateralized or otherwise backstopped on terms reasonably satisfactory to the relevant Issuing Lender, the Administrative Agent and KCMH), (ii) be binding upon each Obligor, its successors and assigns and (iii) inure, together with the rights and remedies of the Administrative Agent hereunder, to the benefit of the Secured Creditors and their respective successors, transferees and permitted assigns. Without limiting the generality of the foregoing clause (iii), any Lender may assign or otherwise transfer all or any portion of its rights and obligations under the Credit Agreement (including, without limitation, all or any portion of its Commitments, the Loans owing to it and the Note or Notes, if any, held by it) to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Lender Party herein or otherwise, in each case as provided in Section 9.06 of the Credit Agreement.

(b) If any of the Collateral shall be sold, transferred or otherwise disposed of by any Obligor in a transaction not otherwise prohibited by any Loan Document, then such Collateral shall automatically be released from the Liens created hereby or under any other Loan Document and the Administrative Agent, at the request and sole expense of any Obligor, shall execute and deliver to such Obligor all releases or other documents reasonably necessary or desirable for the release of the Liens created hereby on such Collateral. At the request and sole expense of any Obligor, such Obligor (other than KCMH) shall be released from its obligations hereunder in the event that such Obligor shall cease to be a Wholly-Owned Subsidiary of KCMH pursuant to a transaction not otherwise prohibited by any Loan Document.

6.11 Termination. When all Secured Obligations shall have been paid in full in cash (other than contingent indemnity obligations not then due) and the Commitments of the Lenders under the Credit Agreement and all L/C Exposure shall have expired or been terminated or have been cash collateralized or otherwise back-stopped on terms reasonably satisfactory to the relevant Issuing Lender, the Administrative Agent and KCMH, this Agreement shall terminate, and the Administrative Agent shall forthwith cause to be assigned, transferred and delivered, against receipt but without any recourse, warranty or representation whatsoever, any remaining Collateral and money received in respect thereof, to or on the order of the relevant Obligor. The Administrative Agent shall also, at the expense of such Obligor, execute and deliver to the respective Obligor upon such termination such UCC termination statements, as shall be reasonably requested by the respective Obligor to effect the termination and release of the Liens on the Collateral as required by this Section 6.11.

6.12 Further Assurances and Post-Closing Matters. Subject to the Intercreditor Agreement, each Obligor agrees that from time to time (at the expense of such Obligor) upon the written request of the Administrative Agent, such Obligor will execute and deliver such further instruments and documents and do such other acts and things as the Administrative Agent may reasonably request in order to fully effect the purposes of this Agreement and to enable the Administrative Agent to exercise and enforce its rights and remedies hereunder with respect to any Collateral.

6.13 Voting Rights; Dividends; Etc. (a) So long as no Event of Default shall have occurred and be continuing:

(i) Each Obligor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Security Collateral of such Obligor or any part thereof for any purpose not in violation of this Agreement or the other Loan Documents;

(ii) Each Obligor shall be entitled to receive and retain any and all dividends, interest and other distributions paid in respect of the Security Collateral of such Obligor if and to the extent that the payment thereof is not otherwise prohibited by the terms of the Loan Documents; provided, however, that any and all dividends, interest and other distributions paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Security Collateral shall, if received by such Obligor, be received in trust for the benefit of the Administrative Agent and, if required by Section 5.05, promptly be delivered to the Administrative Agent and held as Security Collateral in the same form received (with any necessary endorsements); and

(iii) The Administrative Agent will execute and deliver (or cause to be executed and delivered) to each Obligor all such proxies and other instruments as such Obligor may reasonably request for the purpose of enabling such Obligor to exercise the voting and other rights that it is entitled to exercise pursuant to paragraph (i) above and to receive the dividends, interest and other payments that it is authorized to receive and retain pursuant to paragraph (ii) above.

(b) Subject to the Intercreditor Agreement, after the occurrence and during the continuance of an Event of Default:

(i) All rights of each Obligor (x) to exercise or refrain from exercising the voting and other consensual rights that it would otherwise be entitled to exercise pursuant to Section 6.13(a) shall, upon notice to such Obligor by the Administrative Agent, cease and (y) to receive the dividends, interest and other distributions that it would otherwise be authorized to receive and retain pursuant to Section 6.13(a) shall, upon notice to such Obligor by the Administrative Agent, cease, and all such rights shall thereupon become vested in the Administrative Agent, which shall thereupon have the sole right to exercise or refrain from exercising such voting and other consensual rights and to receive and hold as Security Collateral such dividends, interest and other distributions.

(ii) All dividends, interest and other distributions that are received by any Obligor contrary to the provisions of paragraph (i) of this Section 6.13(b) shall be received in trust for the benefit of the Administrative Agent, shall be segregated from other funds of such Obligor and shall be forthwith paid over to the Administrative Agent as Security Collateral in the same form as so received (with any necessary endorsement).

6.14 Administrative Agent May Perform. If any Obligor fails to perform any agreement contained herein, the Administrative Agent may, but without any obligation to do so and without notice, itself perform, or cause the performance of, such agreement, and the reasonable expenses of the Administrative Agent incurred in connection therewith shall be payable by such Obligor.

6.15 The Administrative Agent's Duties. (a) The powers conferred on the Administrative Agent hereunder are solely to protect the Secured Creditors' interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Administrative Agent shall have no duty as to any Collateral, as to ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Collateral, whether or not any Secured Creditor has or is deemed to have knowledge of such matters, or as to the taking of any necessary steps to preserve rights against any parties or any other rights pertaining to any Collateral. The Administrative Agent shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if such Collateral is accorded treatment substantially equal to that which it accords its own property.

(b) Anything contained herein to the contrary notwithstanding, the Administrative Agent may from time to time, when the Administrative Agent deems it to

be necessary, appoint one or more subagents (each a “Subagent”) for the Administrative Agent hereunder with respect to all or any part of the Collateral. In the event that the Administrative Agent so appoints any Subagent with respect to any Collateral, (i) the assignment and pledge of such Collateral and the security interest granted in such Collateral by each Obligor hereunder shall be deemed, for purposes of this Agreement, to have been made to such Subagent, in addition to the Administrative Agent, for the ratable benefit of the Secured Creditors, as security for the Secured Obligations of such Obligor, (ii) such Subagent shall automatically be vested, in addition to the Administrative Agent, with all rights, powers, privileges, interests and remedies of the Administrative Agent hereunder with respect to such Collateral and (iii) the term “Administrative Agent,” when used herein in relation to any rights, powers, privileges, interests and remedies of the Administrative Agent with respect to such Collateral, shall include such Subagent; provided, however, that no such Subagent shall be authorized to take any action with respect to any such Collateral unless and except to the extent expressly authorized in writing by the Administrative Agent.

SECTION 7. Miscellaneous.

7.01 Notices. All notices, requests, consents and demands hereunder shall be in writing and telecopied or delivered to the intended recipient at its “address for notices” specified pursuant to Section 9.02 of the Credit Agreement and shall be deemed to have been given at the times specified in said Section 9.02. Any notice to be delivered to any Guarantor hereunder shall be delivered to KCMH (at its aforesaid address) on behalf of such Guarantor.

7.02 No Waiver. No failure on the part of any Secured Creditor to exercise, and no course of dealing with respect to, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise by any Secured Creditor of any right, power or remedy hereunder preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The remedies herein are cumulative and are not exclusive of any remedies provided by law.

7.03 Amendments, Etc. The terms of this Agreement may be waived, altered or amended only by an instrument in writing duly executed by each applicable Obligor and the Administrative Agent (with the consent of the Lenders as specified in Section 9.01 of the Credit Agreement). Any such amendment or waiver shall be binding upon the Secured Creditors and each Obligor.

7.04 Indemnification by the Obligors. Each Obligor shall indemnify each Secured Creditor and each Related Party (each such Person being called an “Indemnitee”) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the fees, charges and disbursements of one counsel for the Indemnitees (together with one local counsel in each relevant jurisdiction) and, after notice to KCMH, of more than one such counsel to the extent any Indemnitee reasonably determines that there is an actual conflict of interest requiring the employment of separate counsel), incurred by any Indemnitee or asserted against any Indemnitee by any third party or by any Obligor arising out of, in connection with, or as a result of, this Agreement, including, without limitation, enforcement of this Agreement, whether based on contract, tort or any other theory, whether

brought by a third party or by any Obligor and regardless of whether any Indemnitee is a party thereto, provided, that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the bad faith, gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by an Obligor against an Indemnitee for material breach of such Indemnitee's obligations hereunder, if such Obligor has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

7.05 Expenses. The Obligors jointly and severally agree to reimburse each of the Secured Creditors for all reasonable costs and expenses incurred by them (including the reasonable fees and expenses of one legal counsel for the Secured Creditors in each relevant jurisdiction or of more than one such legal counsel to the extent any Secured Creditor reasonably determines that there is an actual conflict of interest requiring the employment of separate legal counsel) in connection with (a) any enforcement of their rights hereunder, or, during the continuation of an Event of Default, protection of its rights in connection with this Agreement or collection proceeding resulting therefrom, including, without limitation, all manner of participation in or other involvement with (i) performance by the Administrative Agent of any obligations of the Obligors in respect of the Collateral that the Obligors have failed or refused to perform, (ii) bankruptcy, insolvency, receivership, foreclosure, winding up or liquidation proceedings, or any actual or attempted sale, or any exchange, enforcement, collection, compromise or settlement in respect of any of the Collateral, and for the care of the Collateral and defending or asserting rights and claims of the Administrative Agent in respect thereof, by litigation or otherwise, including expenses of insurance, (iii) judicial or regulatory proceedings and (iv) workout, restructuring or other negotiations or proceedings (whether or not the workout, restructuring or transaction contemplated thereby is consummated), (b) the enforcement of this Section 7.05, (c) the administration of this Agreement and (d) the custody, preservation, use or sale of any of the Collateral, and all such costs and expenses shall be Secured Obligations entitled to the benefits of the collateral security provided pursuant to Section 4.

7.06 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of each Obligor and the Secured Creditors; provided that no Obligor shall assign or transfer its rights or obligations hereunder without the prior written consent of the Administrative Agent.

7.07 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

7.08 Governing Law; Submission to Jurisdiction; Etc. (a) Governing Law. This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) Submission to Jurisdiction. Each Guarantor hereby irrevocably and unconditionally submits, for itself and its Property, to the nonexclusive jurisdiction of the courts of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any

thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each Guarantor irrevocably agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by applicable law, in such Federal court. Each Guarantor agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any Secured Creditor may otherwise have to bring any action or proceeding relating to this Agreement against any Obligor or its properties in the courts of any jurisdiction.

(c) Waiver of Venue. Each Guarantor hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section 7.08. Each Guarantor irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

7.09 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

7.10 Captions. The captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

7.11 Agents and Attorneys-in-Fact. The Administrative Agent may employ agents and attorneys-in-fact in connection herewith and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it in good faith.

7.12 Severability. If any provision hereof is invalid and unenforceable in any jurisdiction, then, to the fullest extent permitted by law, (a) the other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in favor of the Secured Creditors in order to carry out the intentions of the parties hereto as nearly as may be possible and (b) the invalidity or unenforceability of any provision hereof in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction.



7.13 Additional Subsidiary Guarantors. The Obligors shall cause any Wholly-Owned Subsidiary of KCMH that is a Domestic Subsidiary, other than any Broker-Dealer Subsidiary or any Domestic Subsidiary of a Foreign Subsidiary or a Domestic Subsidiary substantially all of whose assets consist of capital stock and/or indebtedness of one or more Foreign Subsidiaries, formed or acquired after the date hereof to become a “Guarantor” and an “Obligor” under this Agreement, by executing and delivering to the Administrative Agent a Guarantee Assumption Agreement in the form of Exhibit 1 hereto (together with an appropriate legal opinion of counsel, as referred to in said Exhibit 1). Accordingly, upon the execution and delivery of any such Guarantee Assumption Agreement by any such new Subsidiary, such new Subsidiary shall automatically and immediately, and without any further action on the part of any Person, become a “Guarantor” and an “Obligor” under and for all purposes of this Agreement and the other Loan Documents, each reference in this Agreement and the other Loan Documents to the “Collateral” shall also mean and be a reference to the Collateral granted by such new Subsidiary and each reference in this Agreement to an Annex shall also mean and be a reference to the annex as attached to such Guaranteed Assumption Agreement. In addition, upon the execution and delivery of any such Guarantee Assumption Agreement, the new Guarantor makes the representations and warranties set forth in Section 3 hereof. Notwithstanding the foregoing, none of (i) KCM U.S. nor any other Broker-Dealer Subsidiary or (ii) any Wholly-Owned Domestic Subsidiary, the giving of a guarantee hereunder would, in the reasonable determination of KCMH, materially and adversely affect the ability of such Subsidiary to comply with applicable Laws and regulations, shall be a Guarantor under this Agreement.

7.14 Set off. Subject to the Intercreditor Agreement, if an Event of Default shall have occurred and be continuing, each Secured Creditor is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Secured Creditor to or for the credit or the account of any Guarantor against any and all of the obligations of such now or hereafter existing under this Agreement or any other Loan Document to such Secured Creditor irrespective of whether or not such Secured Creditor shall have made any demand under this Agreement or any other Loan Document and although such obligations of such Guarantor may be contingent or unmatured or are owed to a branch or office of such Secured Creditor different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each Secured Creditor under this Section are in addition to other rights and remedies (including other rights of setoff) that such Secured Creditor may have. Each Secured Creditor agrees to notify such Guarantor and the Administrative Agent promptly after any such setoff and application, provided, that the failure to give such notice shall not affect the validity of such setoff and application.

7.15 Intercreditor Agreements. Notwithstanding anything herein to the contrary, the Lien and Security Interest granted to the Administrative Agent pursuant to this Agreement and the exercise of any right or remedy by the Administrative Agent hereunder, are subject to the provisions of the Intercreditor Agreement. In the event of any conflict between the terms of the Intercreditor Agreement and the terms of this Agreement, the terms of such Intercreditor Agreement shall govern and control. No right, power or remedy granted to the Administrative Agent hereunder shall be exercised by the Administrative Agent, and no direction

shall be given by the Administrative Agent, in contravention of any such Intercreditor Agreement.

*[Signature pages follow.]*

IN WITNESS WHEREOF, the parties hereto have caused this Guarantee and Security Agreement to be duly executed and delivered as of the day and year first above written.

KKR CAPITAL MARKETS HOLDINGS L.P.  
By: KKR CAPITAL MARKETS HOLDINGS GP  
LLC, its General Partner

By \_\_\_\_\_  
Name:  
Title:

GUARANTORS:

KKR CORPORATE LENDING LLC

By \_\_\_\_\_  
Name:  
Title:

KKR CORPORATE LENDING (CA) LLC

By \_\_\_\_\_  
Name:  
Title:

KKR CORPORATE LENDING (TN) LLC

By \_\_\_\_\_  
Name:  
Title:

KKR CORPORATE LENDING (UK) LLC

By \_\_\_\_\_  
Name:  
Title:

[Signature Page to Guarantee and Security Agreement]

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MIZUHO BANK, LTD.,  
as Administrative Agent

By \_\_\_\_\_

Name:

Title:

[Signature Page to Guarantee and Security Agreement]

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## CO-CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Henry R. Kravis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2020 of KKR & Co. Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2020

/s/ Henry R. Kravis

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Henry R. Kravis

*Co-Chief Executive Officer*

## CO-CHIEF EXECUTIVE OFFICER CERTIFICATION

I, George R. Roberts, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2020 of KKR & Co. Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2020

/s/ George R. Roberts

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George R. Roberts

*Co-Chief Executive Officer*

## CHIEF FINANCIAL OFFICER CERTIFICATION

I, Robert H. Lewin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended March 31, 2020 of KKR & Co. Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2020

/s/ Robert H. Lewin

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Robert H. Lewin

*Chief Financial Officer*

**CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER**

**Pursuant to 18 U.S.C. §1350,  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of KKR & Co. Inc. (the "Corporation") on Form 10-Q for the period ended March 31, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, Henry R. Kravis, Co-Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: May 11, 2020

/s/ Henry R. Kravis

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Henry R. Kravis

*Co-Chief Executive Officer*

\* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.



**CERTIFICATION OF CO-CHIEF EXECUTIVE OFFICER**

**Pursuant to 18 U.S.C. §1350,  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of KKR & Co. Inc. (the "Corporation") on Form 10-Q for the period ended March 31, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, George R. Roberts, Co-Chief Executive Officer of the Corporation, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: May 11, 2020

/s/ George R. Roberts

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George R. Roberts

*Co-Chief Executive Officer*

\* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

**Pursuant to 18 U.S.C. §1350,  
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of KKR & Co. Inc. (the "Corporation") on Form 10-Q for the period ended March 31, 2020 as filed with the Securities and Exchange Commission (the "Report"), I, Robert H. Lewin, Chief Financial Officer of the Corporation, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: May 11, 2020

/s/ Robert H. Lewin

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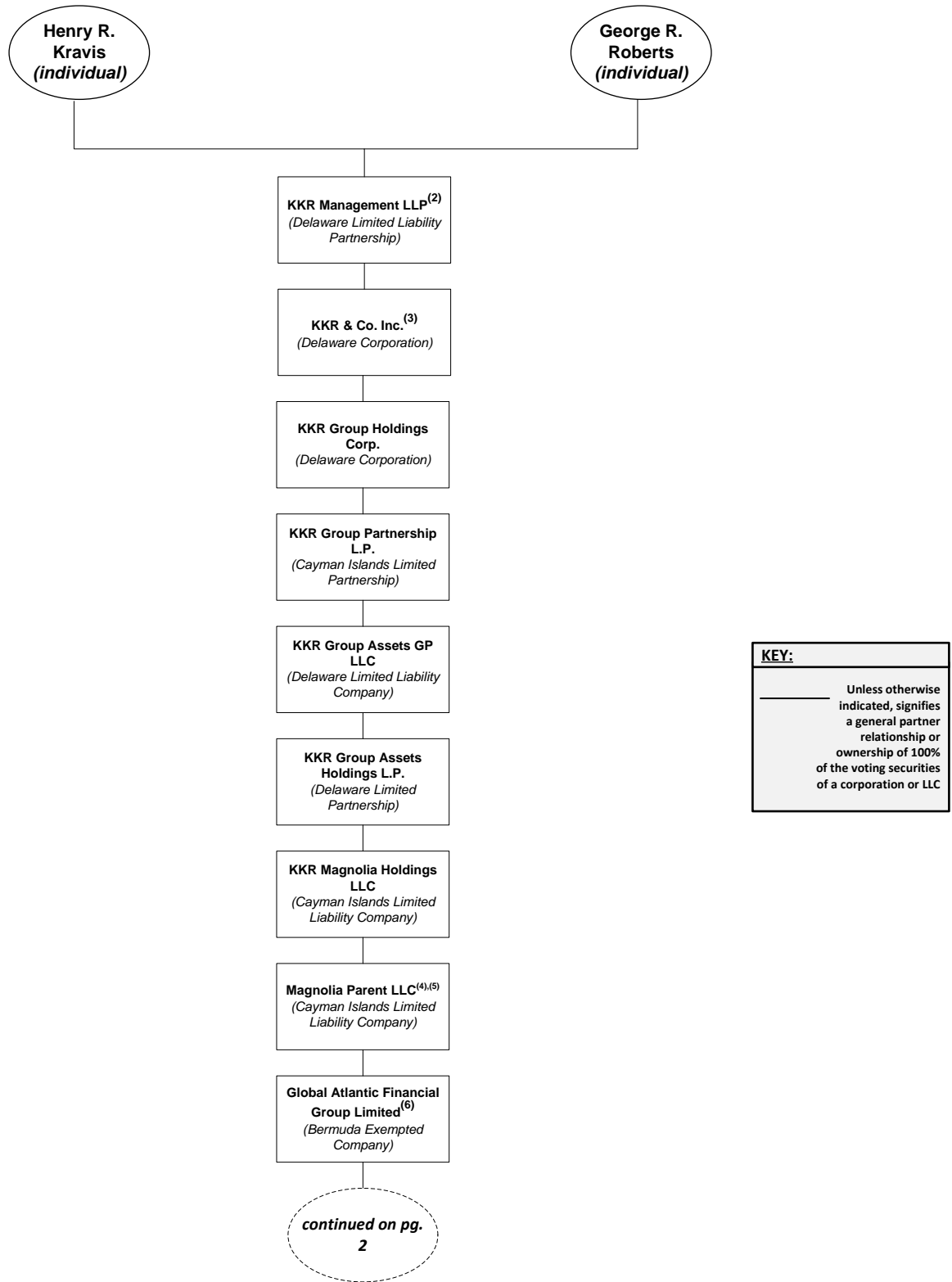
Robert H. Lewin

*Chief Financial Officer*

\* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

# **EXHIBIT D**

# Abbreviated Post-Closing Organizational Chart<sup>(1)</sup>



**KEY:**

Unless otherwise indicated, signifies a general partner relationship or ownership of 100% of the voting securities of a corporation or LLC

(1) For a list of subsidiaries of KKR & Co. Inc. as of January 1, 2020, please see the list of subsidiaries set forth in KKR & Co. Inc.'s 2019 10-K, which is available at: <https://www.sec.gov/Archives/edgar/data/1404912/000140491220000006/kr-20191231xex211.htm>. None of these subsidiaries of KKR & Co. Inc., other than those identified in this organizational chart, will directly or indirectly control Global Atlantic Financial Group Limited following the completion of the Mergers.

(2) Henry R. Kravis and George R. Roberts are the Founding Partners of KKR Management LLP, and, when acting together, they constitute a majority of the voting interests of the partners of KKR Management LLP. As a result, Messrs. Kravis and Roberts are deemed to be the controlling persons of KKR Management LLP for purposes of the Massachusetts, Indiana and Iowa insurance holding company laws.

(3) KKR Management LLP is the controlling person of KKR & Co. Inc. for purposes of the Massachusetts, Indiana and Iowa insurance holding company laws as a result of KKR Management LLP's ownership of the single issued and outstanding share of Series I preferred stock of KKR & Co. Inc. The vote of this single issued and outstanding share of Series I preferred stock determines the outcome of all matters submitted to a vote of the stockholders of KKR & Co. Inc. other than certain select matters on which holders of common stock of KKR & Co. Inc. and the holders of Series II preferred stock of KKR & Co. Inc. are entitled to vote.

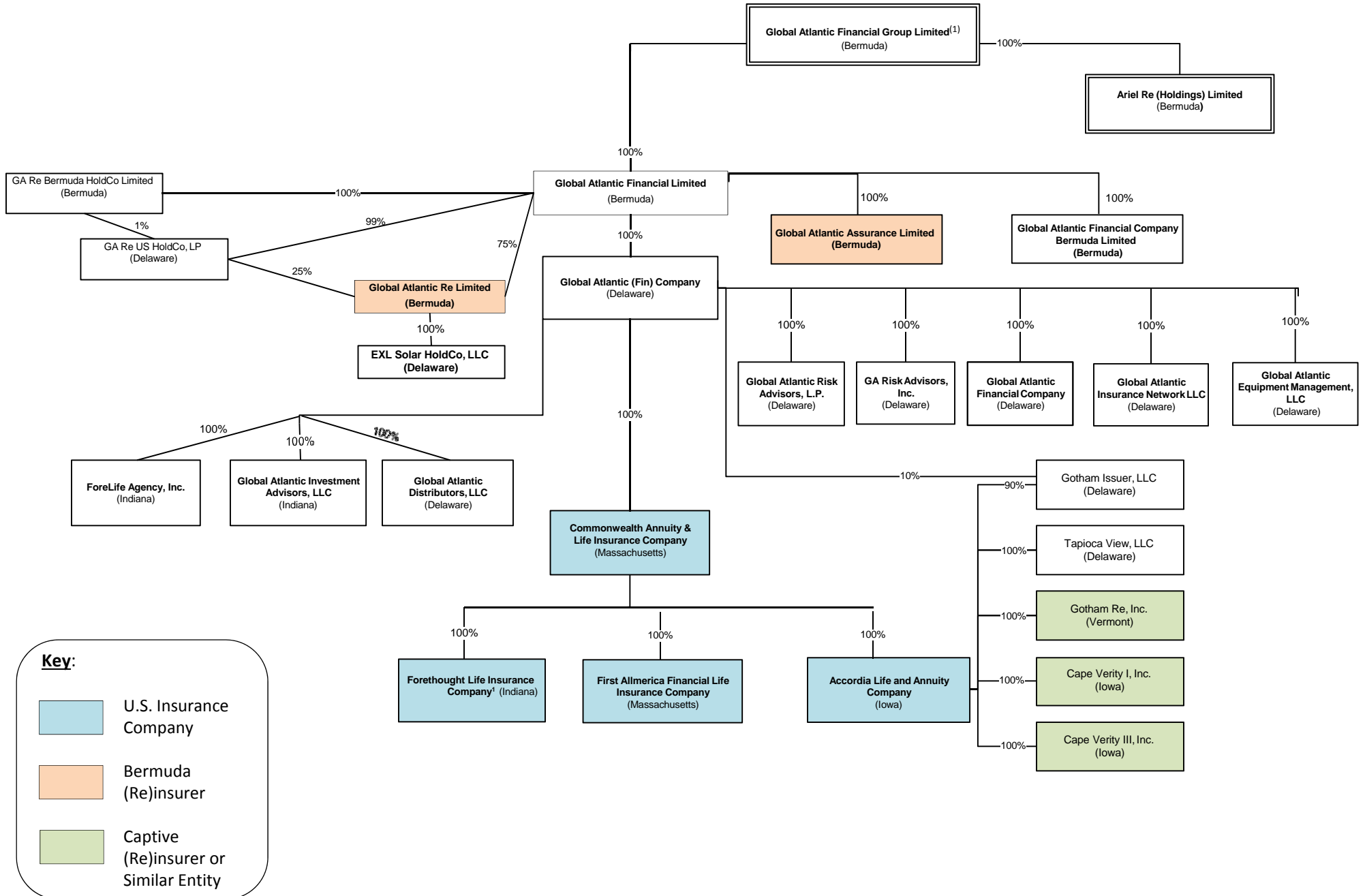
(4) Magnolia Parent LLC expects to offer certain third parties (the "Co-Investors") the opportunity to acquire non-controlling interests in Magnolia Parent LLC. In addition, as part of the transactions contemplated by the Merger Agreement, certain existing shareholders of Global Atlantic Financial Group Limited will be able to elect to receive equity in Magnolia Parent LLC instead of receiving cash in the transaction (the "Rollover Shareholders"). Following completion of the transaction, KKR Magnolia Holdings LLC will be the sole holder of majority of the voting interests of Magnolia Parent LLC, and no Co-Investor or Rollover Shareholder is expected to control Magnolia Parent LLC for purposes of the Massachusetts, Indiana and Iowa insurance holding company laws.

(5) Magnolia Parent intends to change its name and its jurisdiction of domicile from the Cayman Islands to Bermuda.

(6) Global Atlantic Financial Group Limited will be the Surviving Company in the Mergers.

# Abbreviated Post-Closing Organizational Chart

(continued from pg. 1)



(1) Global Atlantic Financial Group Limited will be the Surviving Company in the Mergers.

# **EXHIBIT E-1**

**Exhibit E-1**

**List of Current Managers of KKR Magnolia Holdings LLC\***

<u>Name</u>	<u>Position</u>
Robert Lewin	Manager
David Sorkin	Manager

\* KKR Magnolia Holdings LLC does not have any executive officers.

**List of Current Managers and Executive Officers of KKR Group Assets GP LLC**

<u>Name</u>	<u>Position</u>
Joseph Bae	Co-President, Co-Chief Operating Officer
Scott Nuttall	Co-President, Co-Chief Operating Officer
Robert Lewin	Manager, Chief Financial Officer & Treasurer
David Sorkin	Manager, General Counsel & Secretary

**List of Current Directors and Executive Officers of KKR Group Holdings Corp.**

<u>Name</u>	<u>Position</u>
Henry Kravis	Co-Chief Executive Officer
George Roberts	Co-Chief Executive Officer
Joseph Bae	Director, Co-President, Co-Chief Operating Officer
Scott Nuttall	Director, Co-President, Co-Chief Operating Officer
Robert Lewin	Director, Chief Financial Officer
David Sorkin	Director, General Counsel, Secretary

**List of Current Directors and Executive Officers of KKR & Co. Inc.**

<u>Name</u>	<u>Position</u>
Henry Kravis	Director, Co-Chairman, Co-Chief Executive Officer
George Roberts	Director, Co-Chairman, Co-Chief Executive Officer
Joseph Bae	Director, Co-President, Co-Chief Operating Officer
Scott Nuttall	Director, Co-President, Co-Chief Operating Officer
Robert Lewin	Chief Financial Officer
David Sorkin	General Counsel, Secretary
Mary Dillon	Director
David Drummond	Director
Joseph Grundfest	Director
John Hess	Director
Xavier Niel	Director
Patricia Russo	Director
Thomas Schoewe	Director
Robert Scully	Director

**List of Current Partners and Executive Officers of KKR Management LLP**

<u>Name</u>	<u>Position</u>
Henry Kravis	Founding Partner, Co-Chief Executive Officer
George Roberts	Founding Partner, Co-Chief Executive Officer
Joseph Bae	Partner, Co-President, Co-Chief Operating Officer
Scott Nuttall	Partner, Co-President, Co-Chief Operating Officer
Robert Lewin	Partner, Chief Financial Officer
David Sorkin	Partner, General Counsel, Secretary



# **EXHIBIT E-2**

**Exhibit E-2**

**List of Proposed Directors of Magnolia Parent LLC**

<u>Name</u>	<u>Position</u>
Allan Levine	Director
Scott Nuttall	Director
Joseph Bae	Director
Suzanne Donohoe	Director
Craig Lee	Director
John Graf	Director
Kevin Felix	Director
Douglas Pauls	Director
Richard Spencer	Director
Catherine Smith	Director

**List of Proposed Executive Officers of Magnolia Parent LLC**

<u>Name</u>	<u>Position</u>
Allan Levine	Chairman & Chief Executive Officer
Rob Arena*	President
Kim Lee*	Chief Financial Officer
Samuel Ramos*	Chief Legal Officer, General Counsel & Secretary

\* The NAIC Biographical Affidavits of these individuals are currently on file with the insurance regulator.