ANEXO 12

Copia de las cuentas anuales auditadas de Cinven Capital Management (VII) General Partner Limited correspondientes al ejercicio 2019. Copia de las cuentas anuales auditadas de KKR & Co. Inc. correspondientes al ejercicio 2019. Copia de las cuentas anuales de PEP VII-A International Ltd. y PEP VIII International Ltd. correspondientes al ejercicio 2019.

Registration number 65398

Cinven Capital Management (VII) General Partner Limited

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the period from inception on 21 August 2018 to 31 December 2019

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J Boothman	*(Appointed 21 August 2018)*
R O Dorey	*(Appointed 21 August 2018)*
G Davison	*(Appointed 21 August 2018)*
H Langmuir	*(Appointed 21 August 2018)*
H Tanguy	*(Appointed 21 August 2018)*
W Scott	*(Appointed 21 August 2018 and resigned 31 December 2019)*
C Denton	*(Appointed 1 October 2019)*
C Waldron	*(Appointed 1 October 2019)*
B Ridout	*(Appointed 22 August 2019)*

SECRETARY

H Tanguy	*(Appointed 21 August 2018)*
N Jehan	*(Appointed 21 August 2018)*

REGISTERED OFFICE

Level 4
Mill Court
La Charroterie
St Peter Port
Guernsey
GY1 1EJ

BANKERS

Lloyds Commercial
Lloyds Bank International Limited
PO Box 123
Le Truchot
St Peter Port
Guernsey
GY1 4EF

SOLICITORS

Simpson Thacher & Bartlett LLP
Citypoint
One Ropemaker Street
London
EC2Y 9HU

Carey Olsen (Guernsey) LLP
PO Box, Carey House
Les Banques
St Peter Port
Guernsey GY1 4BZ

INDEPENDENT AUDITOR

Deloitte LLP
Regency Court
Glategny Esplanade
St Peter Port
Guernsey
GY1 3HW

DIRECTORS' REPORT

The directors present their Directors' Report and financial statements of Cinven Capital Management (VII) General Partner Limited (the "Company") for the period from inception on 21 August 2018 to 31 December 2019.

Principal Activities

The Company is a Guernsey limited company registered on 21 August 2018 and regulated by the Guernsey Financial Services Commission. It is a jointly owned subsidiary of Cinven Limited and Cinven (Luxco 1) S.A. During the period, the Company acted as manager to the Seventh Cinven Fund (the "Fund") and as General Partner of Cinven Capital Management (VII) Limited Partnership Incorporated (the "Partnership"), and is responsible for the management, conduct and administration of the business and affairs of the Partnership.

Business Review

As shown in the Company's Statement of Comprehensive Income on page 10, turnover for the period amounted to EUR451,728. Turnover in the period comprised of management fees received as general partner of the Partnership.

The total comprehensive income for the period amounted to EUR10,000. No dividends were paid during the period.

The Statement of Financial Position on page 11 of the financial statements shows the Company's financial position at the period end. The Company had net assets of EUR60,002.

Principal Risk and Uncertainty

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The directors consider the most important components of financial risk are loss of income, currency risk, credit risk and cash flow risk. These risks are mitigated by regular monitoring and analysis of key information by senior management who take appropriate action to ensure the business continues to operate as a going concern.

Future Prospects

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In complying with rules 2.2.5 and 3.1.1 of The Licensees (Capital Adequacy) Rules 2010, the directors have reasonable expectations that the Company will have the financial resources to meet its obligations for the foreseeable future. In forming this expectation, the directors have taken into consideration the net assets of the Company at 31 December 2019 of EUR60,002. In addition, the Company has a contractual obligation to receive its management profit share and the reimbursement of its expenses from the Fund prior to any distributions being made by the Fund. Accordingly, the Company continues to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in Note 2.

During the period from the date of the Statement of Financial Position to the date that the Financial Statements were approved, the coronavirus (COVID-19) outbreak has caused extensive disruptions to businesses and economic activities globally. The uncertainties over the emergence and spread of COVID-19 have caused market volatility on a global scale. The quantum of the effect is difficult to determine, however the Directors are monitoring the situation and considering the effect it may have on the valuation of any impacted investments and other financial and operational issues in the future.

Directors

The membership of the Board is noted on page 3.

DIRECTORS' REPORT (Continued)

Directors' Indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

Disclosure of Information to the Independent Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the Companies (Guernsey) Law, 2008 ("Company Law") and The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended.

Independent Auditor

Deloitte LLP have been appointed as the auditor and the resolution for the re-appointment will be proposed at the forthcoming Annual General Meeting.

By order of the Board

H Tanguy
Director
23 April 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and financial statements in accordance with applicable law and regulations.

Company Law requires the directors to prepare financial statements for each financial year. Under that Law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" ("FRS 102").

Under Company Law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008 and the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring under rules 2.2.5 (Financial Resources) and 3.1.1 (Liquidity Resources) of The Licensees (Capital Adequacy) Rules, 2010 that the Company has appropriate financial resources, as a minimum, of £25,000 or net assets equal to 25% of the licensee's Annual Audited Expenditure, whichever is greater. Furthermore, the directors are responsible for ensuring professional indemnity insurance cover of £250,000 (or three times total revenue, whichever is greater), the excess of which must not exceed 20% of the total insured. The Company shall maintain at all times, with a liquidity requirement of £10,000 or 10 percent of annual audited expenditure, whichever is greater.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CINVEN CAPITAL MANAGEMENT (VII) GENERAL PARTNER LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Cinven Capital Management (VII) General Partner Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs for the period from 21 August 2018 to 31 December 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008 and the Protection of Investors (Bailiwick of Guernsey) Law, 1987.

We have audited the financial statements of the Company which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 10.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CINVEN CAPITAL MANAGEMENT (VII) GENERAL PARTNER LIMITED

Report on the audit of the financial statements (continued)

Other information (continued)
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Furthermore, as described in the directors' responsibilities statement, the directors are responsible for ensuring that the statement of financial resources meets the requirement specified in Rule 2.2.5 of The Licencees (Capital Adequacy) Rules 2010.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CINVEN CAPITAL MANAGEMENT (VII) GENERAL PARTNER LIMITED

Report on other legal and regulatory requirements

We have examined the statement of financial resources and, in our opinion, the financial resources requirement specified in Rule 2.2.5 of The Licencees (Capital Adequacy) Rules 2010 has been satisfied.

Matters on which we are required to report by exception

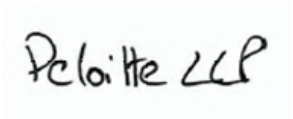
Under the Companies (Guernsey) Law, 2008 we are required to report in respect of the following matters if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Deloitte LLP
Guernsey
23 April 2020

STATEMENT OF COMPREHENSIVE INCOME
For the period from inception on 21 August 2018 to 31 December 2019

	Notes	For the period from 21 August 2018 to 31 December 2019 EUR
Turnover	2,3	451,728
Administrative expenses	5	(441,728)
Operating profit		10,000
Total comprehensive income for the period		10,000

All income and expenses for the period arose from continuing operations in Guernsey.

The Company has no recognised gains or losses for the period other than those included in the results above, therefore, no separate Statement of Other Comprehensive Income has been prepared.

The notes on pages 14 to 18 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	2019 EUR
Current assets		
Debtors	6	855,899
Cash and cash equivalents		20,580
		876,479
Creditors: amounts falling due within one year	7	(816,477)
Net assets		60,002
Capital and reserves		
Called up share capital	8	50,002
Retained earnings		10,000
Equity shareholders' funds		60,002

The notes on pages 14 to 18 are an integral part of these financial statements.

The financial statements of Cinven Capital Management (VII) General Partner Limited (registration number 65398) on pages 10 to 18 were approved by the Board of Directors and authorised for issue on 23 April 2020.

Signed on behalf of the Board of Directors by:

H Tanguy
Director

STATEMENT OF CHANGES IN EQUITY
For the period from inception on 21 August 2018 to 31 December 2019

	Note	Called up share capital EUR	Retained earnings EUR	Total EUR
Balance as at 21 August 2018		-	-	-
Share capital issued	8	50,002	-	50,002
Total comprehensive income for the period		-	10,000	10,000
Balance as at 31 December 2019		50,002	10,000	60,002

The notes on pages 14 to 18 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the period from inception on 21 August 2018 to 31 December 2019

	2019 EUR
Cash flows from operating activities	
Profit for the period	10,000
Adjustment to reconcile net cash outflow from operating activities:	
Increase in debtors	(855,899)
Increase in creditors	816,477
Net cash outflow from operating activities	(29,422)
Cash flows from financing activities	
Issue of share capital	50,002
Net cash inflow from financing activities	50,002
Net increase in cash and cash equivalents	20,580
Cash and cash equivalents as at 21 August 2018	-
Cash and cash equivalents as at 31 December 2019	20,580

The notes on pages 14 to 18 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the period from inception on 21 August 2018 to 31 December 2019

1. General Information

Cinven Capital Management (VII) General Partner Limited was established on 21 August 2018 and is registered as a Company in Guernsey under The Companies (Guernsey) Law, 2008 ("Company Law"). The Company registration number is 65398. The nature of the Company's operation are set out in the Directors' Report.

2. Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable law and United Kingdom Accounting Standards including the Financial Reporting Standard FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" ("FRS 102").

The particular accounting policies adopted by the directors are described below. The accounting policies have been consistently applied in these financial statements, unless otherwise stated.

Going concern

Current Economic Conditions

Cinven Capital Management (VII) General Partner Limited manages the Seventh Cinven Fund (the "Fund") and is entitled to contractual cash flows from the Fund for a period of 10 years from the first closing. The private equity model of the Fund is designed to support longer term investing and consequently the Company's cash flow is not restricted to a material extent by a slowdown in the investment and realisation cycle of the funds it manages.

The Company is monitoring the effect of COVID-19 and considering the effect it may have on the financial and operational issues in the future.

Review

The directors have reviewed (and conduct an ongoing review of) the Company's projected income and expenses (including foreign currency exposures). In complying with rules 2.2.5 and 3.1.1 of The Licensees (Capital Adequacy) Rules 2010, the directors have deemed that the Company will have the financial resources to meet its obligations for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Turnover

Turnover represents fees received as General Partner of the Cinven Capital Management (VII) Limited Partnership Incorporated (the "Partnership"), which are recognised on an accruals basis.

Expenses

Expenses are recognised on an accruals basis.

Functional and Presentational Currency

The performance of the Company is measured and reported in euro. The Company considers euro as the currency that most faithfully represents the economic effects of the underlying operation. As such, the financial statements are presented in euro, which is the Company's functional and presentional currency.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from inception on 21 August 2018 to 31 December 2019

2. Accounting policies (continued)

Foreign Currency

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into euro at the rate of exchange ruling at that date. Transactions in foreign currencies are translated into euro at the rate of exchange ruling at the date of the transactions. Foreign currency differences arising on retranslation are recognised in the Statement of Comprehensive Income.

Basic Financial Instruments

The Company's Basic financial assets comprise debtors and cash and cash equivalents. The Company's Financial liabilities include creditors.

(i) Debtors
Debtors and amounts due are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method, less any impairment losses.

(ii) Creditors
Creditors and amounts due are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

(iii) Cash and cash equivalents
Cash and cash equivalents comprise cash balances only.

(iv) Impairment
At the end of each reporting period the Company assesses whether there is objective evidence of impairment of any financial asset measured at cost or amortised cost. If there is objective evidence of impairment, an impairment loss is recognised immediately in profit or loss.

Share capital

Ordinary shares are classified as equity. Any incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Retained earnings

Retained earnings is the net income, less net losses, from the date the Company began to present, less the sum of dividends paid from the date the Company began to present.

Project costs

From time to time, the Company will incur project costs in relation to an investment, these costs are recoverable from the investment company upon completion. If the project is unsuccessful, they are recoverable from the Fund. In both cases, recoverable costs are recognised as debtors in the statement of financial position.

Taxation

The Company resides for taxation purposes in Guernsey and is taxed under section 58 of the Income Tax (Zero 10) (Guernsey) Law, 2007 at the company standard rate of 0%.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from inception on 21 August 2018 to 31 December 2019

2. Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

Due to the nature of the Company business and having considered the key sources of income and expenditure, balance sheet items and the Group's accounting polocies, the Directors do not believe there are any critical accounting judgements or key sources estimation uncertainty.

3. Turnover

An analysis of the Company's turnover by class of business is set out below:

Type of income	Geographical Market	For the period from 21 August 2018 to 31 December 2019 EUR
Management fee	Guernsey	451,249
Other income	N/A	479
		451,728

4. Related party transactions

Belinda Ridout is a director of the Company and also an employee of Aztec Financial Services (Guernsey) Limited ("Aztec") which is contracted to provide administration and secretarial services to the Company. During the period ended 31 December 2019, the Company incurred director's fees for Belinda Ridout of EUR5,348. During the period, the Company incurred total directors' fees of EUR145,846 with no balance due as at 31 December 2019.

During the period, the Company incurred administration and secretarial fees of EUR22,058 with administration fees payable at 31 December 2019 of EUR9,303.

The Company has recharged EUR404,648 of expenses to The Seventh Cinven Fund (the "Fund") for which, under the terms of the Limited Partnership Agreement dated 9 April 2019, the Company acts as General Partner to the Partnership, which in turn is General Partner to Fund. At the period end the Company had EUR404,648 due from the Fund in respect of recharges and other amounts advanced to them (see note 6).

During the period the Company accrued fees receivable of EUR451,249 in its capacity as a General Partner to the Partnership, which remained outstanding at the period end (see note 6).

During the period the Company incurred advisory fees of EUR36,878 with advisory fees payable at 31 December 2019 of EUR36,878. Refer to note 7 for further details.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from inception on 21 August 2018 to 31 December 2019

5. Administrative expenses

	For the period from 21 August 2018 to 31 December 2019 EUR
Recharged expenses	187,928
Directors' fees	145,846
Advisory fees	36,878
Foreign exchange losses	28,425
Administration fees	22,058
Other expenses	12,169
Disbursements	6,992
Audit fees	6,184
Regulatory fees	2,734
Bank charges	1,126
Professional fees	(8,612)
	441,728

6. Debtors

	2019 EUR
Fees receivable as General Partner	451,249
Amounts due from the Seventh Cinven Fund	404,648
Amounts due from Cinven Limited	1
Amounts due from Cinven (Luxco) S.A.	1
	855,899

All intercompany balances are interest free, unsecured and repayable on demand.

7. Creditors: amounts falling due within one year

	2019 EUR
Amounts due to Cinven Partners LLP	508,593
Amounts due to Cinven Guernsey Services Ltd	187,928
Amounts due to Cinven Limited	67,591
Amounts due to Cinven Luxembourg Sarl	36,878
Administration fees payable	9,303
Audit fees payable	6,184
	816,477

All intercompany balances are interest free, unsecured and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the period from inception on 21 August 2018 to 31 December 2019

8. Called up share capital

	2019 EUR
Called up and allotted:	
50,001 ordinary shares of EURnil par value	50,001
1 Class A share of EURnil par value	1
	50,002

1 ordinary share of nil par value and 1 Class A share of nil par value was issued on incorporation on 21 August 2018 of which EUR1 is owed for each share class. There are no restrictions on the distributions of dividends and each share entitles the shareholder to one vote.

A further 50,000 ordinary shares of nil par value were issued on 29 August 2018, these were paid for in cash for a consideration of EUR50,000. There are no restrictions on the distributions of dividends and each share entitles the shareholder to one vote.

9. Controlling parties

The Company is a subsidiary undertaking of Cinven (Luxco 1) S.A., a company registered in Luxembourg. The directors regard Cinven (Luxco 1) S.A. as the Company's immediate and ultimate controlling party, with a registered office, 4 Rue Albert Borschette, L-1246, Luxembourg.

10. Subsequent events

During the period from the date of the Statement of Financial Position to the date that the Financial Statements were approved, the coronavirus (COVID-19) outbreak has caused extensive disruptions to businesses and economic activities globally. The uncertainties over the emergence and spread of COVID-19 have caused market volatility on a global scale. The Cinven funds have significant asset and cash reserves and continue to receive the full support of their limited partners. The quantum of the effect is difficult to determine, however the Directors are monitoring the situation and considering the effect it may have on the valuation of any impacted investments and other financial and operational issues in the future.

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

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, 2019

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. INC.
(Exact name of Registrant as specified in its charter)

Delaware	**26-0426107**
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

9 West 57th 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**
Class A 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

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 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	Accelerated filer
Non-accelerated filer	Smaller reporting company
	Emerging growth company

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

The aggregate market value of Class A common stock of the registrant held by non-affiliates as of June 30, 2019, was approximately $13.1 billion. As of February 10, 2020, the registrant had 558,046,130 shares of Class A common stock, 1 share of Class B common stock and 290,381,345 shares of Class C common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

KKR & CO. INC.

FORM 10-K

For the Year Ended December 31, 2019

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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 this report. These factors should be read in conjunction with the other cautionary statements that are included in this 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.

In this report, references to "KKR," "we," "us" and "our" refer to (i) KKR & Co. Inc. and its subsidiaries following the conversion from a Delaware limited partnership named KKR & Co. L.P. into a Delaware corporation named KKR & Co. Inc. on July 1, 2018 (the "Conversion") and (ii) KKR & Co. L.P. and its subsidiaries prior to the Conversion, in each case, except where the context requires otherwise. KKR & Co. L.P. became listed on the New York Stock Exchange ("NYSE") on July 15, 2010 under the symbol "KKR." On January 1, 2020, KKR completed an internal reorganization (the "Reorganization"), which was undertaken to, among other purposes, simplify KKR's internal structure following the Conversion. In the Reorganization, (i) KKR Management Holdings L.P. and KKR International Holdings L.P., which were former intermediate holdings 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.

References to our Class A common stock, Series A Preferred Stock or Series B Preferred Stock for periods prior to the Conversion mean the common units, Series A preferred units and Series B preferred units of KKR & Co. L.P., respectively. 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 "Class B Stockholder" are to KKR Management LLP, the holder of the sole share of our Class B common 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 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 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 Class B 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 Class A common stock outstanding, or to our Class A common stock outstanding on a fully exchanged and diluted basis, reflect (i) actual shares of Class A common stock outstanding, (ii) shares of Class A common stock into which KKR Group Partnership Units held by KKR Holdings are exchangeable pursuant to the terms of the exchange agreement described in this report, (iii) shares of Class A common stock issuable in respect of exchangeable equity securities issued in connection with the acquisition of Avoca Capital ("Avoca"), all of which have been exchanged as of December 31, 2018, and (iv) Class A 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 Class A common stock outstanding does not include shares of Class A 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

ITEM 1. BUSINESS

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 December 31, 2019. 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 December 31, 2019, approximately 77% of our FPAUM 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.

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 and "one-firm" philosophy 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 emphasizes 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, 2019, we and our employees and other personnel have approximately $18.6 billion invested in or committed to our own funds and portfolio companies, including $10.6 billion funded from our balance sheet, $5.2 billion of additional commitments from our balance sheet to investment funds, $2.0 billion funded from personal investments and $0.8 billion of additional commitments from personal investments.

Our Business

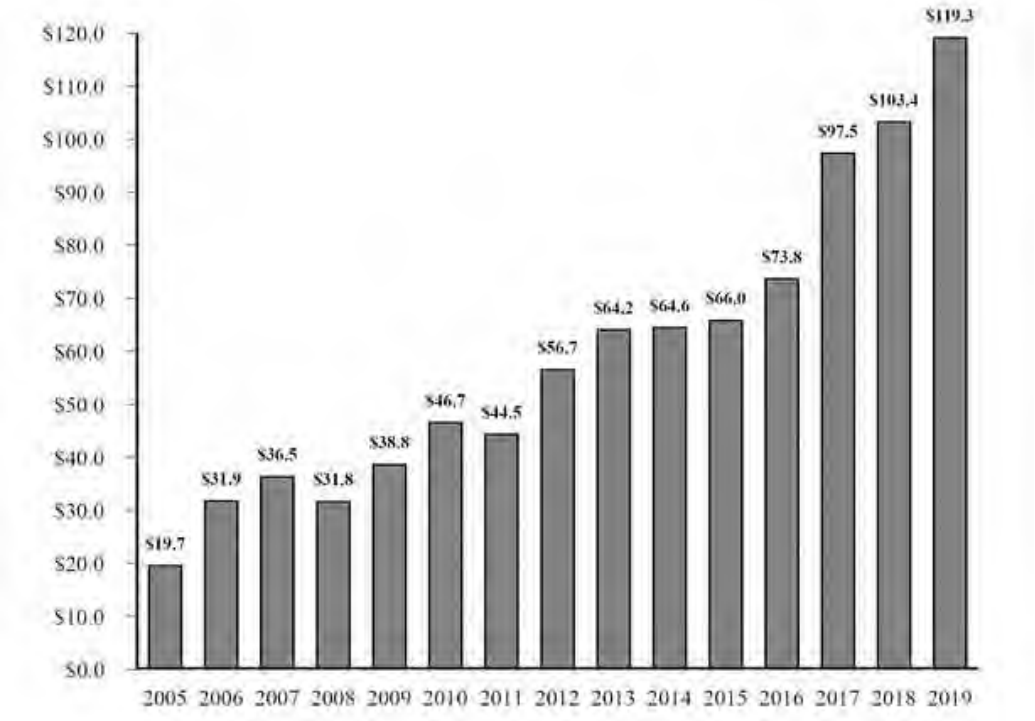
Our Business Lines

We operate our business in four business lines: (1) Private Markets, (2) Public Markets, (3) Capital Markets, and (4) Principal Activities. Information about our business lines below should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements included elsewhere in this report.

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 December 31, 2019, our Private Markets business line had $119.3 billion of AUM, consisting of $78.9 billion in private equity (including growth equity and core investments), $27.7 billion in real assets (including infrastructure, energy and real estate) and $12.7 billion in other related strategies.

Private Markets
Assets Under Management [1]
($ in billions)



(1) For the years 2006 through 2008, AUM are presented pro forma for the acquisition of the assets and liabilities of KKR & Co. (Guernsey) L.P. (formerly known as KKR Private Equity Investors, L.P.) ("KPE") on October 1, 2009 (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 partners in which we hold an ownership interest. AUM for all prior periods have been adjusted to include such changes.

The table below presents information as of December 31, 2019, 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 acquisitions or disposals of investments, changes in investment values, or distributions occurring after December 31, 2019.

	Investment Period [1]		Amount ($ in millions)							
	Start Date	End Date	Commitment [2]	Uncalled Commitments	Percentage Committed by General Partner	Invested	Realized	Remaining Cost [3]	Remaining Fair Value	Gross Accrued Carried Interest
Private Equity and Growth Equity Funds										
Americas Fund XII	1/2017	1/2023	$ 13,500.0	$ 7,061.9	5.8%	$ 6,461.8	$ 89.0	$ 6,458.0	$ 7,476.4	$ 99.4
North America Fund XI	9/2012	1/2017	8,718.4	573.1	2.9%	9,579.6	10,334.2	5,632.8	9,782.4	779.1
2006 Fund [4]	9/2006	9/2012	17,642.2	247.4	2.1%	17,304.5	30,478.7	3,528.7	6,491.9	583.0
Millennium Fund [4]	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	6,277.7	6,277.7	1.8%	—	—	—	—	—
European Fund IV	12/2014	3/2019	3,507.2	239.9	5.7%	3,372.9	1,968.6	2,522.5	4,175.9	320.4
European Fund III [4]	3/2008	3/2014	5,507.1	147.3	5.2%	5,359.8	10,447.8	419.5	416.8	3.3
European Fund II [4]	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	5,011.8	5.6%	4,208.8	486.4	4,166.3	5,677.7	270.6
Asian Fund II	4/2013	4/2017	5,825.0	342.9	1.3%	6,495.2	3,907.4	4,413.1	6,499.1	430.7
Asian Fund [4]	7/2007	4/2013	3,983.3	—	2.5%	3,945.9	8,535.4	173.5	52.6	(22.4)
China Growth Fund [4]	11/2010	11/2016	1,010.0	—	1.0%	1,010.0	805.5	524.7	461.8	(13.6)
Next Generation Technology Growth Fund II	12/2019	12/2025	2,033.3	2,033.3	7.4%	—	—	—	—	—
Next Generation Technology Growth Fund	3/2016	12/2019	658.9	33.8	22.5%	630.6	45.9	613.5	1,060.1	46.4
Health Care Strategic Growth Fund	12/2016	12/2021	1,331.0	1,047.9	11.3%	360.4	82.4	289.3	560.7	31.5
Global Impact Fund	2/2019	2/2025	1,129.3	1,129.3	8.9%	—	—	—	—	—
Private Equity and Growth Equity Funds			91,874.2	24,146.3		70,480.3	89,811.8	28,741.9	42,695.8	2,529.5
Co-Investment Vehicles and Other	Various	Various	9,157.3	2,853.6	Various	6,556.8	4,802.5	4,434.8	6,062.0	477.3
Total Private Equity and Growth Equity Funds			101,031.5	26,999.9		77,037.1	94,614.3	33,176.7	48,757.8	3,006.8
Core Investment Vehicles	Various	Various	9,500.0	5,010.3	36.8%	4,489.7	—	4,489.7	6,196.8	101.0
Real Assets										
Energy Income and Growth Fund II	6/2018	6/2021	994.2	581.4	20.1%	416.3	3.4	413.1	427.7	—
Energy Income and Growth Fund	9/2013	6/2018	1,974.2	59.3	12.9%	1,963.4	769.1	1,300.5	1,205.2	—
Natural Resources Fund [4]	Various	Various	887.4	0.9	Various	886.5	123.2	194.2	95.3	—
Global Energy Opportunities	Various	Various	914.1	242.6	Various	501.1	122.9	343.2	279.8	—
Global Infrastructure Investors III	6/2018	6/2024	7,140.6	5,088.7	3.8%	2,081.4	29.5	2,049.1	2,081.9	—
Global Infrastructure Investors II	10/2014	6/2018	3,039.6	177.2	4.1%	3,093.7	593.4	2,744.5	3,562.5	97.3
Global Infrastructure Investors	9/2011	10/2014	1,040.2	25.4	4.8%	1,047.6	1,316.2	377.9	867.5	54.8
Asia Pacific Infrastructure Investors	(5)	(6)	1,439.6	1,439.6	13.9%	—	—	—	—	—
Real Estate Partners Americas II	5/2017	12/2020	1,921.2	964.5	7.8%	1,068.6	181.3	945.2	1,202.9	35.1
Real Estate Partners Americas	5/2013	5/2017	1,229.1	148.2	16.3%	1,010.7	1,268.6	266.3	249.0	17.3
Real Estate Partners Europe	9/2015	12/2019	706.7	274.6	9.3%	504.0	124.8	431.7	544.6	24.4
Real Estate Credit Opportunity Partners	2/2017	4/2019	1,130.0	122.2	4.4%	1,007.8	136.8	1,007.8	1,050.4	10.7
Co-Investment Vehicles and Other	Various	Various	5,023.8	3,209.6	Various	1,814.2	801.3	1,810.5	2,088.3	4.0
Real Assets			27,440.7	12,334.2		15,395.3	5,470.5	11,884.0	13,655.1	243.6
Other										
Unallocated Commitments [7]			2,333.9	2,333.9	Various	—	—	—	—	—
Private Markets Total			$ 140,306.1	$ 46,678.3		$ 96,922.1	$ 100,084.8	$ 49,550.4	$ 68,609.7	$ 3,351.4

(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 new investments on behalf of the fund, unless extended by a vote of the fund investors and (ii) the date on which the last new 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, 2019, 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 return of capital and 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) Upon first investment of the fund.

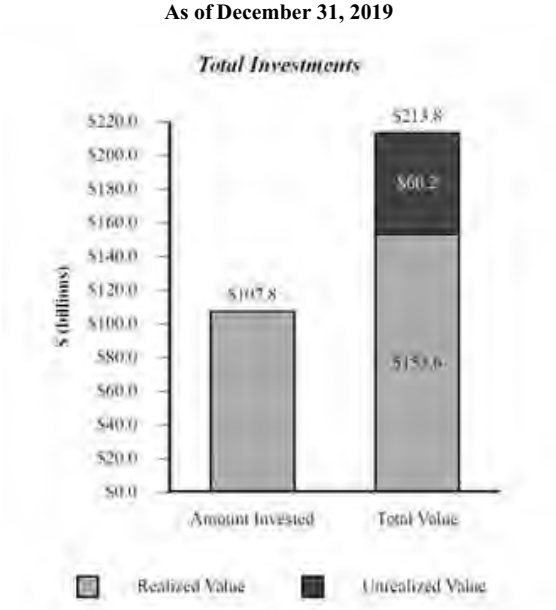
(6) Six years from first investment date.

(7) "Unallocated Commitments" represent unallocated commitments from our strategic investor partnerships.

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 internal rates of return ("IRRs") when deploying capital in these transactions. We have nearly doubled the value of capital that we have invested in our Private Markets investment funds, turning $107.8 billion of capital into $213.8 billion of value from our inception in 1976 toDecember 31, 2019.

Amount Invested and Total Value for
Private Markets Investment Funds
As of December 31, 2019



From our inception in 1976 throughDecember 31, 2019, our investment funds with at least 24 months of investment activity generated a cumulative gross IRR of 25.6%, compared to the 11.8% and 9.1% 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 period other than the period discussed above and is not a guarantee of future results. 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 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 prospects and condition" and "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 our balance sheet investments, of our future results or the performance of our common stock."

The tables below present information as of December 31, 2019, 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 December 31, 2019, 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			Gross IRR [5]	Net IRR [5]	Gross Multiple of Invested Capital [5]
	Commitment	Invested	Realized [4]	Unrealized	Total Value			
	($ in millions)							
Total Investments								
Legacy Funds [1]								
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
Included Funds								
European Fund (1999) [2]	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) [2]	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	30,478.7	6,491.9	36,970.6	12.1 %	9.5 %	2.1
Asian Fund (2007)	3,983.3	3,945.9	8,535.4	52.6	8,588.0	18.8 %	13.5 %	2.2
European Fund III (2008) [2]	5,507.1	5,359.8	10,447.8	416.8	10,864.6	16.7 %	11.6 %	2.0
E2 Investors (Annex Fund) (2009) [2]	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	461.8	1,267.3	6.5 %	2.2 %	1.3
Natural Resources Fund (2010)	887.4	886.5	123.2	95.3	218.5	(26.4)%	(28.4)%	0.2
Global Infrastructure Investors (2011) [2]	1,040.2	1,047.6	1,316.2	867.5	2,183.7	17.8 %	15.8 %	2.1
North America Fund XI (2012)	8,718.4	9,579.6	10,334.2	9,782.4	20,116.6	23.9 %	19.1 %	2.1
Asian Fund II (2013)	5,825.0	6,495.2	3,907.4	6,499.1	10,406.5	16.9 %	12.5 %	1.6
Real Estate Partners Americas (2013)	1,229.1	1,010.7	1,268.6	249.0	1,517.6	18.5 %	13.6 %	1.5
Energy Income and Growth Fund (2013)	1,974.2	1,963.4	769.1	1,205.2	1,974.3	0.2 %	(2.4)%	1.0
Global Infrastructure Investors II (2014) [2]	3,039.6	3,093.7	593.4	3,562.5	4,155.9	13.3 %	11.0 %	1.3
European Fund IV (2015) [2]	3,507.2	3,372.9	1,968.6	4,175.9	6,144.5	28.8 %	22.4 %	1.8
Real Estate Partners Europe (2015) [2]	706.7	504.0	124.8	544.6	669.4	17.5 %	10.9 %	1.3
Next Generation Technology Growth Fund (2016)	658.9	630.6	45.9	1,060.1	1,106.0	37.0 %	29.8 %	1.8
Health Care Strategic Growth Fund (2016)	1,331.0	360.4	82.4	560.7	643.1	87.8 %	48.0 %	1.8
Americas Fund XII (2017)	13,500.0	6,461.8	89.0	7,476.4	7,565.4	14.0 %	8.1 %	1.2
Real Estate Credit Opportunity Partners (2017)	1,130.0	1,007.8	136.8	1,050.4	1,187.2	11.3 %	9.0 %	1.2
Core Investment Vehicles (2017)	9,500.0	4,489.7	—	6,196.8	6,196.8	22.9 %	21.4 %	1.4
Asian Fund III (2017)	9,000.0	4,208.8	486.4	5,677.7	6,164.1	48.2 %	34.1 %	1.5
Real Estate Partners Americas II (2017)	1,921.2	1,068.6	181.3	1,202.9	1,384.2	34.9 %	27.0 %	1.3
Global Infrastructure Investors III (2018) [2] [3]	7,140.6	2,081.4	29.5	2,081.9	2,111.4	—	—	—
European Fund V (2019) [2] [3]	6,277.7	—	—	—	—	—	—	—
Energy Income and Growth Fund II (2019) [3]	994.2	416.3	3.4	427.7	431.1	—	—	—
Next Generation Technology Growth Fund II (2019) [3]	2,033.3	—	—	—	—	—	—	—
Global Impact Fund (2019) [3]	1,129.3	—	—	—	—	—	—	—
Asia Pacific Infrastructure Investors (2019) [3]	1,439.6	—	—	—	—	—	—	—
Subtotal - Included Funds	126,158.2	91,331.2	103,315.4	60,179.6	163,495.0	16.0 %	12.0 %	1.8
All Funds	$ 142,632.7	$ 107,805.7	$ 153,584.7	$ 60,179.6	$ 213,764.3	25.6 %	18.8 %	2.0

(1) These funds were not contributed to KKR as part of the KPE Transaction.

(2) Commitment 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, 2019, in the case of unfunded commitments. The following table presents information regarding investment funds with euro-denominated 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 December 31, 2019. 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 or Asia Pacific Infrastructure Investors has invested for at least 24 months as of December 31, 2019. 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.

(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 0.2 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 our balance sheet investments, of our future results or the performance of our common stock."

Private Equity

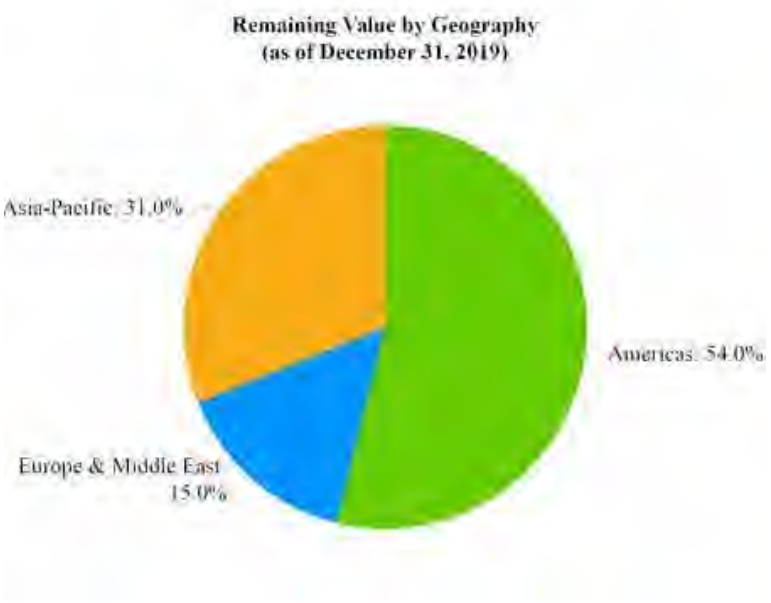
We are a world leader in private equity, having raised 26 private equity funds (including growth equity), as indicated in the table above, with approximately $111.6 billion of capital commitments through December 31, 2019. We invest in industry-leading franchises and attract world-class management teams. Our investment approach leverages our capital base, sourcing advantage, global network and industry knowledge. It also leverages a sizable team of operating professionals, as well as senior advisors and other advisors, many of whom are former chief executive officers and leaders of the business community.

Our traditional private equity investment strategy typically seeks to engage primarily in management buyouts, build-ups, or other investments with a view to acquire a controlling or significant influence. Building upon our four decades of private equity investing experience, we have sourced a number of smaller growth equity investment opportunities, and we expanded our business by launching dedicated growth equity funds in 2016 and 2019 that pursue growth equity investment opportunities in the technology, media and telecommunications ("TMT") sector, primarily in the United States, Canada, Europe and Israel. In 2016, we launched another dedicated growth equity fund to pursue growth equity investment opportunities in the health care sector, primarily in the United States and Europe. As of December 31, 2019, we have received $4.0 billion of capital commitments to our TMT and health care growth equity strategies.

We further expanded on our private equity business by making our first core investment in 2017. Through our core investments strategy, we target investments that have a longer holding period and a lower risk profile, which may not be suitable for our traditional private equity funds. See "—Core Investments Strategy."

Portfolio

The following chart presents information concerning the remaining value of traditional private equity funds by geography throughDecember 31, 2019. We believe that this data illustrates the benefits of our business approach and our ability to source and invest in deals in multiple geographies.



As of December 31, 2019, our traditional private equity portfolio consisted of 106 companies with approximately $165 billion of annual revenues. These companies are headquartered in 19 countries and operate in 20 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.

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 or portfolio managers, as applicable, monitor our due diligence practices and approve an investment before it is 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 professionals who assist the private equity portfolio companies in making operational improvements and achieving growth. We augment these resources with operational guidance from operating professionals 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, 2019, the firm has generated approximately $149.0 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 and financial 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 private equity funds since 2012 generally 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 private equity 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 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. 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." 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. In addition, the agreements governing our 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—Recognition of Carried Interest in the Statement of Operations" 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 are 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. Since 2014, our 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 one or more "key persons" (for example, investment professionals who are named as "key executives" for certain geographically or product focused 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 person" 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 (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. 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.

Real Assets

Energy

Our energy platform 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 fund 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 primarily through KKR's energy funds. As of December 31, 2019, we have received $3.9 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 platform 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 platform we have made investments in power and utilities, midstream, alternative energy, transportation, asset leasing, water and wastewater, and telecommunications infrastructure. As of December 31, 2019, we had received $12.7 billion of capital commitments to our infrastructure funds, and $1.9 billion of capital commitments to this strategy through separately managed accounts and co-investment vehicles.

Real Estate

Our real estate equity platform targets real estate investment opportunities globally, across the United States, Western Europe and Asia-Pacific. Our equity investments include direct investments in real property, debt, special situations transactions and businesses with significant real estate holdings that can benefit from KKR's involvement and 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 equity investments in residential and commercial assets. We have also established an investment platform with a strategic partner to invest in commercial real estate in the United States. As of December 31, 2019, we have received $5.5 billion of capital commitments through our real estate equity investment funds.

Our real estate credit platform provides capital solutions for real estate transactions with a focus on commercial mortgage-backed securities, whole loans and subordinated debt. As of December 31, 2019, we managed approximately $3.3 billion of assets in our real estate credit strategy, which include KKR Real Estate Finance Trust Inc. ("KREF"), a NYSE-listed real estate investment trust ("REIT"), and $2.0 billion of capital commitments through our real estate credit funds focused on the risk retention tranches of CMBS transactions.

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 potential investments to the applicable strategy oriented investment committee or the portfolio manager, as applicable, which monitors our due diligence practices and approves an investment before it is 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, infrastructure and real estate investment teams typically 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 generally range from 0.75% to 1.5% on committed capital, 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.

Core Investments Strategy

Our core investments strategy targets investments with a longer holding period and a lower risk profile than our traditional private equity or, in certain cases, our real asset investments. The holding periods in core investments are generally longer than 15 years. In 2017, we established core investment vehicles with $6.0 billion of capital commitments from fund investors and $3.5 billion of capital commitments from KKR's balance sheet, through which we aim to make core investments in private equity and real asset opportunities globally.

Public Markets

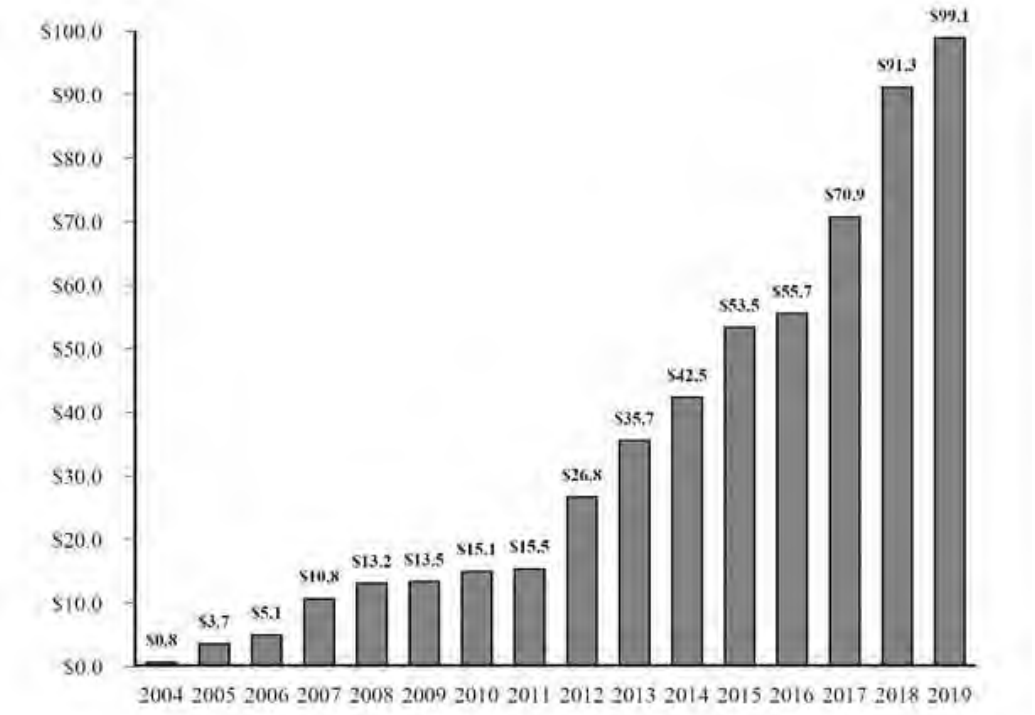
Through our Public Markets business line, we operate our combined credit and hedge funds platforms. Our credit business invests capital in (i) leveraged credit strategies, including leveraged loans, high-yield bonds, opportunistic credit and revolving credit strategies, and (ii) alternative credit strategies, 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"), including business development companies ("BDCs"), 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, KKR Credit Advisors (Ireland) Unlimited Company, which is regulated by the Central Bank of Ireland ("CBI"), and FS/KKR Advisor, LLC ("FS/KKR Advisor"), which is a strategic BDC partnership with Franklin Square Holdings, L.P. ("FS Investments"). 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.

On April 9, 2018, we completed the transaction (the "FS Investments Transaction") to form FS/KKR Advisor to provide investment advisory services to two BDCs previously advised and sub-advised by KKR Credit Advisors (US) LLC, and four BDCs previously advised by FS Investments. We own a 50% interest in FS/KKR Advisor. In December 2018, one of the BDCs previously advised by KKR Credit Advisors (US) LLC and one of the BDCs previously advised by FS Investments merged to create FS KKR Capital Corp., a BDC listed on the NYSE and advised by FS/KKR Advisor. In December 2019, the other four non-traded BDCs were merged to create FS KKR Capital Corp. II, which is advised by FS/KKR Advisor. As of December 31, 2019, our BDC platform had approximately $16.5 billion in combined AUM. We report all of the AUM of the BDCs in our AUM.

The following chart presents the growth in the AUM of our Public Markets business line from the commencement of its operations in August 2004 through December 31, 2019.

Public Markets
Assets Under Management [1] [2]
($ in billions)



(1) For years 2006 through 2008, AUM 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 of acquired businesses and pro rata AUM of hedge fund partnerships in which KKR has made an investment are included in the years on and after the completion of the respective acquisitions or transactions, as applicable.

(2) In 2015 our definition of AUM was amended to include (i) KKR's pro rata portion of AUM managed by third-party 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 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 December 31, 2019. 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

($ in millions)	Inception Date	Gross Returns	Net Returns	Benchmark [1]	Benchmark Gross Returns
Bank Loans Plus High Yield	Jul 2008	7.70%	7.09%	65% S&P/LSTA Loan Index, 35% BoAML HY Master II Index [2]	6.13%
Opportunistic Credit [3]	May 2008	11.85%	9.93%	50% S&P/LSTA Loan Index, 50% BoAML HY Master II Index [3]	6.42%
Bank Loans	Apr 2011	5.24%	4.64%	S&P/LSTA Loan Index [4]	4.30%
High-Yield	Apr 2011	7.12%	6.54%	BoAML HY Master II Index [5]	6.40%
Bank Loans Conservative	Apr 2011	4.66%	4.07%	S&P/LSTA BB-B Loan Index [6]	4.34%
European Leveraged Loans [7]	Sep 2009	4.92%	4.40%	CS Inst West European Leveraged Loan Index [8]	4.41%
High-Yield Conservative	Apr 2011	6.51%	5.94%	BoAML HY BB-B Constrained [9]	6.42%
European Credit Opportunities [7]	Sept 2007	5.54%	4.60%	S&P European Leveraged Loans (All Loans) [10]	4.23%
Revolving Credit [11]	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 December 31, 2019. 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 December 31, 2019. 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

		Amount		Fair Value of Investments						
Public Markets Investment Funds	**Inception Date**	**Commitment**	**Invested [1]**	**Realized [1]**	**Unrealized**	**Total Value**	**Gross IRR [2]**	**Net IRR [2]**	**Multiple of Invested Capital [3]**	**Gross Accrued Carried Interest**
		($ in Millions)								
Special Situations Fund II	Dec 2014	$ 3,524.7	$ 2,655.3	$ 497.8	$ 2,448.6	$ 2,946.4	4.5%	2.4%	1.1	$ —
Special Situations Fund	Dec 2012	2,274.3	2,273.0	1,527.3	1,049.5	2,576.8	3.2%	1.2%	1.1	—
Mezzanine Partners	Mar 2010	1,022.8	920.1	1,070.9	305.8	1,376.7	12.6%	8.2%	1.5	57.6
Private Credit Opportunities Partners II	Dec 2015	2,245.1	1,419.3	76.6	1,532.9	1,609.5	10.9%	8.0%	1.1	19.5
Lending Partners III	Apr 2017	1,497.8	657.0	81.9	703.8	785.7	19.8%	16.2%	1.2	9.8
Lending Partners II	Jun 2014	1,335.9	1,179.1	1,090.1	435.7	1,525.8	10.3%	8.2%	1.3	43.1
Lending Partners	Dec 2011	460.2	405.3	445.7	46.2	491.9	5.6%	4.0%	1.2	—
Lending Partners Europe	Mar 2015	847.6	604.9	178.6	499.4	678.0	7.3%	4.3%	1.1	—
Other Alternative Credit Vehicles	Various	10,738.3	4,813.7	3,180.6	3,391.3	6,571.9	N/A	N/A	N/A	124.8
Unallocated Commitments [4]	Various	285.6	—	—	—	—	N/A	N/A	N/A	—
All Funds		$ 24,232.3	$ 14,927.7	$ 8,149.5	$ 10,413.2	$ 18,562.7				$ 254.8

(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.

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 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 prospects and condition" and "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 our balance sheet investments, of our future results or the performance of our common stock."

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 availability and 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 our 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, high-yield bonds, opportunistic credit and revolving credit strategies, and alternative credit strategies, such as special situations, direct lending and private opportunistic credit (or mezzanine) strategies. 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 CLOs that hold leveraged loans, high-yield bonds or a combination of both. CLOs are typically structured as special purpose investment vehicles that acquire, monitor and, to varying degrees, manage a pool of credit assets. CLOs generally serve as long-term financing for leveraged credit investments and as a way to reduce refinancing risk, reduce maturity risk and secure a fixed cost of funds over an underlying market interest rate. We typically receive a fee for managing 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 in order to terminate our investment management services. Following the FS Investments Transaction in April 2018, FS/KKR Advisor serves as the investment adviser to the BDCs in our BDC platform.

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. Our revolving credit strategy invests in senior secured revolving credit facilities.

Alternative Credit. Our alternative credit strategies consist of special situations and private credit strategies.

- *Special Situations.* We seek to make opportunistic investments largely in stressed or 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.

- *Private Credit.* Our private credit strategies seek to leverage the knowledge and relationships developed in the leveraged credit business. These strategies include direct lending and private opportunistic credit strategies. Through our direct lending strategy, we seek to make investments in proprietarily sourced primarily senior debt financings for middle-market companies. Through our private opportunistic credit strategy, we seek to make investments in directly sourced third-party mezzanine and mezzanine-like transactions and also seek asset-based credit and structured 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.

Hedge Funds

Our hedge fund platform consists of strategic partnerships with third-party hedge fund managers in which KKR owns a minority stake. This includes a 39.6% interest in Marshall Wace LLP (together with its affiliates, "Marshall Wace"), a global alternative investment manager specializing in long/short equity products, and a 24.9% interest in BlackGold Capital Management L.P. ("BlackGold"), a credit-oriented investment manager focused on energy and hard asset investments. We also own a 39.9% interest in, and are entitled to receive certain other payments from, PAAMCO Prisma Holdings, LLC ("PAAMCO Prisma"), an investment manager focused on liquid alternative investment solutions, including hedge fund-of-fund portfolios.

Public Markets AUM and Vehicle Structures

As of December 31, 2019, our Public Markets business line had $99.1 billion of AUM, comprised of $41.1 billion of assets managed in our leveraged credit strategies (which include $4.7 billion of assets managed in our opportunistic credit strategy and $2.0 billion of assets managed in our revolving credit strategy), $6.6 billion of assets managed in our special situations strategy, $24.5 billion of assets managed in our private credit strategies, $26.1 billion of assets managed through our hedge fund platform, and $0.8 billion of assets managed in other strategies. Our private credit strategies include $17.9 billion of assets managed in our direct lending strategy and $6.6 billion of assets managed in our private opportunistic credit strategy. Our BDC platform has approximately $16.5 billion in combined assets under management, all of 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 of our strategic partnerships with third-party hedge fund managers based on KKR's percentage ownership in them.

The table below presents information as of December 31, 2019, 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
Leveraged Credit:						
Leveraged Credit SMAs/Funds	$ 22,802	$ 21,199	0.10%-1.10%	Various (1)	Various (1)	Subject to redemptions
CLOs	15,311	15,311	0.40%-0.50%	Various (1)	Various (1)	10-14 Years (2)
Total Leveraged Credit	38,113	36,510				
Alternative Credit: (3)						
Special Situations	6,847	4,646	0.90%-1.75% (4)	10.00-20.00%	7.00-12.00%	8-15 Years (2)
Private Credit	11,578	5,729	0.50%-1.50%	10.00-20.00%	5.00-8.00%	8-15 Years (2)
Total Alternative Credit	18,425	10,375				
Hedge Funds (5)	26,082	20,947	0.50%-2.00%	Various (1)	Various (1)	Subject to redemptions
BDCs (6)	16,460	16,460	0.60%	8.00%	7.00%	Indefinite
Total	$ 99,080	$ 84,292				

(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 2019 and for separately managed accounts and funds investing in alternative credit strategies from 2009 through 2019.

(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.

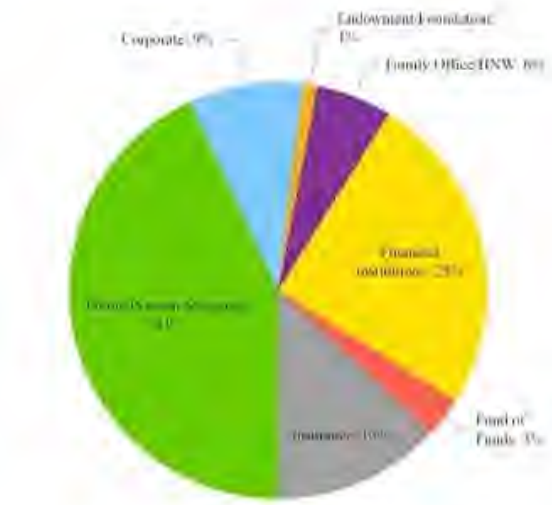
(6) Consists of our BDC platform advised by FS/KKR Advisor. We report all of the AUM of the BDCs in our AUM and FPAUM.

Fundraising and Composition of Fund Investors

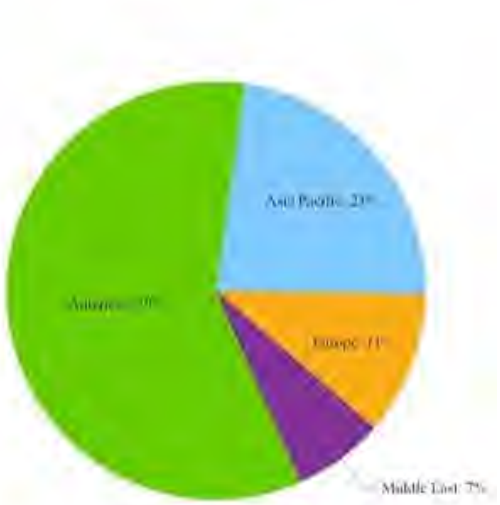
We have a Client & Partner Group that is responsible for raising capital for us globally across all products, expanding our client relationships across asset classes and across types of fund investors, developing products to meet our clients' needs, and servicing existing fund investors and products. We also provide fundraising services to certain third-party fund managers in our hedge fund partnerships. As of December 31, 2019, we had over 90 executives and professionals dedicated to our Client & Partner Group.

As of December 31, 2019, we had approximately 1,040 investors in funds across all our strategies, which reflect the addition of 75 investors during the year. On average, a fund investor is invested in approximately two of our strategies as of December 31, 2019. The following charts detail our investor base by type and geography as of December 31, 2019.

Fund Investor Base by Type (1)



Fund Investor Base by Geography (1)



(1) Based on the AUM of our Private Markets investment funds, Private Markets co-investment vehicles, and Public Markets separately managed accounts and Public Markets 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.

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.

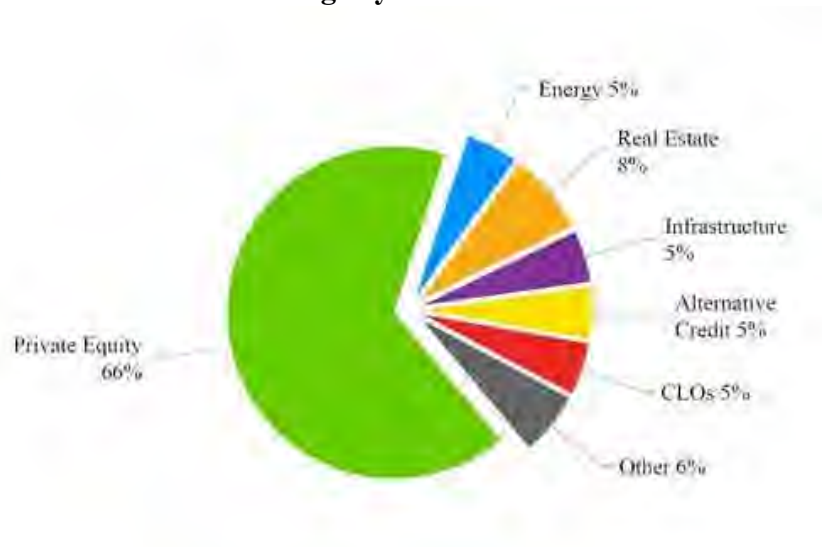
Our Principal Activities business line also provides the required capital to fund the various commitments of our Capital Markets business line when underwriting or syndicating securities, or when providing term loan commitments for transactions involving our portfolio companies and for third parties. 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 December 31, 2019.

Holdings by Asset Class [(1)]



(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.

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, BDCs, 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. However, such consolidation may also lead institutional fund investors to prefer more established investment firms, which could help us compete against newer entrants or investment firms that are smaller in size or offer more limited types of investment strategies.

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. 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.

Our capital markets business competes primarily with investment banks and independent broker-dealers in 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.

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, 2019, we employed 1,384 people worldwide:

Investment Professionals	480
Other Professionals	624
Support Staff	280
Total Employees[1]	1,384

(1) Does not include 69 operating consultants of KKR Capstone and other consultants who provide services to us or our funds. KKR acquired KKR Capstone on January 1, 2020. See "—KKR Capstone" below.

Investment Professionals

Our 480 investment professionals come from diverse backgrounds in private equity, real assets, credit 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 624 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

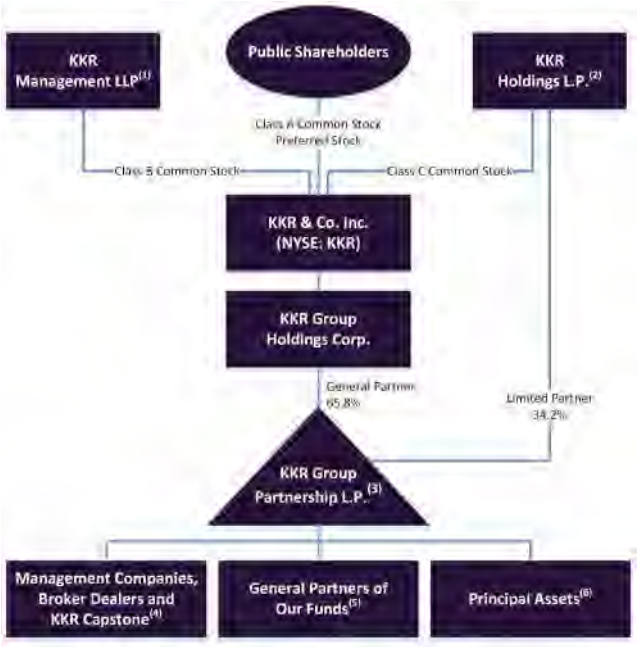
We have developed an institutionalized process for creating value in investments. As part of our effort, we utilize a team of 69 operating professionals at KKR Capstone, who work exclusively with our investment professionals and portfolio company management teams or our designees. With professionals 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 professionals 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. On January 1, 2020, KKR acquired KKR Capstone.

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 chairpersons of major corporations and others holding leading positions of public agencies worldwide.

Organizational Structure

The following simplified diagram illustrates our organizational structure as of February 10, 2020, unless otherwise noted. Certain entities depicted below may be held through intervening entities not shown in the diagram.



(1)KKR Management LLP is the sole holder of Class B common stock of KKR & Co. Inc. KKR Management LLP 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 shares of Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for stock splits, stock dividends 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 January 1, 2020, KKR Holdings had approximately a 34.2% interest in our business indirectly through its limited partner interests in KKR Group Partnership. KKR Holdings also holds Class C common stock that entitles it to cast a number of votes equal to the number of KKR Group Partnership Units that it holds, with respect to the limited matters upon which our Class A common stockholders are entitled to vote.

(3)On January 1, 2020, KKR completed the Reorganization, in which KKR Management Holdings L.P. and KKR International Holdings L.P., which were formerly 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. and became the sole intermediate holding company for KKR's business.

(4)Includes Kohlberg Kravis Roberts & Co. L.P., the SEC-registered investment adviser, which in turn is the parent company of KKR's other management and capital markets subsidiaries, including KKR Credit Advisors (US) LLC, KKR Credit Advisors (Ireland) Unlimited Company, KKR Alternative Investment Management Unlimited Company and KKR Capital Markets Holdings L.P., the holding company for KKR Capital Markets LLC. Kohlberg Kravis Roberts & Co. L.P. is also the parent company of KKR Capstone Holdings LLC, the holding company for KKR Capstone entities.

(5)40% of the carried interest earned from our investment funds, and, beginning with the quarter ended September 30, 2016, 40% of the management fees that would have been subject to a management fee refund for investment funds that have a preferred return, are allocated to a carry pool, from which carried interest is allocable to our current and former employees and other persons associated with KKR. Beginning with the quarter ended September 30, 2017, 43% of carried interest generated by certain then-current and future funds is allocated to the carry pool instead of 40% of carried interest. For impacted funds, the incremental 3% replaces the amount of certain management fee refunds that would have been calculated for those funds as performance income compensation. No carried interest has been allocated with respect to co-investments acquired from KPE in the KPE Transaction. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Financial Measures Under GAAP—Expenses—Compensation and Benefits."

(6)Includes KKR Financial Holdings LLC and KKR Group Finance Co. Holdings Limited, which in turn owns the issuers of KKR's outstanding senior notes.

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 stockholders.

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 subsidiary KKR Credit Advisors (US) LLC, each of which is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940 (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, record-keeping 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 investment company registered under the Investment Company Act. The closed-end management investment 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 FINRA. As a registered broker-dealer, KKR Capital Markets LLC is 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.

Ireland

We have a number of subsidiaries which are authorized and regulated by the Central Bank of Ireland, or CBI. The CBI is responsible for, among other things, regulating and supervising firms that provide financial services in Ireland, including broker-dealers and investment firms. The CBI also develops and maintains regulatory policies for Ireland's financial services sector. The CBI has the authority to approve applications from financial services providers in Ireland, monitor compliance with its standards, and take enforcement action for non-compliance. Violation of the CBI's requirements may result in administrative sanctions; investigations; refusal, revocation or cancellation of authorization or registrations; criminal prosecution; and/or reports to other agencies.

KKR Alternative Investment Management Unlimited Company, KKR Credit Advisors (Ireland) Unlimited Company and KKR Capital Markets (Ireland) Limited Company are regulated by the CBI. KKR Alternative Investment Management Unlimited Company is an authorized EU alternative investment manager permitted to conduct portfolio management, risk management and certain administrative activities. KKR Credit Advisors (Ireland) Unlimited Company is authorized to carry out a number of regulated activities including receiving and transmitting orders, portfolio management and providing investment advice. KKR Capital Markets (Ireland) Limited Company is authorized to engage in a number of regulated activities regulated under Markets in Financial Instruments Directive, known as "MiFID," including dealing as principal or agent, making arrangements in relation to certain types of specified investments, and arranging the safeguarding and administration of assets. KKR Capital Markets (Ireland) Limited also benefits from a passport under the single market directives to offer services cross border into all countries in the European Economic Area.

United Kingdom

We have several subsidiaries which are authorized and regulated by the United Kingdom Financial Conduct Authority (the "FCA") under the Financial Services and Markets Act 2000 ("FSMA"). FSMA and related rules govern most aspects of investment business, including investment management, 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 currently benefits from a passport under the single market directives to offer services cross border into all countries in the European Economic Area and Gibraltar. Although this benefit is expected to cease upon the scheduled expiration of the Brexit transitional period on December 31, 2020, KKR Capital Markets (Ireland) Limited will continue to benefit from passporting rights. 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 Credit Advisors (EMEA) LLP has permission to engage in a number of regulated activities including managing, advising on and arranging deals in relation to certain types of specified investments.

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.

In Canada, KKR Capital Markets LLC is 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.

In Japan, KKR Capital Markets Japan Ltd. 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.

In the United Arab Emirates, KKR MENA Limited, a Dubai International Financial Centre company, is licensed to arrange deals in investments, advise on financial products and arrange custody, and is regulated by the Dubai Financial Services Authority.

In Saudi Arabia, KKR Saudi Limited is licensed by the Capital Market Authority of Saudi Arabia and is authorized for the activity of arranging in the securities business.

In Australia, 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.

In Hong Kong, 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.

In Singapore, KKR Singapore Pte. Ltd. holds a capital markets services license to conduct fund management for qualified investors only, and is regulated by Monetary Authority of Singapore.

In Mauritius, 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.

In India, we have subsidiaries that are registered with the Securities Exchange Board of India ("SEBI") (i) as a foreign portfolio investor or a foreign venture capital investor to make investments in Indian securities, (ii) as a merchant bank to execute capital market mandates, underwrite issues, offer investment advisory and other consultancy services in connection with securities, and (iii) as an investment manager and sponsor of alternative investment funds. In addition, certain subsidiaries are registered with the Reserve Bank of India as non-deposit taking non-banking financial companies and are authorized to undertake lending and financing activities.

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 CBI, 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. 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 materially and adversely affect our business."

Website and Availability of SEC Filings

Our website address is *www.kkr.com*. Information on our website is not incorporated by reference herein and is not a part of this report. 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 "Stockholder (KKR & Co. Inc.)" section of our "Investor Center" page on our website, then click on "SEC Filings." 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*.

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*. In addition, you may automatically receive e-mail alerts and other information about our company by enrolling your e-mail address by visiting the "Email Alerts" section under the "Stockholder (KKR & Co. Inc.)" section of the "Investor Center" page at *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 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 materially and 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 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 prospects and condition.

Our business and the businesses of the companies in which we invest are materially affected by 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 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 financial institutions, and had a material adverse effect on our businesses and the businesses of the companies in which we invest. Similarly, the imposition of tariffs in 2019 have weighed on the global economy, and although an initial trade deal was reached in January 2020 between the two countries, ongoing trade disputes could create uncertainty and volatility in the market that can adversely affect our business. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Environment" for a discussion of recent developments in market and business conditions that may affect our business.

Such financial markets and economic conditions 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. If not otherwise offset, 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. For example, during the global financial crisis in 2008 and 2009, valuations of our private equity funds declined across all geographies, with investments in private equity funds marked down to as low as 67% of original cost and multiples of invested capital reaching as low as 0.5x, 0.6x, 0.7x and 0.8x for the European Fund II, European Fund III, 2006 Fund and Asian Fund, respectively, as of March 31, 2009. Our profitability may also be materially and 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 a downturn in market and economic conditions.

Unfavorable market and economic conditions may reduce opportunities for our funds to make, exit and realize value from their investments. Challenging market and economic conditions, including those caused by changes in tax laws and other regulatory restrictions, may make it difficult for us to find suitable investments for our funds or secure financing for

investments on attractive terms. Such conditions may also 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 or becomes too costly, it is difficult for potential buyers to raise sufficient capital to purchase our funds' investments. Consequently, we may earn lower-than-expected returns on investments, which could cause us to realize diminished or no carried interest.

We generally 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. Our fundraising may also be negatively impacted by any change in or rebalancing of fund investors' asset allocation policies. During periods of unfavorable fundraising conditions, fund investors may negotiate for lower fees, different fee sharing arrangements for transaction or other fees, and other concessions. 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. Our current funds, including all our recent private equity funds, have performance hurdles, which require us to generate a specified return on investment prior to our right to receive carried interest. This requirement will likely be in all our future funds, and the hurdle rate could increase for our future funds. 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 materially and 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 (or raise successor funds of a comparable size as our predecessor funds) could have a material adverse impact on our business" and "—Our investors in future funds 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 materially and adversely affect our revenues or profitability."

During periods of difficult market or economic conditions or slowdowns (which may occur across one or more industries, sectors or geographies), companies or assets 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 pay 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 business 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, adverse conditions in financial markets as described above, as well as lower level of transaction activities involving our funds' investments, which can be unpredictable and outside our control, may negatively impact both the frequency and size of fees generated by our capital markets business.

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.

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 that we may have contracted to purchase. Similarly, certain of the strategies pursued with 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 would be reduced to the extent that changes in market conditions,

including an increase by the U.S. Federal Reserve of its benchmark interest rate, 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 or pay interests when due, and may cause the companies to sell assets, undergo a recapitalization or seek bankruptcy protection, any of which would also likely impair the value of our investment and lead to a decrease in investment income earned by us.

Transition away from LIBOR as a benchmark reference for interest rates may affect the cost of capital and may require amending or restructuring existing debt instruments and related hedging arrangements for us, our investment funds and our portfolio companies, and may impact the value of floating rate securities based on LIBOR we or our investment funds hold or may hold in the future, which may result in additional costs or adversely affect our or our funds' liquidity, results of operations and financial condition.

A substantial portion of the long-term indebtedness incurred by us, our investment funds and our portfolio companies bears interest at fluctuating interest rates, primarily based on the London interbank offered rate ("LIBOR"). In July 2017, the U.K. Financial Conduct Authority (the authority that regulates LIBOR) announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. Such announcement indicates that LIBOR in its current form will likely cease to exist after 2021, and instead, a new method of calculating LIBOR or an alternative reference rate will be established. For example, the Alternative Reference Rates Committee, a steering committee comprised of large U.S. financial institutions, identified the Secured Overnight Financing Rate ("SOFR") as its recommended alternative reference rate, which measures the cost of borrowing cash overnight collateralized by U.S. Treasury securities. However, it is unknown whether SOFR or any other alternative reference rates will attain market acceptance as replacements for LIBOR, and various industry organizations are still developing workable transition mechanisms. As such, it is not possible to predict all potential effects of these changes on U.S. and global credit markets. While agreements governing our corporate revolving credit facility and our capital markets revolving credit facilities either mature before the end of 2021 or contain a "fallback" provision providing for alternative rate calculations in the event LIBOR is unavailable, we, our investment funds and our portfolio companies have other LIBOR-based debt instruments and related hedging arrangements that are likely to require amending or restructuring, which may be difficult, costly and time consuming. In addition, from time to time our funds invest in floating rate loans and investment securities whose interest rates are indexed to LIBOR. Uncertainty as to the nature of alternative reference rates and as to potential changes or other reforms to LIBOR, or any changes announced with respect to such reforms, may result in a sudden or prolonged increase or decrease in the reported LIBOR rates and the value of LIBOR-based loans and securities, including those of other issuers we or our funds currently own or may in the future own, and may impact the availability and cost of hedging instruments and borrowings, including potentially, an increase to our and our funds' interest expense and cost of capital. Any increased costs or reduced profits as a result of the foregoing may adversely affect our liquidity, results of operations and financial condition.

We have significant liquidity requirements, and adverse market and economic 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 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 and otherwise supporting investment vehicles that we sponsor;
- 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 at maturity, on interest payment dates or upon redemption, as well as any contingent liabilities that may give rise to future cash payments;
- fund cash operating expenses and contingencies, including for litigation matters;

- payment of additional corporate income taxes following the Conversion;
- 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 Class A common stock or the terms of our preferred stock;
- underwrite commitments, advance loan proceeds and fund syndication commitments within our capital markets business;
- acquire other assets for our Principal Activities business line, including our office space, 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 our Class A common stock pursuant to the share repurchase program 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, 2019, we have approximately $5.2 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, to provide certain guarantees in commercial real estate financing transactions and to support certain transactions by our funds.

In addition, as of December 31, 2019, we had $27.0 billion of indebtedness outstanding under our credit facilities and debt securities on a GAAP basis and $4.0 billion of indebtedness outstanding under our credit facilities and debt securities on a non-GAAP basis, and $2.3 billion of cash and cash equivalents on a GAAP basis and $2.8 billion of cash and short-term investments on a non-GAAP basis. The non-GAAP based measures exclude the assets and liabilities of our investment funds, CLOs and CMBS, and other consolidated entities that are not subsidiaries of KKR & Co. Inc., but include debt obligations of KKR Financial Holdings LLC ("KFN"), which as of December 31, 2019, consisted of $948.5 million, which do not provide for recourse to KKR beyond the assets of KFN. Our $1.0 billion corporate revolving credit facility is scheduled to mature in 2023. Depending on market conditions, we may not be able to refinance or renew all or part of these senior notes or our corporate revolving credit facility, or find alternate sources of financing (including issuing equity), on commercially reasonable terms or at all. Furthermore, 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, and a 364-day revolving credit agreement that provides for revolving borrowings of up to $750 million, which can only be used to facilitate the settlement of debt transaction syndicated by our capital markets business. 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 these revolving credit facilities 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. Further, these facilities are scheduled to mature in 2021 and 2020, respectively, and depending on the market conditions, we may not be able to refinance or renew them on commercially reasonable terms or at all. Regulatory net 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 the event that our liquidity requirements were to exceed available liquid assets for the reasons specified above or for any other reasons, 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, revolving credit 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. 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. As of December 31, 2019, $36.9 million of carried interest was subject to this clawback obligation, assuming that all applicable carry-paying funds were liquidated at their December 31, 2019 fair values. Had the investments in such carry-paying funds been liquidated at zero value, the clawback obligation would have been approximately $2.5 billion.

Carry distributions may give rise to clawback obligations that may be allocated 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.

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.

We have entered into strategic partnerships with certain investors, generally through separately managed accounts, which have longer investment periods, often of 20 years or more, and provide for investments across different investment strategies (which we refer to as "strategic investor partnerships"). Compared to our traditional private equity fund structure, these partnerships may offer reduced fees for fund investors and may require netting across various funds in which they invest. Generally, if a fund's investments have fair values above cost overall, but one or more of its investments has a fair value that is below cost, the shortfall between cost and fair value for such investment (which we refer to as a "netting hole") must be "filled" by returning invested capital to such fund's limited partners in an amount equal to such shortfall before any realized gains on individual investments can be distributed to the general partner as carried interest. The longer investment period and cross-fund netting feature of the strategic investor partnerships increase the possibility of netting holes compared to our traditional private equity fund structure, which, if present, will reduce the carried interest we otherwise would earn. Similarly, the longer duration of these partnerships can increase the risk of clawback, because over a longer investment period, a period of reduced performance following periods of performance adequate to realize carried interest is more likely to occur. See "—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."

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 transaction and other 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 "Management's Discussion and Analysis of Financial Condition and 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 variances in size and frequency of monitoring fees (including termination payments), transaction fees or fees received by our capital markets business. Our total management, monitoring and transaction fees (net of fee credits) for the years ended December 31, 2019, 2018 and 2017 were $1,504.6 million, $1,569.1 million and $1,309.0 million, respectively, on a GAAP basis, and $1,861.5 million, $1,853.9 million and $1,502.0 million, respectively, on a non-GAAP basis. We may create new funds or investment products or vary the terms of our funds or investment products (for example our funds now include performance hurdles), which may alter the composition or mix of our income from time to time. In particular, in our private equity and other funds raised since 2014, we credit all monitoring and transaction fees generated by the fund's investments against fund management fees, which resulted in a decrease of our monitoring and transaction fee income.

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 market and economic 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 are 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 outstanding. The terms of its indebtedness impose limitations on KFN's current and future operations and may restrict its ability to make distributions to KKR. For the years ended December 31, 2019, 2018 and 2017, our net income attributable to KKR & Co. Inc. Class A Common Stockholders was $1,971.7 million, $1,097.7 million and $984.9 million, respectively, and our after-tax distributable earnings was $1,405.3 million, $1,597.2 million and $1,355.6 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 fund 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 (which we refer to as a netting hole), 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 vary 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 AUM is attributable to carry-paying funds that are not in their harvesting periods, we may receive substantially lower carried interest distributions.

In addition, we have formed strategic partnerships with third-party hedge fund managers in which KKR owns a minority stake (which we refer to as "hedge fund partnerships"). These third-party hedge fund managers offer a variety of investment strategies, including hedge fund-of-funds, equity hedge funds and credit hedge funds. As a result, we are indirectly exposed to the volatility and fluctuations in financial results of these hedge fund managers. For example, certain funds managed by the hedge fund managers have "high-water mark" provisions whereby if the funds have experienced losses in prior periods, the fund managers 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 the hedge fund managers earn are therefore dependent on the net asset value of these funds, which could add to volatility in our quarterly results and cash flow.

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;
- unfavorable market and economic conditions;
- 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 continue to earn management fees after the expiration of their investment periods, they are generally at a reduced rate). 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 successor funds, our revenues may decrease as the investment period of our predecessor funds expire and associated fees decrease. For example, European Fund IV was smaller than its predecessor fund and 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 separately 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 private equity 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 investments in private equity funds. 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 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. 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. Any such redemptions would decrease our AUM and revenues.

In addition, the Dodd Frank Wall Street Reform and Consumer Protection Act (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, 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. As a result, banking entities, subject to certain limited exemptions, had to conform their existing covered fund investments and relationships to the Volcker Rule, and are limited in their ability to undertake new contractual commitments to private equity funds like ours. 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 new strategies or successor funds will experience similar success as our existing or predecessor funds in the future.

Our investors in future funds 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 materially and 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. 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, increase the performance hurdle required to be generated on investment prior to our right to receive carried interest, add expenses and obligations for us in managing the fund or increase our potential liabilities. Furthermore, as institutional investors increasingly consolidate their relationships with investment firms and competition becomes more acute, we may receive more 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 during 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 material decrease in our profitability.

Certain institutional investors have also publicly criticized certain fund fee and expense structures, including monitoring fees and transaction 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, and such focus may lead to increased publicity that could cause fund investors to further resist our receipt of certain fees and expense reimbursements. In our 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 fees attributable to that fund.

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 separately managed accounts, specialized funds and co-investment vehicles. We also have entered into strategic investor 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 materially and 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, BDCs, 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);
- the relative attractiveness of the types of investments that have been or will be made; and
- consideration for environmental, social and governance issues.

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 or geographic regions, longer operating histories, more established relationships, greater expertise or better reputation;
- 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 agreed to terms on their investment funds or products that are 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, could materially and 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 more 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 materially and 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.

We are subject to increasing focus by our fund investors, our stockholders and regulators on environmental, social and governance ("ESG") matters.

Our fund investors, stockholders, regulators and other stakeholders are increasingly focused on ESG matters. Certain fund investors, including public pension funds, have considered our record of socially responsible investing and other ESG factors in determining whether to invest in our funds. Similarly, certain of our stockholders, particularly institutional investors, use third-party benchmarks or scores to measure our ESG practices, and decide whether to invest in our common stock or engage with us to require changes to our practices. If our ESG practices do not meet the standards set by these fund investors or stockholders, they may choose not to invest in our funds or exclude our common stock from their investments, and we may face reputational challenges by other stakeholders. The occurrence of any of the foregoing could have a material adverse impact on new fundraises and negatively affect the price of our stock. In addition, there has also been an increased regulatory focus on ESG-related practices by investment managers. The SEC has examined the methodology used by ESG funds for determining socially responsible investments and EU legislators are expected to adopt new rules to standardize the definition of environmentally sustainable investing. If regulators disagree with the procedures or standards we use for ESG investing, or new regulation or legislation, if adopted, requires a methodology of measuring or disclosing ESG impact that is different from our current practice, our business and reputation could be adversely affected.

Changes in relevant tax laws, regulations or treaties or an adverse interpretation of these items by tax authorities could adversely impact our effective tax rate and tax liability.

Our effective tax rate and tax liability is based on the application of current income tax laws, regulations and treaties. These laws, regulations and treaties are complex, and the manner which they apply to us and our funds is sometimes open to interpretation. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. Although management believes its application of current laws, regulations and treaties to be correct and sustainable upon examination by the tax authorities, the tax authorities could challenge our interpretation resulting in additional tax liability or adjustment to our income tax provision that could increase our effective tax rate. Regarding the impact of the Conversion on our income taxes, see Item 8. Financial Statements and Supplementary Data—Note 11 "Income Taxes."

In addition, tax laws, regulations or treaties newly enacted or enacted in the future may cause us to revalue our net deferred tax assets and have a material change to our effective tax rate and tax liabilities. For example, the Tax Cuts and Jobs Act, which was enacted in December 2017 and amended various aspects of U.S. federal income tax legislation (the "2017 Tax Act"), has resulted in various changes to U.S. tax laws, including meaningful reduction to the U.S. federal corporate income tax rate and a partial limitation on the deductibility of business interest expense, which could have a material effect on our business operations and our funds' investment activities. These and other changes from the 2017 Tax Act, including the changes to the carryback and carryforward of net operating losses, U.S. taxation on earnings from international business operations and certain modifications to the Section 162(m) of the Code, could also have a significant effect on the business of our portfolio companies. In December 2019, the Internal Revenue Service (the "IRS") released proposed regulations under Section 162(m), which addressed changes made by the 2017 Tax Act and, among other things, extended the coverage of Section 162(m) to include compensation paid by a partnership for services performed for it by a covered employee of a corporation that is a partner in the partnership. The proposed regulations, if they become effective in their current form, could meaningfully reduce the amount of tax deductions available to us. Additionally, foreign and state and local governments may enact tax laws in response to the 2017 Tax Act that could result in further changes to foreign and state and local taxation and materially affect our financial position and results of operations.

The U.S. Congress, the Organization for Economic Co-operation and Development (the "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, such as KKR. The OECD, which represents a coalition of member countries, is contemplating changes to numerous long-standing tax principles through its base erosion and profit shifting ("BEPS") project, which is focused on a number of issues, including profit shifting among affiliated entities in different jurisdictions, interest deductibility and eligibility for the benefits of double tax treaties. Several of the proposed measures, including measures covering treaty abuse (including an anti-abuse "principal purpose" test that would deny treaty benefits to the extent that obtaining such benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in such benefit), 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. 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. If implemented, these and other proposals could result in a loss of tax treaty benefits and increased taxes on income from our investments. In addition, the OECD is working on a "BEPS 2.0" initiative, which is aimed at (1) shifting taxing rights to the jurisdiction of the consumer and (2) ensuring all companies pay a global minimum tax. New rules could be recommended by the end of 2020 and if implemented could have a significant impact on KKR, its portfolio companies and its investment structures. The timing and scope of any provisions currently are subject to significant uncertainty.

We depend on our founders and other key personnel, the loss of whose services could have a material adverse effect on our business, results of operations 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 of operations and financial condition could suffer.

Furthermore, the agreements governing our committed capital funds generally provide that in the event certain "key persons" (for example, investment professionals who are named as "key executives" for certain geographically or product focused funds) 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. Although 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, such

waiver is not guaranteed, and our limited partners' refusal to provide a waiver may have a material adverse effect 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 of operations and financial condition could be materially and 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 talented and qualified candidates is extremely competitive. Our ability to recruit, retain and motivate our employees is dependent on our ability to offer highly attractive incentive opportunities. Under the 2017 Tax Act, investments must be held for more than three years, rather than the prior requirement of more than one year, for carried interest to be treated for U.S. federal income tax purposes as capital gain. The longer holding period requirement may result in some of our carried interest being treated as ordinary income, which would materially increase the amount of taxes that our employees and other key personnel would be required to pay, thereby adversely affecting our ability to offer attractive incentive opportunities. In addition, following the 2017 Tax Act, the tax treatment of carried interest may continue to be an area of focus for policymakers and government officials, which could result in a further regulatory action by federal or state governments. For example, certain states, including New York and California, have proposed legislation to levy additional state tax on carried interest, which may also negatively affect our ability to attract and retain employees and key personnel. 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 materially and adversely affect 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 materially and 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 were historically borne by KKR Holdings from its cash reserves based upon distributions on a portion of KKR Group Partnership Units held by KKR Holdings. However, substantially all units in KKR Holdings have been allocated to certain employees, and upon their vesting, distributions on vested units would belong to such unitholders and not be available to fund annual cash bonuses. In addition, under its dividend policy, KKR intends to make equal quarterly dividends to holders of its Class A common stock in a fixed amount per share per quarter. In 2019, no annual cash bonuses were borne by KKR Holdings. Although KKR Holdings may fund a portion of the cash bonus payments from its cash reserves, if any, in future periods, we likely will continue to utilize our own funds for most, if not all, of the cash bonus payments. In that event, 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 funds 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 would be paid out in the form of cash compensation, which could have a material adverse impact on our profit margins. Currently 40% or 43%, as applicable, of the carried interest earned from our investment funds is allocated to our carry pool. We are not permitted under our certificate of incorporation to increase the percentage of carried interest allocable to the carry pool without the consent of a majority of our independent directors.

We have granted equity awards from our Equity Incentive Plans and expect to grant equity awards from our 2019 Equity Incentive Plan, which has caused and will cause dilution. If we increase the use of equity awards in the future, expense associated with equity-based compensation may increase materially. For example, in connection with compensation in 2019, we allocated equity awards relating to 4.7 million shares of Class A common stock under our Equity Incentive Plans, and no KKR Holdings units were granted. KKR Holdings awards granted, if any, come from outstanding but previously unallocated units of KKR Holdings, and consequently these grants do not increase the number of KKR Holdings units outstanding or outstanding shares of KKR Class A common stock on a fully-diluted basis. The value of our Class A common stock may drop in value or be volatile, which may make our equity less attractive to our employees.

In July 2015, the SEC proposed rules, as mandated by the Dodd-Frank Act, 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. In April and May 2016, the SEC also

issued for public comment revised proposed rules 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. Although the SEC has not adopted the proposed rules to date, the clawback proposal was included in the SEC's 2019 fall short-term rule making agenda. Depending on the outcome of the rule making process, the application of these rules to us could require us to substantially revise our compensation strategy, increase our compensation and other costs, and materially and adversely affect our ability to recruit and retain qualified employees. 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, or may choose not 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 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 materially and adversely affect our business, results of operations and financial condition.

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 line 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 and technology may increase from our current level. Such a failure to accommodate growth, or an increase in costs related to such information systems and technology, could have a material adverse effect on 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 technology or 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. Furthermore, most of our administrative personnel and our information system and technology infrastructure are located in our New York City office. Any disruption in the operation of, or inability to access, our New York City office could have a significant impact on our business, and such risk of disruption or inaccessibility could be heightened during our planned move of our New York City office in 2020.

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 may be exposed to a more significant risk if these acts are taken by state actors. We and our employees have been and expect to continue to be the target of fraudulent calls and emails, and the subject of impersonations and fraudulent requests for money, and other forms of activities. 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. Many jurisdictions in which we operate have

laws and regulations relating to data privacy, cyber-security and protection of personal information, including the General Data Protection Regulation in the European Union that became effective in May 2018 and the California Consumer Privacy Act that became effective in January 2020. Some jurisdictions have also enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. Breaches in security could potentially jeopardize our, our employees' 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 employees', 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 counterparties, regulatory intervention or reputational damage. Furthermore, if we experience a cyber-security incident and fail to comply with the relevant laws and regulations, it could result in regulatory investigations and penalties, which could lead to negative publicity and may cause our fund investors and clients to lose confidence in the effectiveness of our security measures. Finally, we rely on third-party service providers for certain aspects of our business, including for certain information systems, legal services, technology, administration, tax and compliance matters. These third-party service providers could also experience any of the above cyber-security threats, fraudulent activities or security breaches, and as a result, unauthorized individuals could improperly gain access to our confidential data. Any interruption or deterioration in the performance of these third parties or cyber-security incidents involving these third parties could impair the quality of our and our funds' operations and could impact our reputation and materially 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, 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 material 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 separately managed accounts and structured products), and expanding into new geographic markets and businesses. We have in the past opened offices in Asia and the Middle East, 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, growth equity and core investments. Introducing new types of investment structures and products could increase the complexities involved in managing such investments, including to ensure compliance with regulatory requirements and terms of the investment. See "—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 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 in 2014. 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. On April 2018, we completed our transaction to form FS/KKR Advisor, a strategic BDC partnership with FS Investments, to provide investment advisory services to BDCs previously advised by us and FS Investments. 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 our hedge fund partnerships and our 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 acquired business, hedge fund partners or joint venture partners.

Entry into new strategies or 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, products 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. For example, we developed and completed several structured transactions in which KKR provides subordinated or equity financing and third party investors provide senior financing to an investment vehicle that invests in our funds. In addition to the increased operational complexity and cost that arise from the structure and bespoke terms of these transactions, because of the subordinated nature of KKR's interests, we are at risk of losing all of our capital committed to these transactions ahead of any third party if the vehicle's investments do not perform as expected.

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; the expected results will not be achieved; new strategies are not appropriately planned for or integrated into the firm; the new strategies may conflict, detract from or compete against our existing businesses; the investment process, controls and procedures that we have developed around our existing platform will prove insufficient or inadequate; or our information systems and technology, including related security systems, may prove to be inadequate.

We have also entered into strategic investor partnerships and established 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, BDCs and KREF, 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 harm 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 materially and 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. We have used our balance sheet assets to underwrite loans, securities or other financial instruments, which we generally expect to syndicate to third parties. We also entered into an arrangement with a third party that reduces our risk associated with holding unsold securities when underwriting certain debt transactions, which enables our capital markets business to underwrite a larger amount. To the extent that we are unable to syndicate our commitments to third parties or our risk reduction arrangement does not fully perform as anticipated, 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, our results would be directly impacted by the performance of such investments and it would also impair our capital markets business' ability to complete additional transactions, either of which could materially and adversely affect our business, results of operations and financial condition.

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. In particular, during a period when our balance sheet assets are concentrated in a limited number of investments, results from a small number of investments can have a significant impact on our balance sheet performance. Our success in deploying our balance sheet assets 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, 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 assets, our business and financial results may suffer. In addition, our balance sheet assets have been a significant source of capital for new strategies and products. To the extent that such strategies or products are not successful or our balance sheet assets cease to provide adequate liquidity, we would realize losses on our balance sheet investments or become limited in our ability to seed new businesses or support our existing business as effectively as contemplated. For example, we developed and completed several structured transactions in which our balance sheet provides subordinated or equity financing and third party investors provide senior financing to an investment vehicle that invests in our funds. In addition to the increased operational complexity and cost that arise from the structure and bespoke terms of these transactions, because of the subordinated nature of KKR's interests, we are at risk of losing all of our interests in these transactions ahead of any third party if the investments do not perform as expected. As of December 31, 2019, total balance sheet investments made by KKR in these structured transactions were approximately $620 million. See "—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."

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 materially and 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 relationships with existing fund investors, impair our ability to raise capital for successor funds, impair our ability to carry out certain investment strategies, or 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 recent years, 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-investment opportunities, and disclosures to fund investors. The SEC's recent focus areas included, among others, 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, electronic messaging, cyber-security, data privacy and protection, foreign bribery and corruption, and policies covering insider trading, business continuity and transition planning. The SEC is continuing its pursuit of these or other focus areas. The SEC's 2020 examination priorities specifically identified private fund managers as a priority and, in particular, highlighted its focus on managers that have a greater impact on retail investors, controls with respect to the misuse of material non-public information, and conflicts of interest including missing or inadequate disclosure of fees and expenses and the use of affiliated service providers for clients. Any actions by the SEC or other regulators against us or other investment managers can cause changes in business practices that could materially and adversely affect our business, results of operations and financial condition.

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 results of operations, financial condition, 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 law, regulation, initiatives or regulatory guidance 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 materially and adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. New laws, regulations, initiatives or regulatory guidance 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, 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, is possible. Such investigations and reporting requirements could impose additional expenses on us, require the attention of senior management, increase the complexity of managing our business, or result in fines or other sanctions if we or any of our funds are deemed to have violated any law or regulations.

Recent and Potential Regulatory Changes in the United States. In recent years, there have been a number of changes in the regulatory framework applicable to our business, including those required under the Dodd-Frank Act. These changes have, among other things: increased regulatory scrutiny of our industry; increased our recordkeeping, reporting and disclosure requirements; and placed restrictions on the growth or type of activities certain financial institutions may pursue. In addition, under the prior administration, regulatory agencies proposed several regulations that, if adopted as proposed, may increase our compliance costs and affect our profitability in various ways. Although the current administration is not presently pursuing all of these proposed regulatory actions, it or future administrations could redirect their attention to these or other areas at any time. We discuss below several recent or potential regulatory changes that may further impact our business.

Financial Stability Oversight Council (the "FSOC"). Established under the Dodd-Frank Act, the FSOC is 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. On December 4, 2019, the FSOC finalized interpretive guidance on non-bank financial company designations that prioritizes an "activities-based" approach to identify, assess, and address potential risks to U.S. financial stability and reserves entity-specific designations for instances when a potential risk cannot be adequately addressed through an activities-based

approach. Pursuant to guidance, which became effective on January 29, 2020, the FSOC applies a two-step activities-based approach to identify and address risks to financial stability from certain activities, products or practices. If the FSOC identifies a product, activity, or practice that could pose a risk to financial stability, it will, during the first step, evaluate the extent to which certain characteristics could "amplify" risks to financial stability. These characteristics include asset valuation risk or credit risk; leverage arising from debt, derivatives, off-balance sheet obligations, and other arrangements; liquidity risk or maturity mismatch; counterparty risk; transparency of financial markets; and operational risks. If the FSOC identifies a potential risk to financial stability, it will progress to step two, during which it would work with relevant financial regulators to seek the implementation of actions to address the identified potential risk and coordinate among member agencies to ensure the risk is addressed. There currently is little precedent or guidance specifically addressing the FSOC's approach or methodology to evaluating and identifying activities that could pose a risk to financial stability. It is possible that the FSOC could identify one or more of our product lines, activities, or practices as a potential risk to U.S. financial stability and, along with other regulators, could take the actions described above to address such risk, which may result in additional compliance costs. If the FSOC finds that the regulators' efforts have not adequately addressed the potential risk or if the potential threat arises "outside the jurisdiction or authority" of financial regulatory agencies and the potential risk could be addressed by an FSOC designation, the FSOC may designate a nonbank financial company systemically important. If the FSOC were to designate us as a systemically important nonbank financial company, we would become subject to supervision by the U.S. Federal Reserve and 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 U.S. 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.

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.

Regulation of Swaps. The Commodity Futures Trading Commission (the "CFTC") administers a comprehensive regulatory framework for swaps that was largely adopted under Title VII of the Dodd-Frank Act. As a result:

- Operating pooled funds that trade swaps, or providing investment advice to clients that trade swaps is a basis for registration with the CFTC, absent an applicable exemption. 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 CFTC's swap rules also impose 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 swaps and credit default swaps, the CFTC may mandate central execution and clearing with respect to additional classes of swaps in the future.

- CFTC regulations employ 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.

- The proposed CFTC rulemaking to expand position limits or apply aggregation rules to additional derivative instruments could also limit or restrict the ability of our funds to use, trade or invest in futures and swaps and increase the cost of engaging in these transactions. The Dodd-Frank Act also authorizes the SEC to establish position limits on security-based swaps, which rules could have a similar impact on our business.

- The SEC, CFTC and banking regulators have adopted 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. These requirements could increase the cost of trading in the derivative markets, which could in turn make it more expensive and difficult, and in certain cases impractical, 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. 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.

- In September 2016, the U.S. Federal Reserve issued for public comment a proposed rule that, if adopted 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.

Other Regulations under the Dodd-Frank Act. 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. The CFTC has adopted a similar whistleblower program. In addition, in October 2011, the SEC adopted a rule requiring certain advisers to private funds to periodically file reports on Form PF, as required under the Dodd-Frank Act. 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. These regulations increase our compliance costs and could result in adverse regulatory actions against us.

Although it is possible that Congress or the current administration could modify and relax regulatory requirements and restrictions that were 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 (the "AIFMD"), which became effective on July 22, 2013, established a comprehensive regulatory and supervisory framework for alternative investment fund managers ("AIFMs") managing or marketing alternative investment funds ("AIFs") in the European Union. The AIFMD imposes various substantive regulatory requirements on AIFMs, which could have a material adverse effect on our businesses by (i) imposing disclosure obligations and restrictions on distributions by EU portfolio companies, (ii) requiring changes to our compensation structures for key personnel, thereby potentially affecting our ability to recruit and retain these personnel, (iii) increasing the cost and complexity of raising capital for our funds, which may slow the pace of fundraising, and (iv) generally increasing our compliance costs. In addition, there are areas of the AIFMD that are subject to legal uncertainty, including the scope of the legal structures qualifying as AIFs subject to AIFMD. Failure to comply with AIFMD, even in areas where there is legal uncertainty, can result in enforcement action, including, but not limited to, fines.

Although a subsidiary of ours is registered as an AIFM with the Central Bank of Ireland, we may not be able to benefit from an "EU passport" under the AIFMD to market all of our funds to professional investors throughout the European Union, and the EU marketing passport may not apply to marketing to investors in the United Kingdom when its withdrawal from the European Union becomes effective. See "—Brexit" below.

The Markets in Financial Instruments Directive ("MiFID II") and related regulation ("MiFIR"), which began applying to our European operations from January 2018, introduced a number of new requirements for providing investment services and trading financial instruments in regards to transaction reporting, transparency, market infrastructure, securities and derivatives trading, and conduct of business rules, including new harmonized rules for authorization of EU branches of third-country firms seeking to provide certain investment services in the European Union. The application of MiFID II and MiFIR have increased regulatory burdens on a number of our subsidiaries, which could result in increased costs, and any failure to comply with the requirements, even in areas where there is legal uncertainty, could result in enforcement action, including, but not limited to, fines.

In July 2016, the Market Abuse Regulation ("MAR") became effective. Under MAR, certain of our European subsidiaries are required to, among other things, implement systems and controls regarding inside information, follow record keeping and other prescribed procedures for market soundings, and provide conflicts of interest and other relevant disclosure when providing investment recommendations. These requirements increased the regulatory and compliance burden for a number of our European subsidiaries, which will result in increased costs, and any failure to comply with the requirements could result in enforcement action, including, but not limited to, fines. Any expansion in the scope of MAR, including to extend its applicability to certain foreign exchange contracts as proposed by the European Securities and Markets Authority, likely will increase the regulatory burden on our European operations and increase costs to our business.

In the European Union, credit institutions and certain investment firms are subject to the provisions of the Capital Requirements Directive IV ("CRD IV") and the Capital Requirements Regulation. These pieces of legislation implement the capital and liquidity standards promulgated by the Basel Committee on Banking Supervision (commonly referred to as "Basel III"), and impose various governance and remuneration obligations. 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.

Three of our subsidiaries (established in the UK and Ireland) are subject to the remuneration-related requirements of CRD IV, as well as 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.

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 guidelines on leveraged lending, proposed in November 2016 and modeled on U.S. leveraged lending guidelines.

The regulation on OTC Derivatives, Central Counterparties and Trade Repositories (also known as the European Market Infrastructure Regulation, or "EMIR") applies to derivatives transactions in which one of the parties is established in the European Union, 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 European Union. Recent amendments to EMIR expanded the scope of the regulation to classify all AIFs, including UK, EU and non-EEA AIFs, managed by an AIFM as financial counterparties subject to the regulation. EMIR requires reporting of derivative trades, central clearing of standardized over-the-counter derivative contracts, and monitoring and mitigating of operational risks associated with derivative trades. Implementing EMIR increases 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 materially and adversely affect our business. For example, the new Securitisation Regulation that became effective in 2019 established requirements for, among other things, due diligence, risk retention and disclosure regarding certain of our European investments, subsidiaries and CLOs. Also, future acquisitions by KKR or our funds could lead to application of the European Union's Financial Conglomerates Directive, which establishes 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, investment firms and banks located in the European Union. Other EU financial regulatory initiatives such as the Short Selling Regulation, which limits naked short selling of sovereign bonds and stocks, the Bank Recovery and Resolution Directive, which established a recovery and resolution framework for EU credit institutions and investment firms, and a new regulation on reporting and transparency of securities financing transactions, which requires all such transactions 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, may all impact the complexity and cost of conducting our business in the European Union. Finally, the European Union 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.

The General Data Protection Regulation, which became effective in May 2018, imposes stringent data protection requirements and provides for significant penalties for noncompliance. 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 materially and adversely affect our business.

Brexit. On January 31, 2020, the United Kingdom exited the European Union. The related withdrawal agreement ("EUWA") provides for the implementation of a transitional period through December 31, 2020. During the transition period, our subsidiaries located in the European Union and the United Kingdom will have largely the same rights as they currently have, including in relation to the exercise of passporting rights. However, the EUWA does not detail the terms of the future relationship between the European Union and the United Kingdom following the cessation of the transitional period. The nature and extent of the future relationship is currently subject to negotiation and remain unclear. The United Kingdom may leave the European Union without any agreement as to the terms of their future relationship. The resulting legal and regulatory uncertainty in this regard may impact our business in a number of ways, not all of which are currently readily apparent, with the materiality of any risks dependent in large part on actions to be taken by the United Kingdom and the European Union. This uncertainty may adversely affect our ability to source investments and the value of our investments that are located in the United Kingdom, or those that conduct business in or derive revenues from, the United Kingdom. Following the cessation of the transitional period, our subsidiaries that are authorized and regulated by the FCA may no longer be able to avail themselves of passporting rights to provide services in other EU Member States, while our CBI-authorized alternative investment fund manager may no longer benefit from the EU marketing passport to market products to investors in the United Kingdom. While we have sought to take protective measures to allow us to continue to conduct our business in both the United Kingdom and the European Union, Brexit may increase our cost of raising capital, underwriting and distributing securities and conducting business generally, including the cost of complying with two regimes, and interfere with our ability to market our products and provide our services. Changes in regulation may also impair our ability to recruit, retain and motivate new employees and retain key employees.

Other Financial Markets Regulation. Certain requirements imposed by regulators, as well as certain legislation and proposed legislation, are designed primarily to ensure the integrity of the financial markets or other objectives and are not designed to protect our stockholders. These laws and regulations often serve to limit our activities. In addition to many of the regulations and proposed regulations described above under "—Recent and Potential Regulatory Changes in the United States" and "—EU-Wide Regulations," U.S. federal bank regulatory agencies and the European Central Bank have issued leveraged lending guidance covering transactions characterized by a degree of financial leverage, although in the United States, the status of this guidance is uncertain as the U.S. Government Accountability Office determined, in October 2017, that the guidance is subject to review under the Congressional Review Act. If applied by the U.S. federal bank regulatory agencies in its current form, such guidance would limit the amount or availability of debt financing available to borrowers 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.

In 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, if adopted, will require, compliance with such a rule may impose additional costs on us.

In June 2019, the SEC approved a rule that requires a broker-dealer, or a natural person who is an associated person of a broker-dealer, to act in the best interest of a retail customer when making a recommendation of any securities transaction or investment strategy involving securities, without placing the financial or other interest of the broker, dealer or natural person who is an associated person of a broker-dealer making the recommendation ahead of the interest of the retail customer ("Regulation Best Interest"). The term "retail customer" is defined as a natural person who uses such a recommendation primarily for personal, family or household purposes, without reference to investor sophistication or net worth. The "best interest" standard would be satisfied through compliance with certain disclosure, duty of care, conflict of interest mitigation and compliance obligations. As adopted and when fully in force, compliance with Regulation Best Interest will impose additional costs to us, in particular with respect to our product offerings and investment platforms that include retail investors.

In July 2019, a Senate bill titled Stop Wall Street Looting Act was introduced that aims to regulate certain business practices by private funds, which the bill defines as companies or partnerships relying on Section 3(c)(1) or 3(c)(7) of the Investment Company Act (except venture capital funds), that directly, or through an affiliate, act as a "control person" by acquiring at least 20% of voting securities of a portfolio company. The bill, among others, requires such private funds to be jointly and severally liable for debt and other obligations of a portfolio company; prohibits portfolio companies from paying dividends within 24 months of their acquisition by a private fund; imposes 100% tax on any monitoring fee or transaction fee paid by portfolio companies to a private fund; applies an ordinary income tax rate, instead of a capital gains tax rate, on carried interest; and requires an annual SEC disclosure of certain information about a private fund and its portfolio companies. If the bill became law, our business would be materially adversely impacted, and we would be required to change various operational and investment practices, which would be costly, time-consuming and disruptive.

Certain of the funds 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 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 ultimately on us.

Portfolio Company Legal and Regulatory Environment. We are subject to certain laws, such as certain environmental laws, takeover laws, anti-bribery, trade sanctions, trade control, anti-money laundering 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. Similarly, on February 16, 2018, the U.S. Department of Justice named a private equity sponsor as a co-defendant in a False Claims Act case against one of its portfolio companies, alleging that the private equity sponsor had an active involvement in managing the company and in developing its strategy to use illegal kickback payments to increase reimbursements. 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 ("CERCLA"), 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 U.S. Environmental Protection Agency 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 and could include us.

In addition, we or certain of our investment funds could potentially be held liable under U.S. Employee Retirement Income Security Act of 1974 ("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. While a federal appellate court only upheld certain aspects of the District Court holding, if the rationale of the District Court 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. Similar laws that could be applied with similar results also exist outside of the United States.

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.

Because of our ownership interest in portfolio companies, attention on our portfolio companies can also result in attention on us. For example, heightened governmental scrutiny of the healthcare and educational industries has resulted in requests by a Congressional committee and members of Congress for information from us about our investments in portfolio companies that operate in these industries. Congressional scrutiny and other similar inquiries by governmental bodies may damage our reputation and may also result in potential legislation designed to further regulate portfolio companies or the industries in which they operate, which may materially and adversely affect our portfolio companies' businesses, which in turn could decrease the value of our investments.

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 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 Rule 506 of Regulation D. However, Rule 506 becomes unavailable to issuers (including our funds) if the issuer or any of its "covered persons" (certain officers and directors and also certain third parties including, among others, promoters, placement agents and beneficial owners of 20% of outstanding voting securities of the issuer) has been the subject of a "disqualifying event," which includes a variety of criminal, regulatory and civil matters (so-called "bad actor" disqualification). If our funds or any of the covered persons associated with our funds are 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 and adversely affect our business, results of operations and financial condition. 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 "—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 business line are registered under the Investment Company Act as investment companies. These funds and KKR Credit Advisors (US) LLC, which currently serves as their investment adviser, 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 severely restrict principal transactions and joint transactions. In 2018, we completed our transaction to form FS/KKR Advisor, a strategic BDC partnership with FS Investments, to provide investment advisory services to BDCs previously advised by us and FS Investments. BDCs are subject to certain restrictions and prohibitions under the Investment Company Act. If any of the BDCs advised by FS/KKR Advisor fails to meet the requirements for a BDC, it may be regulated as a closed-end investment company under the Investment Company Act and become subject to substantially more regulatory restrictions, which could limit its operating flexibility and in turn result in decreased profitability for FS/KKR Advisor. As our business expands we may be required to make additional registrations under the Investment Company Act or similar laws, including in jurisdictions outside the United States. As an example, in 2019, we raised an Australian listed investment trust, which is listed on the Australian Securities Exchange and subject to the regulation of the Australian Securities and Investments Commission. Compliance with these and other U.S. and non-U.S. rules will increase our compliance costs and create potential for additional liabilities and penalties, which would divert management's attention from our business and investments.

Rule 206(4)-5 under the Investment Advisers Act regulates "pay to play" practices by investment advisers involving campaign contributions and other payments to elected officials or candidates for political office who are able to exert influence on government 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. FINRA has released its own set of "pay to play" regulations that effectively prohibit the receipt of compensation from state or local government agencies for solicitation and distribution activities within two years of a prohibited contribution by a broker-dealer or one of its covered associates. 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 trade sanctions laws applicable to us and our portfolio companies create the potential for significant liabilities and penalties and reputational harm.

We are 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 ("FCPA"), as well as trade sanctions and trade control laws administered by the Office of Foreign Assets Control ("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 trade 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 implicate 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. Some of these regulations provide that penalties can be imposed on us for the conduct of a portfolio company, even if we have not ourselves violated any regulation.

The Iran Threat Reduction and Syrian Human Rights Act of 2012 ("ITRA") expanded the scope of U.S. sanctions against Iran and requires public reporting companies to disclose in their annual or quarterly reports certain dealings or transactions the company or its affiliates "knowingly" 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 dealings or transactions even if they are permissible under U.S. law or are conducted outside of the United States by a foreign affiliate. If any such activities are disclosed in a periodic report, we are required to separately file, concurrently with such report, a notice of such disclosure. The SEC is required to post this notice 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 United States 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 materially and adversely affect our business, results of operations 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 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 our funds, holders of our or our portfolio companies' debt or equity, and a variety of other potential litigants. See Item 8. Financial Statements and Supplementary Data—Note 16 "Commitments and Contingencies—Litigation." For 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 lawsuits by other shareholders of our public portfolio 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 considered and approved under applicable law.

Although 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, such investor may have remedies against us, the general partners of our funds, our funds, our employees or our affiliates to the extent any losses result from fraud, negligence, willful misconduct or other similar misconduct. 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 and adversely affect our business, results of operations and financial condition or cause significant reputational harm to us, which could seriously impact our business.

Furthermore, the current rise of populist political movements has generated and may continue to generate a growing negative public sentiment toward globalization, free trade, capitalism and financial institutions, which could lead to heightened scrutiny and criticisms of our business and our investments. In addition, public discourse and Congressional inquiries in the 2020 U.S. presidential election have elevated the level of focus put on us, our industry and companies in which our funds are invested. 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 materially and adversely affect our business—Portfolio Company Legal and Regulatory Environment." The risk of reputational harm is elevated by the prevalence of Internet and social media usage and the increased public focus on behaviors and externalities of business activities, including those affecting stakeholder interests and environmental, social and governance considerations. 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.

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, results of operations and financial condition.

Certain types of investment vehicles may subject us to additional risk of litigation and regulatory scrutiny.

We have formed and may continue to form investment vehicles seeking investment from 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 materially and adversely affect our business." We have and expect to continue to distribute products through new channels, including through unaffiliated firms, and 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.

In addition, investment adviser subsidiaries of KKR externally manage a number of publicly traded permanent capital vehicles, including KREF(a REIT listed on the NYSE), KKR Income Opportunities Fund (a closed-end management investment company) and KKR Credit Income Fund (an Australian listed investment trust). FS KKR Capital Corp. (a BDC listed on the NYSE) and FS KKR Capital Corp. II (a BDC) are advised by FS/KKR Advisor, in which we own a 50% interest.

We plan to enter into new investment management agreements with other publicly traded permanent capital vehicles in the future. Publicly traded permanent capital vehicles allow us to invest in longer-term strategies and secure stable fee streams, while providing liquidity to such vehicle's equity investors. However, these vehicles are subject to the heightened regulatory requirements applicable to public companies, including compliance with the laws and regulations of the SEC, the Exchange Act, the Sarbanes-Oxley Act of 2002 and the national securities exchanges on which their securities are listed, among others. These requirements will place increased demands on senior employees, require administrative, operational and accounting resources, and incur significant expenses. Failure to comply with these requirements could result in a civil lawsuit, regulatory penalties, enforcement actions, or potentially lead to suspension of trading or de-listing from an exchange. Furthermore, if the shareholders of these vehicles were to be dissatisfied with the investment performance or disagree with investment strategies employed by us, they may seek to cause the board of directors of the relevant vehicle to terminate the investment management agreement with us or change the terms of such agreement in a manner that is less favorable to us. As publicly traded entities, these permanent capital vehicles also face additional litigation risk, including class actions and other shareholder lawsuits, which would distract senior employees, including investment professionals.

Misconduct of our employees, consultants or 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, consultants 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, consultants 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 we invest, even though we may be unable to control or mitigate such misconduct. Such misconduct may also negatively affect the valuation of the investments in such portfolio companies. Our current and former employees, consultants or sub-contractors and those of our portfolio companies may also become subject to allegations of sexual harassment, racial and gender discrimination or other similar misconduct, which, regardless of the ultimate outcome, may result in adverse publicity that could significantly harm our and such portfolio company's brand and reputation. Furthermore, our business often requires that we deal with confidential matters of great significance to companies in which we may invest. If our employees, consultants 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 or investigation. It is not always possible to detect or deter such misconduct, and the precautions we take may not be effective in all cases. If any of our employees, consultants or 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 materially and adversely affected.

Underwriting, syndicating and securities placement activities expose us to risks.

KKR Capital Markets LLC and our other broker-dealer subsidiaries may act as an underwriter, syndicator or placement agent in securities offerings and, through affiliated entities, loan syndications. 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 or at all. 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 our broker-dealer subsidiaries 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 or a seller of securities, which could constitute a conflict of interest or subject us to damages or reputational harm. 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 materially and adversely affect our business—Other Regulations of the Financial Markets."

We are subject to risks in using third-party service providers, including prime brokers, custodians, administrators and other agents.

Certain of our investment funds, finance vehicles and our principal trading activities depend on the services of third-party service providers, including prime brokers, custodians, administrators and other agents, to carry out administrative or other services, including valuations, securities transactions, tax preparation and government filings. We are subject to risks of errors and mistakes made by these third parties, which may be attributed to us and subject us or our fund investors to reputational damage, penalties or losses. We may be unsuccessful in seeking reimbursement or indemnification from these third-party service providers.

Furthermore, 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 that 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 to that cash. The inability to recover assets from the prime broker or custodian could have a material adverse impact on the performance of our funds and our business, results of operations and financial condition. 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 market participant could lead to significant liquidity problems for other market 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, which, if left unmitigated, could have a material adverse effect on our business, results of operations and financial condition.

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 of operations and financial conditions as we directly bear the full risk of our balance sheet investments. 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 or our balance sheet investments, of our future results or the performance of our common stock.

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 our funds or our balance sheet investments. In particular, the future results may differ significantly from their historical results for the following reasons, among others:

- 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 or tensions in global trade, which may not have been 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; those trends and rates of return may not be repeated in the future as the actual or expected length of holding periods related to investments is likely longer than such historical periods;

- 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 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 prospects and 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, and in certain cases, utilizes the services of independent valuation firms. 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 stockholders' equity 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 ("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 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.

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. 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, 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 our strategic partnerships with third-party hedge fund managers by influencing the level or pace of subscriptions or redemptions from the funds managed by our partners.

- 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 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 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.

- Political developments, natural disasters, war or threat of war, terrorist attacks, public health crises and other events outside of our control can, and periodically do, materially and adversely impact our portfolio companies and other investments around the world. Our investment strategies target opportunities globally, across North America, Europe, Asia-Pacific and the Middle East. Political instability and extremism, civil unrest and anti-government protests in any region where we have material business operations or investments can, and periodically does, have an adverse impact on our and our portfolio companies' business results, reputation or license to operate. In addition, occurrence of war or hostilities involving a country in which we have investments or where our portfolio companies operate could adversely affect the operations and valuations of our portfolio companies and investments in such country. Natural disasters, such as extreme weather events, climate change, earthquakes, tsunamis or floods, can also have an adverse impact on certain of our portfolio companies and investments, especially our real asset investments and portfolio companies that rely on physical factories, plants or stores located in the affected areas. As the effects of climate change increase, we expect the frequency and impact of weather and climate related events and conditions to increase as well. For example, unseasonal or violent weather events can have a material impact to businesses or properties that focus on tourism or recreational travel. Public health crises, pandemics and epidemics, such as those caused by new strains of viruses such as H5N1 (avian flu), severe acute respiratory syndrome (SARS) and, most recently, the novel coronavirus (COVID-19), are also expected to increase as international travel continues to rise, and also directly and indirectly impact us and our portfolio companies in material respects by threatening our and their employees' well-being and morale, interrupting business activities, supply chains and transactional activities, disrupting travel, and negatively impacting the economies of the affected countries or regions.

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 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 prospects and 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 and the European Central Bank have issued leveraged lending guidance covering transactions characterized by a degree of financial leverage. Such guidance may limit 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 "—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 materially and adversely affect our business."

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 the global financial crisis in 2008 and 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 by the lender in regards to a partial debt-write-off, be forced to put the investment into liquidation. In addition, the 2017 Tax Act partially limits the tax deductibility of interest, which could have a material adverse effect on our funds' investment activities and on operations of a leveraged company.

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 (such as the global financial crisis in 2008 and 2009) 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, 2019, we indirectly hold below investment grade corporate loans and securities with a $14.9 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. 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 reduce refinancing risk, reduce 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 materially and adversely affected.

Our CLO subsidiaries regularly use significant leverage to finance their assets. An inability of 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 CLOs 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 materially and 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 loans 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 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 or debt obligations 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 NAV 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 NAV could also decrease faster than if there had been no borrowings.

Any of the foregoing circumstances could have a material adverse effect on our results of operations, financial condition 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, technological, regulatory 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's 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 credit strategies, as well as certain private equity and real asset investments, 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.

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 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. In addition, market conditions and regulatory environment can also delay our funds' ability to exit and realize value from their investments. For example, rising interest rates and challenging credit markets may make it difficult for potential buyers to raise sufficient capital to purchase our funds' investments. Government policies regarding certain regulations, such as antitrust law, or restrictions on foreign investment in certain of our funds' portfolio companies or assets can also limit our funds' exit opportunities. The recently enacted Foreign Investment Risk Review Modernization Act ("FIRRMA") and related regulations significantly expanded the types of transactions that are subject to the jurisdiction of the Committee on Foreign Investment in the United States ("CFIUS"). Under FIRRMA, CFIUS has the authority to review and potentially block or impose conditions on certain foreign investments in U.S. companies or real estate, which may reduce the number of potential buyers and limit the ability of our funds to exit from certain investments. As many 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 their investments 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 that 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 bribery, fraud or other deceptive practices are 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's 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, oil and gas industry, the waste management industry and the food industry, which 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.

For additional risks that rise from the types of investment vehicles used in an investment, see "—Risks Related to Our Business—Certain types of investment vehicles may subject us to additional risk of litigation and regulatory scrutiny."

Our investments in real assets such as real estate, infrastructure and energy may expose us to increased risks and liabilities and may expose our stockholders to adverse consequences.

Investments in real assets, which may include real estate, infrastructure, 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, including without limitation: (i) labor disputes, shortages of material and skilled labor, or work stoppages; (ii) slower than projected construction progress and the unavailability or late delivery of necessary equipment; (iii) less than optimal coordination with public utilities in the relocation of their facilities; (iv) adverse weather conditions and unexpected construction conditions; (v) accidents or the breakdown or failure of construction equipment or processes; (vi) catastrophic events such as explosions, fires and terrorist activities, and other similar events and (vii) risks associated with holding direct or indirect interests in undeveloped land or underdeveloped real property. These risks could result in substantial unanticipated delays or expenses (which may exceed expected or forecasted budgets) and, under certain circumstances, could prevent completion of construction activities once undertaken. Certain real asset investments may remain in construction phases for a prolonged period and, accordingly, may not be cash generative for a prolonged period. 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; and

- 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 best interest of the investment, or the breach by an operator of applicable agreements or laws, rules and regulations, could have an adverse effect on the investment's results of operations and financial condition. 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 that 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 risks, 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. Such investments are subject to stringent and complex foreign, federal, state and local laws, ordinances and regulations specific to oil and gas industries, including, for example, those governing transportation, exploration and production of oil and natural gas. There are also 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 and other practices relating to environmental protection. Failure to comply with applicable laws, ordinances 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, ordinances 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, thereby reducing profitability. Our oil and gas investments are subject to other risks, such as:

- Volatility in the prices of oil and gas properties may make it difficult to ensure that our acquisition of interest in such properties is 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 or indemnified;

- There may be unforeseen or increased regulatory and environmental risks stemming from 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, and materially and adversely affect our cash flows and results of operations; and

- 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 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 that 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; and terrorist attacks, war and other factors that are beyond our control. Our real estate investments are also subject to additional risks, including but not limited to the following:

- 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 that 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 us or 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 followed by 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 materially and 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. REITs may 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, foreclosure and loss of principal. 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 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 materially and 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 heightened 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 determine or limit 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, which may reduce the profitability of such infrastructure investments.

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; the potential for rapid organizational or strategic change; and susceptibility to personal misconduct by or departure of key executives or founders. In addition, growth equity 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 intellectual property 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 intellectual property 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 balance sheet, 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 risks are realized, it could materially and adversely affect our results of operations, financial condition and cash flow.

Certain of our funds and CLOs, and our firm through our balance sheet, invest in high-yield, 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, below investment grade 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, below investment grade 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 fixed rate 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 additional 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 balance sheet 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. Companies that were not in financial distress at the time we or our funds made investments may in the future require work-outs, liquidations, reorganizations, bankruptcies or similar transactions, and as a result, become subject to the same risks described above. 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.

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 add 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 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 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 "—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." 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 capital of our own committed in such large investments. For certain large private equity transactions, we may seek to syndicate a portion of our capital commitment to third parties; however, if we are unable to syndicate all or part of such commitment, we may be required to fund the remaining commitment amount from our balance sheet. If we are required to keep on our balance sheet a large portion of the capital commitment that could not be syndicated to third parties, poor performance of such large investment may have a material adverse impact on our financial results. See "—Risks Related to Our Business—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 materially and adversely affected" and "—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."

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 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 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 may acquire minority equity interests, particularly when making private equity investments in Asia, making growth equity investments or sponsoring investments as part of an investor consortium or through many of our credit funds. Our funds may also dispose of a portion of their majority equity investments in portfolio companies over time in a manner that results in the funds 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 made minority investments in companies including hedge fund managers on our balance sheet. For example, we have investments in Marshall Wace, BlackGold and PAAMCO Prisma. We also have investments in real estate managers like Drawbridge Realty.

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 for, among other, 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 by us could decrease and our results of operations, financial condition and cash flow could be materially and 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, 2019, approximately 51% of the capital invested in those funds 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, South and Southeast Asia, 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;
- the imposition of non-U.S. taxes and changes in tax law;
- differences in the legal and regulatory environment, such as 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 trade sanctions or trade control 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 and social instability, nationalization, expropriation of assets or 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. See "—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 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 fund investors. See "—Risks Related to Our Business—Changes in relevant tax laws, regulations or treaties or an adverse interpretation of these items by tax authorities could adversely impact our effective tax rate and tax liability."

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. A depreciation of foreign currencies against the U.S. dollar, if not adequately hedged, would reduce the value of our investments in the relevant region, which could adversely impact our financial results. Factors that may affect currency values include 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 reduce 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." In addition, various countries and regulatory bodies may implement controls on foreign exchange and outbound remittances of currency, which could impact not only the timing and amount of capital contributions that are required to be made to our funds but also the value, in U.S. dollars, of our investments and investment proceeds. See "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 prospects and condition" and "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 materially and adversely affect our business." See also "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Environment" for a discussion of recent developments in market and business conditions that may 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 or our fund's 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 our 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 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, currency exchange rates and commodity prices. 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. We do not seek to hedge our exposure in all currencies or all investments, which means that our exposure to certain market risks are not limited. Where applicable, we use hedging transactions and other derivative instruments to reduce the effects of a decline in the value of a position, but they do 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 materially and adversely affect our business."

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.

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 or funds that focus on particular geographic region. 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 material adverse impact on such fund's capital. Accordingly, a lack of diversification on the part of a fund could materially and adversely affect a fund's performance and therefore, our results of operations and financial condition.

Similarly, our balance sheet has significant exposures to certain issuers, industries or asset classes. Because we hold interests in some of our portfolio companies both through our balance sheet 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 2018, losses may have an even greater impact on our results of operations and financial condition, as we would directly bear the full extent of such losses. Our balance sheet also has significant exposures to a small group of companies, with our investment in Fiserv, Inc. (NASDAQ: FISV) representing approximately 14.1% and our top five investments representing approximately 30.5% of our balance sheet's total investments as of December 31, 2019. As a result, our investment income is subject to greater volatility depending on such companies' operating results and other idiosyncratic factors specific to such companies, and in the case of publicly traded companies, our operating results would be impacted by volatility in the public markets generally and in the stock price of such companies. See "—Management's Discussion and Analysis of Financial Condition and Results of Operations—Analysis of Non-GAAP Operating Results—Non-GAAP Balance Sheet Measures" for information on significant investments held on our 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 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 from a tax perspective even though KKR is required to pay corporate taxes;
- 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 with regards to that company or its securities;
- 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 that 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 stockholders 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;
- Under the 2017 Tax Act, investments must be held for more than three years, rather than the prior requirement of more than one year, for carried interest to be treated for U.S. federal income tax purposes as capital gain, which may create a conflict of interest between the limited partner investors (whose investments would receive such capital gain treatment after a holding period of only one year) and the general partner on the execution, closing or timing of sales of a fund's investments in connection with the receipt of carried interest;
- From time to time, one of our funds or other investment vehicles (including CLOs) may seek to effect a purchase or sale of an investment with one or more of our other funds or other investment vehicles 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 funds or other investment vehicles in a so-called "principal transaction";
- A dispute may arise between our portfolio companies, and if such dispute is not resolved amicably or results in litigation, it could cause significant reputational harm to us, and our fund investors may become dissatisfied with our handling of the dispute;
- 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; and
- 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 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 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 arm's-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 or investment 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 pending the contribution of committed capital by the investors in such funds, follow-on investments by a fund other than a fund that made an initial investment in a company, or transactions in which we arrange for one of our funds to buy a security from, or sell a security to, another one of our funds.

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 and 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 funds in our Public Markets business line may redeem their investments in these funds with minimal notice.

Investors in our funds 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. Factors that could result in investors leaving our funds include changes in interest rates that make other investments more attractive, changes in or rebalancing due to investors' asset allocation policy, 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, and 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 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 funds in the Public Markets business line 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, we provide sub-advisory services to other investment advisors and managers. Such investment advisors and managers could terminate our sub-advisory 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 material adverse impact on our revenues.

In addition, certain funds in our Public Markets business line 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, are subject to the Investment Company Act and the rules thereunder. One of these funds is a NYSE-listed closed-end fund. BDCs in our BDC platform are also registered under the Investment Company Act, including FS KKR Capital Corp., a BDC listed on the NYSE. In addition, the management fees we and our strategic BDC partnership receive for managing registered investment companies and BDCs will generally be subject to contractual rights the company's board of directors or the investment adviser has to terminate KKR's or our strategic BDC partnership's 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 stakes in our hedge fund partnerships subject us to numerous additional risks.

Our stakes in our hedge fund partnerships subject us to numerous additional risks applicable to hedge funds and funds of funds, 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;

- A fund of funds is subject to risks related to the limited rights it has to withdraw, redeem, transfer or otherwise liquidate its investments from the underlying hedge funds or other funds in which it invests. It may be impossible or costly for hedge funds or such other funds to liquidate positions rapidly in order to meet margin calls, withdrawal requests, redemption 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. In addition, terms of the governing documents of the relevant portfolio funds may limit withdrawal, redemption, transfer or liquidation of investments, 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. Portfolio funds also 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. Moreover, these risks may be exacerbated for funds of funds. For example, if a fund 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 such fund of funds would be compounded.

- 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;

- Hedge funds may enter into 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;

- Hedge funds 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 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;

- The efficacy of investment and trading strategies depends 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;

- Hedge 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, these 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;

- Hedge 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; and

- 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. Hedge funds and funds of these hedge funds may also be subject to extensive regulations, including those of CFTC.

To the extent the financial condition of Marshall Wace, PAAMCO Prisma or other third-party hedge fund managers with which we have hedge fund partnerships is adversely affected by these risks, our revenues, AUM and FPAUM may also decline.

Risks Related to Our Common Stock

Our founders' significant voting power limits the ability of holders of our Class A common stock to influence our business.

Holders of our Class A common stock are entitled to vote pursuant to Delaware law with respect to:

- Any amendment of our certificate of incorporation to change the par value of our Class A common stock or the powers, preferences or special rights of our Class A common stock in a way that would affect our Class A common stock adversely;
- A conversion of the legal entity form of KKR & Co. Inc.; and
- A transfer, domestication or continuance of KKR & Co. Inc. to a foreign jurisdiction.

In addition, our certificate of incorporation provides voting rights to holders of our Class A common stock on the following additional matters:

- A sale, exchange or disposition of all or substantially all of our assets;
- A merger, consolidation or other business combination;
- An increase in the number of authorized shares of Class B common stock; and
- Certain amendments to our certificate of incorporation that would have a material adverse effect on our Class A common stock relative to the other classes of our stock.

Furthermore, holders of our Class A common stock have the right to vote on the adoption of a new equity compensation plan any material amendment to an existing equity compensation plan, and an issuance of common stock if, based on the number of shares or the voting power outstanding before such issuance, more than 1% of our common stock is issued to our affiliates and other related parties or more than 20% of our common stock is issued in any transaction, subject to certain limited exemptions. In January 2019, holders of our Class A common stock, together with the holders of our Class C common stock, voted on the adoption of our 2019 Equity Incentive Plan.

In general, any matters that are subject to a vote of the holders of our Class A common stock will require the approval of a majority in voting power of all our Class A common stock and Class C common stock, voting together as a single class. As a result, KKR Holdings, the holder of our Class C common stock, will vote together with the holders of our Class A common stock. As of February 10, 2020, there were 558,046,130 shares of Class A common stock and290,381,345 shares of Class C common stock issued and outstanding, giving holders of Class A common stock 65.8% and KKR Holdings 34.2% of the total combined voting power on matters for which they are entitled to vote together as a single class. Because Messrs. Kravis and Roberts, when acting together, jointly control the vote of the shares of our Class C common stock held by KKR Holdings,

Messrs. Kravis and Roberts are expected to be able to substantially influence the outcome of any matter submitted to a vote of the Class A common stock. In addition, Messrs. Kravis and Roberts, when acting together, jointly control the vote of the Class B common stock held by KKR Management LLP. The vote of the Class B common stock will determine the outcome of all matters that are not listed above as being subject to a vote by the Class A common stock.

Our certificate of incorporation and bylaws contain additional provisions affecting the holders of our Class A common stock, including limitations on the calling of meetings of the stockholders and procedures for submitting proposals for business to be considered at meetings of the stockholders. In addition, any person that beneficially acquires 20% or more of any class of stock then outstanding without the consent of our board of directors (other than KKR Management LLP or KKR Holdings L.P., which are jointly controlled by our founders) is unable to vote such stock on any matter submitted to such stockholders.

For a more detailed description of our Class A common stock, Class B common stock and Class Common stock, see "Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934," which is filed as an exhibit to this report.

As a "controlled company," we qualify for some exemptions from the corporate governance and other requirements of the NYSE.

We are a "controlled company" within the meaning of the corporate governance standards of the NYSE. As a "controlled company" 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. Accordingly, holders of our Class A common stock do not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the NYSE.

We are not required to comply with certain provisions of U.S. securities laws relating to proxy statements and other annual meeting materials.

We are not required to file proxy statements or information statements under Section 14 of the Exchange Act, unless a vote of holders of our Class A common stock is required. Accordingly, legal causes of action and remedies under Section 14 of the Exchange Act for inadequate or misleading information in proxy statements will not be generally available to holders of our Class A common stock. If we do not deliver any proxy statements, information statements, annual reports, and other information and reports to the Class B Stockholder, then we will similarly not provide any of this information to the holders of our Class A common stock. In addition, we will generally not be subject to the "say-on-pay" and "say-on-frequency" provisions of the Dodd-Frank Act. As a result, our stockholders will not have an opportunity to provide a non-binding vote on the compensation of our named executive officers. Moreover, holders of our Class A common stock will be unable to bring matters before our annual meeting of stockholders or nominate directors at such meeting, nor can they generally submit stockholder proposals under Rule 14a-8 of the Exchange Act.

Our certificate of incorporation states that the Class B Stockholder is under no obligation to consider the separate interests of the other stockholders and contains provisions limiting the liability of the Class B Stockholder.

Subject to applicable law, our certificate of incorporation contains provisions limiting the duties owed by the Class B Stockholder and contains provisions allowing the Class B Stockholder to favor its own interests and the interests of its controlling persons over us and the holders of our Class A common stock. Our certificate of incorporation contains provisions stating that the Class B Stockholder is under no obligation to consider the separate interests of the other stockholders (including the tax consequences to such stockholders) in deciding whether or not to authorize us to take (or decline to authorize us to take) any action as well as provisions stating that the Class B Stockholder shall not be liable to the other stockholders for damages or equitable relief for any losses, liabilities or benefits not derived by such stockholders in connection with such decisions. See "—Potential conflicts of interest may arise among the Class B Stockholder and the holders of our Class A common stock."

The Class B Stockholder will not be liable to KKR or holders of our Class A common stock for any acts, or omissions unless there has been a final and non-appealable judgment determining that the Class B Stockholder acted in bad faith or engaged in fraud or willful misconduct and we have also agreed to indemnify the Class B Stockholder to a similar extent.

Even if there is deemed to be a breach of the obligations set forth in our certificate of incorporation, our certificate of incorporation provides that the Class B Stockholder will not be liable to us or the holders of our Class A common stock for any

acts or omissions unless there has been a final and non-appealable judgment by a court of competent jurisdiction determining that the Class B Stockholder 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 Class A common stock because they restrict the remedies available to stockholders for actions of the Class B Stockholder.

In addition, we have agreed to indemnify the Class B Stockholder and its affiliates and any member, partner, Tax Matters Partner (as defined in U.S. Internal Revenue Code of 1986, as amended (the "Code"), as in effect prior to 2018), Partnership Representative (as defined in the Code), officer, director, employee agent, fiduciary or trustee of any of KKR or its subsidiaries, KKR Group Partnership, the Class B Stockholder or any of our or the Class B Stockholder's affiliates and certain other specified persons (collectively, "Indemnitees"), 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 any 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 the Indemnitee acted in bad faith or engaged in fraud or willful misconduct. We have also agreed to provide this indemnification for criminal proceedings.

The provision of our certificate of incorporation requiring exclusive venue in the Court of Chancery in the State of Delaware for certain types of lawsuits may have the effect of discouraging lawsuits against us and our directors, officers and stockholders.

Our certificate of incorporation requires, to the fullest extent permitted by law, that any claims, suits, actions or proceedings arising out of or relating in any way to our certificate of incorporation 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. This provision may have the effect of discouraging lawsuits against us and our directors, officers and stockholders.

The market price and trading volume of our Class A common stock may be volatile, which could result in rapid and substantial losses for our Class A common stockholders.

The market price of our Class A common stock may be highly volatile, could be subject to wide fluctuations and could decline significantly in the future. In addition, the trading volume in our Class A common stock may fluctuate and cause significant price variations to occur. If the market price of our Class A common stock declines significantly, you may be unable to sell your shares at an attractive price, if at all. Some of the factors that could negatively affect the price of our Class A common stock or result in fluctuations in the price or trading volume of our Class A common stock include:

- variations in our quarterly operating results, including the accrual and payment of corporate taxes following the Conversion, which may be substantial;
- changes in the amount of our dividends or our dividend 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 Class A common stock sufficiently;
- additions or departures of our key management and investment personnel;
- adverse market reaction to any acquisitions, joint ventures, reorganizations and other transactions, including incurrence of debt or issuance of securities 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 Class A common stock or ownership by short-term investors;
- a lack of liquidity in the trading of our Class A common stock;
- 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 Class A common stock is not an investment in any of our funds, and the assets and revenues of our funds are not directly available to us.

Our Class A common stock is only securities of KKR & Co. Inc., the holding company of the KKR business. While our historical consolidated financial statements include financial information, including assets and revenues, of certain funds on a consolidated basis, and our future financial statements 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 Class A common stock price may decline due to the large number of shares eligible for future sale or for exchange, and issued or issuable pursuant to our equity incentive plans or as consideration in acquisitions.

The market price of our Class A common stock could decline as a result of sales of a large number of shares 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 shares of Class A common stock in the future at a time and at a price that we deem appropriate. As of February 10, 2020, we have 558,046,130 shares of Class A common stock outstanding, which amount excludes shares beneficially owned by KKR Holdings in the form of KKR Group Partnership Units discussed below and shares available for future issuance under our 2019 Equity Incentive Plan.

As of February 10, 2020, KKR Holdings owns 290,381,345 KKR Group Partnership Units that may be exchanged, on a quarterly basis, for our shares of Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. The market price of our Class A common stock 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 shares of our Class A common stock. These exchanges, or the possibility that these exchanges may occur, also might make it more difficult for holders of our Class A common stock to sell shares of our Class A common stock in the future at a time and at a price that they deem appropriate.

In addition, we will continue to issue additional shares of Class A common stock pursuant to our 2019 Equity Incentive Plans, 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 employees and other key personnel and recruit, retain and motivate new employees and other key personnel, our business, results of operations and financial condition could be materially and adversely affected." As of January 1, 2020, 123,295,864 shares of Class A common stock were available for issuance in respect of outstanding awards and the grant of future awards, representing 15% of the aggregate number of 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) outstanding (together, "Diluted Class A Shares") at the close of business on December 31, 2019, minus the number of shares underlying any outstanding equity awards granted under our 2019 Equity Incentive Plan that have not yet been delivered upon vesting. Under the 2019 Equity Incentive Plan, on the first day of each fiscal year, the number of shares of Class A common stock available for issuance of future awards under our New Equity Incentive Plan will be adjusted upwards to 15% of the aggregate number of Diluted Class A Shares outstanding at the close of business on the last day of the immediately preceding fiscal year, minus the number of shares underlying any outstanding equity awards granted under our 2019 Equity Incentive Plan that have not yet been delivered upon vesting. 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 our 2019 Equity Incentive Plan. See "Executive Compensation—KKR & Co. Inc. Equity Incentive Plan." In the past, we have issued and sold KKR & Co. Inc. Class A common stock to generate cash proceeds to pay withholding taxes, social benefit payments or similar payments payable by us in respect of awards granted pursuant to our Equity Incentive Plans or the amount of cash delivered in respect of awards granted pursuant to our Equity Incentive Plans that are settled in cash instead of Class A common stock. We may issue and sell shares of our Class A common stock in the future for similar purposes.

We have used and in the future may continue to use Class A common stock as consideration in acquisitions and strategic investments. For example, in connection with KKR's acquisition of KFN, we issued the equivalent of approximately 104.3 million shares of our Class A common stock, in connection with KKR's acquisition of Avoca, we issued the equivalent of approximately 4.9 million shares of our Class A common stock and in connection with KKR's initial acquisition and subsequent increase in ownership of Marshall Wace, we issued the equivalent of approximately 23.0 million shares of our Class A common stock. In addition, in connection with other investments, we may make certain future contingent payments in the form of Class A common stock. If our valuations of these transactions are not accurate or if the value of these acquisitions and investments is not realized, the value of our Class A common stock as well as our dividend per share of Class A common stock may decline.

Our issuance of preferred stock may cause the price of our Class A common stock to decline, which may negatively impact our Class A common stockholders.

Our board of directors is authorized to issue series of shares of preferred stock without any action on the part of our stockholders and, with respect to each such series, fix, without stockholder approval (except as may be required by our certificate of incorporation or any certificate of designation relating to any outstanding 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. Any series of preferred stock we may issue in the future will rank senior to all of our Class A common stock with respect to the payment of dividends or upon our liquidation, dissolution, or winding-up. If we issue cumulative preferred stock in the future that has preference over our Class A common stock with respect to the payment of dividends or upon our liquidation, dissolution, or winding up, or if we issue preferred stock with voting rights that dilute the voting power of our Class A common stockholders in the limited instances in which they have the right to vote, the market price of our Class A common stock could decrease. Similarly, the limited partnership agreement of the KKR Group Partnership authorize the general partner of the KKR Group Partnership to issue an unlimited number of additional securities of the KKR Group Partnership 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. For example, in March and June of 2016, KKR issued 13,800,000 Series A preferred units (which have subsequently been converted to shares of Series A Preferred Stock) and 6,200,000 Series B preferred units (which have subsequently been converted to shares of Series B Preferred Stock), respectively, and in connection with such issuances, the KKR Group Partnerships issued preferred units with economic terms designed to mirror KKR's respective preferred units.

Our certificate of incorporation also provides us with a right to acquire all of the then outstanding shares of Class A common stock under specified circumstances, which may adversely affect the price of our shares of Class A common stock and the ability of holders of shares of Class A common stock to participate in further growth in our stock price.

Our certificate of incorporation provides that, if at any time, either (i) less than 10% of the total shares of any class our stock then outstanding (other than Class B common stock, Class C common stock and preferred stock) is held by persons other than the Class B Stockholder and its affiliates or (ii) we are subjected to registration under the provisions of the Investment Company Act, we may exercise our right to call and purchase all of the then outstanding shares of Class A common stock held by persons other than the Class B Stockholder or its affiliates or assign this right to the Class B Stockholder or any of its affiliates. As a result, a stockholder may have his or her shares of Class A common stock purchased from him or her at an undesirable time or price and in a manner which adversely affects the ability of a stockholder to participate in further growth in our stock price.

Risks Related to Our Organizational Structure

Potential conflicts of interest may arise among the Class B Stockholder and the holders of our Class A common stock.

Our founders, who also serve as our Co-Chairmen and Co-Chief Executive Officers, jointly control the Class B Stockholder when acting together. As a result, conflicts of interest may arise among the Class B Stockholder and its controlling persons, on the one hand, and us and the holders of our Class A common stock, on the other hand.

The Class B Stockholder has the ability to generally control our business and affairs through its ownership of the sole share of Class B common stock, the Class B Stockholder's ability to appoint our board of directors, and provisions under our certificate of incorporation requiring Class B Stockholder approval for certain corporate actions (in addition to approval by our board of directors). See "—Certain actions by our board of directors require the approval of the Class B Stockholder, which is controlled by our senior employees." If the holders of our Class A common stock are dissatisfied with the performance of our board of directors, they have no ability to remove any of our directors, with or without cause.

Further, through its ability to elect our board of directors, the Class B Stockholder has the ability to indirectly influence the determination of 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.

In addition, conflicts may arise relating to the selection, structuring and disposition of investments and other transactions, declaring dividends and other distributions and other matters due to the fact that our senior principals indirectly hold KKR Group Partnership Units through KKR Holdings, which is a pass-through entity that is not subject to corporate income taxation.

Certain actions by our board of directors require the approval of the Class B Stockholder, which is controlled by our senior employees.

Although the affirmative vote of a majority of our directors is required for any action to be taken by our board of directors, certain specified actions will also require the approval of the Class B Stockholder, which is controlled by our senior employees. These actions consist of the following:

- the entry into a debt financing arrangement by us in an amount in excess of 10% of our then existing long-term indebtedness (other than the entry into certain intercompany debt financing arrangements);
- the issuance by us 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 the Class A common stock;
- the adoption by us of a shareholder rights plan;
- the amendment of our certificate of incorporation, certain provisions of our bylaws relating to our board of directors and officers or the operating agreement of the KKR Group Partnership;
- the exchange or disposition of all or substantially all of our assets or the assets of the KKR Group Partnership;
- the merger, sale or other combination of our company or the 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 Partnership;
- the appointment or removal of our Chief Executive Officer or a Co-Chief Executive Officer;
- the termination of our 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 us or the KKR Group Partnership; and
- the withdrawal, removal or substitution of any person as the general partner of the KKR Group Partnership or the transfer of beneficial ownership of all or any part of a general partner interest in the KKR Group Partnership to any person other than a wholly-owned subsidiary.

The Class B Stockholder may transfer its interest in the sole share of Class B Common Stock which could materially alter our operations.

The Class B Stockholder may transfer the sole outstanding share of our Class B common stock held by it to a third party upon receipt of approval to do so by our board of directors and satisfaction of certain other requirements, and without the consent of the holders of our Class A common stock and Class C common stock. Further, the partners of the Class B Stockholder may sell or transfer all or part of their partnership interests in the Class B Stockholder at any time without KKR's approval. A new holder of our Class B common stock or new controlling partners of the Class B Stockholder may appoint directors to our board of directors who have a different philosophy and/or investment objectives from those of our current directors. A new holder of our Class B common stock, new controlling partners of the Class B Stockholder and/or the directors they appoint to our board of directors could also have a different philosophy for the management of our business, including the hiring and compensation of our investment professionals. If any of the foregoing were to occur, we could experience difficulty in forming new funds and other investment vehicles and 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 dividends to the holders of our Class A common stock and preferred stock, but our ability to do so may be limited by our holding company structure and contractual restrictions.

We intend to pay cash dividends 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 a wholly-owned subsidiary and have no independent means of generating income. Accordingly, we intend to cause the KKR Group Partnership 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 dividends we may declare. If the KKR Group Partnership makes 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 dividends to our Class A common stockholders will be at the sole discretion of our board of directors, and our dividend policy may be changed at any time. The declaration and payment of dividends is subject to legal, contractual and regulatory restrictions on the payment of dividends by us or our subsidiaries, including restrictions contained in our debt agreements, the terms of our certificate of incorporation, and such other factors as the board of directors 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. Under Section 170 of the Delaware General Corporation Law ("DGCL"), our board of directors may only declare and pay dividends either out of our surplus (as defined in DGCL) or in case there is no such surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. However, dividends may not be declared out of net profits if our capital, computed in accordance with DGCL, shall have been diminished by depreciation in the value of our property, or by losses, or otherwise, to an amount less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets. Furthermore, by paying cash dividends 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 preferred stock ranks senior to our Class A common stock with respect to the payment of dividends. Unless dividends have been declared and paid or declared and set apart for payment on the preferred stock for a quarterly dividend period, during the remainder of that dividend period we may not declare or pay or set apart payment for dividends on any class of stock of KKR & Co. Inc. that are junior to the preferred stock, including our Class A common stock, and we may not repurchase any such junior stock.

Dividends on the preferred stock are discretionary and non-cumulative. Holders of preferred stock will only receive dividends on their shares of preferred stock when, as and if declared by our board of directors. If dividends on a series of the preferred stock have not been declared and paid for the equivalent of six or more quarterly dividend periods, whether or not consecutive, holders of the preferred stock, together as a class with holders of any other series of parity stock with like voting rights, will be entitled to vote for the election of two additional directors to our board of directors. When quarterly dividends have been declared and paid on such series of the preferred stock for four consecutive quarters following such a nonpayment event, the right of the holders of the preferred stock and such parity stock 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 our board of directors will be reduced accordingly. Additional risks related to our Series A Preferred Stock and Series B Preferred Stock 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 our use of tax attributes we receive from prior and future exchanges of our Class A common stock for KKR Group Partnership Units and related transactions, and the timing and value of these tax attributes differ from those of our restricted stock units.

We are required to acquire KKR Group Partnership Units from time to time pursuant to our exchange agreement with KKR Holdings. Certain of these exchanges are expected to result in an increase in our share of the tax basis of the tangible and intangible assets of the KKR Group Partnership, 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 we 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 us to pay to KKR Holdings or to current and former principals who have exchanged KKR Holdings units for shares of Class A common stock as transferees of KKR Group Partnership Units, 85% of the amount of cash tax savings, if any, in U.S. federal, state and local income tax that we

realize as a result of this increase in tax basis, as well as 85% of the amount of any such savings we 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. These payment obligations are obligations of KKR & Co. Inc. and certain of its intermediate holding companies and not of the KKR Group Partnership. Our 2019 Equity Incentive Plan provides for the issuance of restricted holdings units that are not related to KKR Holdings. While the tax receivable agreement does not apply to restricted holdings units issued under our 2019 Equity Incentive Plan (and therefore we will receive 100% of any tax benefits arising from the exchange of restricted holdings units for shares of Class A common stock), any tax benefits we realize from KKR Holdings units or restricted holdings units would be deferred until such units are exchanged for shares of our Class A common stock. The timing of the tax benefit is different with respect to our restricted stock units, where we realize any tax benefit at the time of vesting, which is generally earlier than the time of exchange of KKR Holdings units or restricted holdings units. As a result, the actual increase in tax basis and the amount of tax savings in any given year will vary depending upon a number of factors, including the timing of exchanges, the number of units exchanged, the price of our Class A common stock 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 Partnership, the payments that we may be required to make to KKR Holdings or transferees of its KKR Group Partnership Units under the tax receivable agreement will be substantial.

We recorded $131.3 million in our consolidated statements of financial condition as of December 31, 2019, representing the estimated aggregate future payment amount, on an undiscounted basis, under the tax receivable agreement as of such date for previously exchanged KKR Holdings units. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity—Other Liquidity Needs—Contractual Obligations, Commitments and Contingencies." As of December 31, 2019, 290.4 million KKR Holdings units (the "Remaining KKR Holdings Units") remained available for exchange into shares of our Class A common stock. The present value of our aggregate cash tax savings is highly dependent on the assumed discount rate used for its calculation. Assuming (i) all of the Remaining KKR Holdings Units had been exchanged for shares of our Class A common stock on December 31, 2019, (ii) all such exchanges were taxable to the exchanging unitholders, (iii) the market value of our Class A common stock was $29.17 per share (which was the closing price on December 31, 2019), and (iv) our effective tax rate, for federal, state and local income tax combined, was 23.25%, we estimate that the present value of our aggregate cash tax savings over the next 15 years attributable to such hypothetical exchange of the Remaining KKR Holdings Units would have been approximately $825 million assuming a 7% per annum discount rate and approximately $559 million assuming a 15% per annum discount rate. Using the assumptions above, we estimate our payments under the tax receivable agreement to KKR Holdings and current and former principals attributable to such hypothetical exchange of the Remaining KKR Holdings Units would be 85% of the foregoing amounts, or $701 million using a 7% discount rate and $475 million using a 15% discount rate. The estimates above also assume that we would have taxable income sufficient to fully utilize the deductions arising from the increase in tax basis and any interest imputed with respect to our payment obligations under the tax receivable agreement, and that there would be no future changes to federal, state or local income tax rates. The assumptions and estimates described above are for illustrative purposes only. These estimates are not intended to be a projection of any future financial results, and the actual increases in tax basis and any payments under the tax receivable agreement resulting from any exchanges of KKR Holdings units that occur in the future are expected to vary materially from these estimates. Moreover, the method for calculating the estimated aggregate future payment amount recorded in our financial statements differs in material respects from the assumptions used to calculate the present value of our aggregate cash tax savings over the next 15 years attributable to the hypothetical exchange of all Remaining KKR Holding Units. For example, no discount rate has been applied to the estimated aggregate future payment amount for previously exchanged KKR Holdings units.

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 obligations under the tax receivable agreement would be effectively accelerated in the event of an early termination of the tax receivable agreement by us or in the event of certain mergers, asset sales and other forms of business combinations or other changes of control. In these situations, we would be required to pay an early termination payment based upon the net present value of all tax benefits that would be required to be paid by us to KKR Holdings and current and former principals who have exchanged KKR Holdings units. The method used to calculate the early termination payment is prescribed in the tax receivable agreement and the assumptions used for this purpose, including an applicable discount rate, which currently is LIBOR (as defined) plus 1% (LIBOR plus 1% was 2.76250% as of December 31, 2019), differ in material respects from the assumptions used to calculate the estimated present value of our aggregate cash tax savings for the hypothetical exchange of all Remaining KKR Holdings Units or the estimated payment amount for previously exchanged KKR Holdings units that is recorded in our financial statements. Accordingly, as of December 31, 2019, the amount of early termination payment would have been significantly larger than the present value of the estimated payments under the tax receivable

agreement described above. At the time of the filing of this Annual Report, we have no intention to exercise the early termination right.

Payments under the tax receivable agreement will be based upon the tax reporting positions that we 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 our cash tax savings. Our ability to achieve benefits from any tax basis increase, and the payments to be made under the tax receivable 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 Partnership. Through these interests, we indirectly are the sole general partner of the KKR Group Partnership and indirectly are vested with all management and control over the KKR Group Partnership. 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 our 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 that may be viewed as adverse by the holders of our Class A common stock, in order to ensure conformity with exceptions provided by, and rules and regulations promulgated under, the Investment Company Act.

The Investment Company Act and the rules and regulations thereunder contain detailed parameters for the organization and operation of investment companies. Among other things, the Investment Company Act and the rules and regulations 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 Partnership, and KKR Holdings, and materially and adversely affect our business, results of operations and financial condition. 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.

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 securities, and could thereby materially and adversely affect our business, results of operations and financial condition.

In 2011, the SEC published an advance notice of proposed rulemaking regarding Rule 3a-7 under the Investment Company Act and a concept release seeking information on Section 3(c)(5)(C) of the Investment Company Act, 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. Although no further action has been taken by the SEC, 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 may from time to time undertake internal reorganizations that may adversely impact our business and results of operations.

On July 1, 2018, we converted from a Delaware limited partnership to a Delaware corporation, and on January 1, 2020, we completed an internal reorganization to, among other changes, combine KKR Management Holdings L.P. and KKR International Holdings L.P., which were former intermediate holdings companies for KKR's business, with another intermediate holding company, KKR Fund Holdings L.P., which changed its name to KKR Group Partnership L.P. From time to time, we may undertake other internal reorganizations or make other changes in an effort to simplify our organizational structure, streamline our operations, increase our stockholder base or for other operational reasons. These reorganizations or changes could be disruptive to our business, result in significant expense, require regulatory approvals, and may not be successful in achieving its objectives or fail to result in the intended or expected benefits, any of which could adversely impact our business and results of operations.

Other anti-takeover provisions in our charter documents could delay or prevent a change in control.

In addition to the provisions described elsewhere relating to the Class B Stockholder's control, other provisions in our certificate of incorporation and bylaws may discourage, delay or prevent a merger or acquisition that a stockholder may consider favorable by, for example:

- permitting our board of directors to issue one or more series of preferred stock;
- requiring advance notice for stockholder proposals and nominations if they are ever permitted by applicable law; and
- placing limitations on convening stockholder meetings.

These provisions may also discourage acquisition proposals or delay or prevent a change in control.

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 in North America, Europe, Asia and Australia. We consider these facilities to be suitable and adequate for the management and operations of our business.

In May 2019, we took delivery of office space at 30 Hudson Yards in New York, New York to serve as our principal executive offices in late 2020.

ITEM 3. LEGAL PROCEEDINGS.

The section entitled "Litigation" appearing in Note 16 "Commitments and Contingencies" to our consolidated 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.

Shares of our Class A common stock are listed on the NYSE under the symbol "KKR."

The number of holders of record of our Class A common stock as of February 10, 2020 was 24. This does not include the number of stockholders that hold shares in "street-name" through banks or broker-dealers.

Dividend Policy

Under our current dividend policy for Class A common stock, we expect to pay our Class A common stockholders an annualized dividend of $0.54 per share of Class A common stock, equal to a quarterly dividend of $0.135 per share of Class A common stock, beginning with any dividend announced with respect to the first quarter of 2020. On January 31, 2020, we declared a regular dividend of $0.125 per share of Class A common stock under our prior dividend policy for the quarter ended December 31, 2019.

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, dividends are expected to be funded in the following manner:

- First, the KKR Group Partnership 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 Partnership, after deducting any applicable taxes; and
- Third, we will distribute to holders of our Class A common stock, Series A Preferred Stock and Series B Preferred Stock the amount of dividends declared by our board of directors from the distributions that we receive from our holding companies through which we invest.

The limited partnership agreement of the KKR Group Partnership provides for cash distributions, which are referred to as "tax distributions," to the partners of the partnership if we determine that the taxable income of the partnership will give rise to taxable income for its partners, including indirectly KKR Holdings. The KKR Group Partnership may make tax distributions in the future, from time to time, to provide distributions to pay for the U.S. or non-U.S. tax liabilities of the partners of KKR Holdings.

The declaration and payment of any dividends to holders of our Class A common stock, Series A Preferred Stock or Series B Preferred Stock are subject to the discretion of our board of directors, which may change our dividend policy at any time or from time to time, and the terms of our certificate of incorporation. There can be no assurance that dividends will be made as intended or at all or that any particular dividend policy will be maintained. When KKR & Co. Inc. receives distributions from the KKR Group Partnership (the holding company of the KKR business), KKR Holdings receives its pro rata share of such distributions from the KKR Group Partnership. Furthermore, the declaration and payment of distributions and dividends is subject to legal, contractual and regulatory restrictions on the payment of dividends and distributions by us or our subsidiaries, including restrictions contained in our debt agreements, the terms of our preferred stock, and such other factors as the board of directors 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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity—Sources of Cash." In addition, under Section 170 of the DGCL, our board of directors may only declare and pay dividends either out of our surplus (as defined in DGCL) or in case there is no such surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

Class A Common Stock Repurchases in the Fourth Quarter of2019

Under our current repurchase program, KKR is authorized to repurchase its Class A common stock from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing, manner, price and amount of any Class A 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 Class A common stock, and the program may be suspended, extended, modified or discontinued at any time.

In addition to the repurchases of Class A 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 Class A common stock. From October 27, 2015 through December 31, 2019, KKR has paid approximately $327 million in cash to satisfy tax withholding and cash settlement obligations in lieu of issuing shares of Class A common stock or its equivalent upon the vesting of equity awards representing 16.3 million shares of Class A common stock. Of these amounts, equity awards representing 11.0 million shares of Class A 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 Class A common stock during the fourth quarter of 2019. 1,489,163 shares of Class A common stock were repurchased during the fourth quarter of 2019 and 1,396,907 equity awards were retired during the fourth quarter of 2019. From inception of the repurchase program through December 31, 2019, we have repurchased or retired a total of approximately 47.4 million shares of Class A common stock under the program at an average price of approximately $17.73 per share.

Issuer Purchases of Class A common stock

(amounts in thousands, except share and per share amounts)

	Total Number of Shares Purchased	Average Price Paid Per Share	Cumulative Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [1]
Month #1 (October 1, 2019 to October 31, 2019)	—	$ —	40,585,002	$ 446,605
Month #2 (November 1, 2019 to November 30, 2019)	—	$ —	40,585,002	$ 446,605
Month #3 (December 1, 2019 to December 31, 2019)	1,489,163	$ 29.25	42,074,165	$ 365,540
	1,489,163			

(1) Amounts have been reduced by retirements of equity awards occurring after May 3, 2018.

Unregistered Sale of Equity Securities

On November 22, 2019, KKR acquired an additional 5.0% interest in Marshall Wace after the exercise of the final remaining options agreed to between Marshall Wace and KKR. As partial consideration, KKR issued 5,674,251 shares of Class A common stock to affiliates of Marshall Wace in a private transaction exempt from registration in reliance on Section 4(a)(2) of the Securities Act. For a further discussion of the transaction, see Item 8. Financial Statements and Supplementary Data—Note 4 "Investments—Equity Method."

Other Equity Securities

During the fourth quarter of 2019, 5,364,802 KKR Group Partnership Units were exchanged by KKR Holdings for an equal number of shares of our Class A common stock. This resulted 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. On February 12, 2020, approximately 3.9 million KKR Group Partnership Units were exchanged by KKR Holdings into an equal number of shares of our Class A common stock.

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, 2019, 2018, 2017, 2016 and 2015. We derived the selected historical consolidated financial data as of December 31, 2019 and 2018 and for the years ending December 31, 2019, 2018 and 2017 from the audited consolidated financial statements included elsewhere in this report. We derived the selected historical consolidated financial data as of December 31, 2017, 2016, and 2015 and for the years ended December 31, 2016 and 2015 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 No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis ("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. Inc. 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.

Prior to January 1, 2018, to the extent an investment fund was not consolidated, KKR accounted for carried interest within Revenues separately from its general partner capital interest, which was included within Investment Income (Loss) in the consolidated statements of operations. Effective January 1, 2018, the carried interest component of the general partner interest and the capital interest KKR holds in its investment funds as the general partner are accounted for as a single unit of account and reported within Revenues in the consolidated statements of operations. This change in accounting principle has been applied on a full retrospective basis. See Item 8. Financial Statements and Supplementary Data—Note 2 "Summary of Significant Accounting Policies" to the consolidated financial statements included elsewhere in this report.

	For the Years Ended December 31,				
	2019	2018	2017	2016	2015
	(all dollars are in thousands, except share and per share data)				
Statements of Operations Data:					
Total Revenues	$ 4,220,900	$ 2,395,836	$ 3,557,280	$ 2,040,018	$ 1,043,768
Total Expenses	2,908,431	2,089,477	2,336,692	1,695,474	1,871,225
Total Investment Income (Loss)	3,855,821	1,950,489	1,563,780	630,681	6,169,125
Income (Loss) Before Taxes	5,168,290	2,256,848	2,784,368	975,225	5,341,668
Income Tax Expense (Benefit)	528,750	(194,098)	224,326	24,561	66,636
Net Income (Loss)	4,639,540	2,450,946	2,560,042	950,664	5,275,032
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	—	(37,352)	73,972	(8,476)	(4,512)
Net Income (Loss) Attributable to Noncontrolling Interests	2,634,491	1,357,235	1,467,765	649,833	4,791,062
Net Income (Loss) Attributable to KKR & Co. Inc.	2,005,049	1,131,063	1,018,305	309,307	488,482
Series A Preferred Stock Dividends	23,288	23,288	23,288	17,337	—
Series B Preferred Stock Dividends	10,076	10,076	10,076	4,898	—
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	$ 1,971,685	$ 1,097,699	$ 984,941	$ 287,072	$ 488,482
Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock					
Basic	$ 3.62	$ 2.14	$ 2.10	$ 0.64	$ 1.09
Diluted	$ 3.54	$ 2.06	$ 1.95	$ 0.59	$ 1.01
Weighted Average Shares of Class A Common Stock Outstanding					
Basic	545,096,999	514,102,571	468,282,642	448,905,126	448,884,185
Diluted	557,687,512	533,707,039	506,288.971	483,431,048	482,699,194

	As of December 31,				
	2019	2018	2017	2016	2015
	(all dollars are in thousands)				
Statements of Financial Condition Data:					
Total Assets	$ 60,899,319	$ 50,743,375	$ 45,834,719	$ 39,002,897	$ 71,042,339
Total Liabilities	$ 30,396,945	$ 25,360,766	$ 25,171,919	$ 21,884,814	$ 21,574,754
Redeemable Noncontrolling Interests	$ —	$ 1,122,641	$ 610,540	$ 632,348	$ 188,629
Noncontrolling Interests	$ 19,694,884	$ 15,610,358	$ 12,866,324	$ 10,545,902	$ 43,731,774
Total KKR & Co. Inc. Stockholders' Equity[1]	$ 10,807,490	$ 8,649,610	$ 7,185,936	$ 5,939,833	$ 5,547,182

(1) Total KKR & Co. Inc. stockholders' equity (including Series A and B preferred stock) reflects only the portion of equity attributable to KKR & Co. Inc. (65.9% interest in the KKR Group Partnerships as of December 31, 2019) and differs from book value reported on a non-GAAP basis primarily as a result of the exclusion of the allocations of equity to KKR Holdings. KKR Holdings' 34.1% interest in the KKR Group Partnerships as of December 31, 2019 is reflected as noncontrolling interests and is not included in total KKR & Co. Inc. stockholders' equity. For periods prior to December 31, 2018, equity attributable to KKR & Co. Inc. differs from book value reported on a non-GAAP basis primarily as a result of the exclusion of the equity impact of KKR Management Holdings Corp. and allocations of equity to KKR Holdings.

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 & Co. Inc., together with its consolidated subsidiaries, 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 and do not reflect the Reorganization or the acquisition of KKR Capstone on January 1, 2020. 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 business lines and our firm, see Item 1. "Business."

Business Environment

Economic and Market Conditions

Economic Conditions. As a global investment firm, we are affected by financial and economic conditions globally. Global and regional economic conditions 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.

In 2019, the U.S. economy grew at a solid pace, although the growth rate slowed compared to 2018 amid the U.S.-China trade dispute and a decelerating global economy. After cutting its benchmark interest rate three times in the second half of 2019, the U.S. Federal Reserve left the rate unchanged in December 2019 and signaled that rates would remain on hold in 2020. In the United States, real GDP growth is 2.3% for the full year ended December 31, 2019, compared to 2.9% in the prior year; the U.S. unemployment rate was 3.5% as of December 31, 2019, down from 3.9% as of December 31, 2018; U.S. core consumer price index was 2.3% on a year-over-year basis as of December 31, 2019, slightly up from 2.2% on a year-over-year basis as of December 31, 2018; and the effective federal funds rate set by the U.S. Federal Reserve was 1.6% as of December 31, 2019, down from 2.4% as of December 31, 2019.

In 2019, the European Union's economic growth slowed down, with fourth quarter growth stalling almost to zero, and the economies of France and Italy contracting in the quarter. In the Euro Area, real GDP growth is estimated to be 1.2% for the year ended December 31, 2019 down from 1.9% in the prior year; the Euro Area unemployment rate was 7.4% as of December 31, 2019, down from 7.8% as of December 31, 2018; Euro Area core inflation was 1.3% on a year-over-year basis as of December 31, 2019, up from 0.9% as of December 31, 2018; and the short-term benchmark interest rate set by the European Central Bank was 0.0% as of December 31, 2019, unchanged from December 31, 2018.

In 2019, Japanese economic growth slowed down in the second half of the year, with fourth quarter GDP expected to have contracted. China's economic growth in 2019 recorded one of the slowest rates of growth in recent years, although it was in line with the official target range provided by the Chinese government earlier in the year. Both Japan and China suffered from the U.S.-China trade tensions and soft global demand. The recent outbreak of coronavirus (COVID-19) in the region has added pressure to the economic outlook for both countries. In Japan, the short-term benchmark interest rate set by the Bank of Japan was -0.1% as of December 31, 2019, unchanged from December 31, 2018; and in China, reported real GDP is estimated to be 6.1% in the year ended December 31, 2019, below the 6.7% reported for the year ended December 31, 2018.

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, (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) the potential impact and duration of the recent outbreak of the novel coronavirus, (v) any unexpected shift in the U.S. Federal Reserve's monetary policies and its impact on the markets and (vi) technological advancements and innovations that may disrupt marketplaces and businesses. 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."

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 present 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 such as 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.

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, 2019, global equity markets were positive, with the S&P 500 Index up 31.5% and the MSCI World Index up 28.4% 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 13.8 as of December 31, 2019, decreasing from 25.4 as of December 31, 2018. 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" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Fair Value Measurements—Level III Valuation Methodologies."

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 year ended December 31, 2019, U.S. investment grade corporate bond spreads (BofA Merrill Lynch US Corporate Index) contracted by 58 basis points and U.S. high-yield corporate bond spreads (BofAML HY Master II Index) contracted by 173 basis points. The non-investment grade credit indices were up during the year ended December 31, 2019, with the S&P/LSTA Leveraged Loan Index up 8.6% and the BofAML HY Master II Index up 14.4%. During the year ended December 31, 2019, 10-year government bond yields fell 77 basis points in the United States, fell 46 basis points in the United Kingdom, fell 43 basis points in Germany, fell 16 basis points in China, and fell 1 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."

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." For a further discussion of our valuation methods, see "—Critical Accounting Policies—Fair Value Measurements—Level III Valuation Methodologies."

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 year ended December 31, 2019, the euro fell 2.2%, the British pound strengthened 3.9%, the Japanese yen rose 1.0%, and the Chinese renminbi fell 1.2%, 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."

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 year ended December 31, 2019, the long-term price of WTI crude oil increased approximately 3%, and the long-term price of natural gas decreased approximately 7%. The long-term price of WTI crude oil increased from approximately $50 per barrel to $52 per barrel, and the long-term price of natural gas decreased from approximately $2.60 per mcf to $2.42 per mcf as of December 31, 2018 and December 31, 2019, 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 assets, which had a fair value of $0.7 billion as of December 31, 2019 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 "—Critical Accounting Policies—Fair Value Measurements—Level III Valuation Methodologies—Real Asset Investments" 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."

Spot prices for crude oil and natural gas have declined since December 31, 2019, while the impact to longer-term prices of crude oil and natural gas has been less pronounced. We expect these 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 near-term commodity price hedges, which make long-term oil and natural gas prices a more significant driver of fair value than spot prices. As of December 31, 2019, energy strategies make up approximately 1% of our assets under management and 5% of our balance sheet 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 energy, infrastructure, real estate, growth equity, core, credit 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."

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 the KKR Group Partnerships 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 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—Note 2 "Summary of Significant Accounting Policies."

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 earned by consolidated 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.

Capital Allocation-Based Income

Capital allocation-based income 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 Item 8. Financial Statements and Supplementary Data—Note 2 "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. 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 expenses.

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, 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. For the year ending December 31, 2019, no cash bonuses were contributed by KKR Holdings. 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" 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 and other performance income compensation. With respect to KKR's investment funds that provide for carried interest without a preferred return, KKR allocates 40% of the carried interest received from such funds to its carry pool for employees and non-employee operating consultants. Beginning with the quarter ended September 30, 2016, for investment funds that provide for carried interest with a preferred return and have accrued carried interest as of June 30, 2016, KKR also includes 40% of the management fees that would have been subject to a management fee refund as performance income compensation. Because of the different ways management fees are refunded in preferred return and non-preferred return funds that provide for carried interest, 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. Beginning with the quarter ended September 30, 2017, for certain then-current and future carry generating funds with a preferred return and no or minimal accrued carried interest as of June 30, 2017, KKR allocates 43% of the carried interest to the carry pool instead of 40% of carried interest. For impacted funds, the incremental 3% replaces the allocation of management fee refunds that would have been calculated for those funds and is designed, based on a historical financial analysis of certain investment funds, to allocate an amount for preferred return funds that is comparable to the

management fee refunds that would have been allocated as performance income compensation for those funds. The percentage of carried interest, management fee refunds, and incentive fees allocable to the carry pool or as performance income compensation is subject to change from time to time. 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."

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 balances 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

On July 1, 2018, we converted from a Delaware limited partnership to a Delaware corporation (the "Conversion"). Prior to the Conversion, KKR's investment income and carried interest generally were not subject to U.S. corporate income taxes. Subsequent to the Conversion, all income earned by KKR is subject to U.S. corporate income taxes, resulting in an overall higher income tax expense (or benefit) in periods subsequent to the Conversion.

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, 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 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 and further information about the impact of the Conversion, see Item 8. Financial Statements and Supplementary Data—Note 2 "Summary of Significant Accounting Policies" and Note 11 "Income Taxes."

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 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. 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.

For a further discussion of our noncontrolling interests policies, see Item 8. Financial Statements and Supplementary Data—Note 2 "Summary of Significant Accounting Policies."

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 Class A common stock of KKR & Co. Inc. outstanding under GAAP adjusted to include shares issuable upon exchange of all units of KKR Holdings L.P. and any other securities exchangeable into Class A common stock of KKR & Co. Inc. that are eligible to receive a dividend (which excludes equity awards issued under the Equity

Incentive Plans). 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 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. Adjusted shares was previously referred to as "adjusted shares eligible for distribution."

After-tax Distributable Earnings

After-tax distributable earnings is a non-GAAP measure of KKR's earnings excluding mark-to-market gains (losses) after interest expense, preferred dividends, noncontrolling interests and income taxes paid. It is defined as the amount of net realized earnings of KKR for a given reporting period, after deducting equity-based compensation and the impact of non-recurring items. 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 Class A 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 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. Following the Conversion, 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 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 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 measure that represents cash and short-term investments, investments, 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 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 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 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 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 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.

Consolidated Results of Operations

The following is a discussion of our consolidated results of operations for theyears ended December 31, 2019 and 2018. 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." For a discussion comparing our consolidated results of operations for the years ended December 31, 2018 and 2017, see "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 15, 2019.

Year ended December 31, 2019 compared to year ended December 31, 2018

	Year Ended		
	December 31, 2019	December 31, 2018	Change
	($ in thousands)		
Revenues			
Fees and Other	$ 1,790,475	$ 1,841,326	$ (50,851)
Capital Allocation-Based Income	2,430,425	554,510	1,875,915
Total Revenues	4,220,900	2,395,836	1,825,064
Expenses			
Compensation and Benefits	2,116,890	1,374,363	742,527
Occupancy and Related Charges	62,728	59,706	3,022
General, Administrative and Other	728,813	655,408	73,405
Total Expenses	2,908,431	2,089,477	818,954
Investment Income (Loss)			
Net Gains (Losses) from Investment Activities	3,161,884	1,254,832	1,907,052
Dividend Income	318,972	175,154	143,818
Interest Income	1,418,516	1,396,532	21,984
Interest Expense	(1,043,551)	(876,029)	(167,522)
Total Investment Income (Loss)	3,855,821	1,950,489	1,905,332
Income (Loss) Before Taxes	5,168,290	2,256,848	2,911,442
Income Tax Expense (Benefit)	528,750	(194,098)	722,848
Net Income (Loss)	4,639,540	2,450,946	2,188,594
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	—	(37,352)	37,352
Net Income (Loss) Attributable to Noncontrolling Interests	2,634,491	1,357,235	1,277,256
Net Income (Loss) Attributable to KKR & Co. Inc.	2,005,049	1,131,063	873,986
Series A Preferred Stock Dividends	23,288	23,288	—
Series B Preferred Stock Dividends	10,076	10,076	—
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	$ 1,971,685	$ 1,097,699	$ 873,986

Revenues

For the years ended December 31, 2019 and 2018, revenues consisted of the following:

	Year Ended		
	December 31, 2019	December 31, 2018	Change
	($ in thousands)		
Management Fees	$ 824,903	$ 724,558	$ 100,345
Fee Credits	(340,900)	(231,943)	(108,957)
Transaction Fees	914,329	988,954	(74,625)
Monitoring Fees	106,289	87,545	18,744
Incentive Fees	—	14,038	(14,038)
Expense Reimbursements	169,415	146,989	22,426
Oil and Gas Revenue	47,153	51,465	(4,312)
Consulting Fees	69,286	59,720	9,566
Total Fees and Other	1,790,475	1,841,326	(50,851)
Carried Interest	2,041,847	441,529	1,600,318
General Partner Capital Interest	388,578	112,981	275,597
Total Capital Allocation-Based Income	2,430,425	554,510	1,875,915
Total Revenues	$ 4,220,900	$ 2,395,836	$ 1,825,064

Total Fees and Other for the year ended December 31, 2019 decreased compared to the year ended December 31, 2018 primarily as a result of an increase in fee credits and a decrease in transaction fees and incentive fees. Partially offsetting these decreases was an increase in management fees.

Transaction fees decreased overall primarily from a lower level of transaction fees earned in our Capital Markets business line. Partially offsetting these decreases was an increase in transaction fees earned in our Private Markets business line, and to a lesser extent, our Public Markets business line.

The increase in fee credits was due primarily to the increase in transaction fees earned in our Private Markets business line, and to a lesser extent, our Public Markets business line.

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. Furthermore, transaction fees earned in our Capital Markets business line are not shared with fund investors. Accordingly, certain transaction fees are reflected in revenues without a corresponding fee credit.

For a more detailed discussion of the factors that affected our transaction and monitoring fees during the period, see "—Analysis of Non-GAAP Operating Results—Operating Revenues."

The increase in management fees during the year ended December 31, 2019 compared to the prior period was due primarily to management fees earned from our European Fund V which entered its investment period in 2019 and Global Infrastructure Investors III Fund which entered its investment period during the third quarter of 2018. Partially offsetting this increase was a decrease in management fees and incentive fees related to our BDC platform as a result of the FS Investments Transaction that closed in the second quarter of 2018. KKR reports its investment in FS/KKR Advisor using the equity method of accounting, and as such, KKR reflects its allocation of the net income of this entity as investment income. Accordingly, the management fees and incentive fees of the BDCs that had been reported in fees and other revenues prior to the closing of the FS Investments Transaction are now reflected on a net basis as part of our allocation of the net income of this entity within investment income. This decreased our reported gross management fees and incentive fees when compared to the prior period.

The increase in carried interest and general partner capital interest during the year ended December 31, 2019 compared to the prior period was due primarily to a higher level of net appreciation in the value of our private equity investment portfolio as compared to the year ended December 31, 2018.

Compensation and Benefits Expenses

The increase in compensation and benefits expenses during the year ended December 31, 2019 compared to the prior period was primarily due to an increase in carried interest compensation resulting from a higher level of unrealized appreciation in the value of our private equity portfolio as compared to the prior period. This increase was partially offset by lower equity-based compensation charges resulting from a decrease in the weighted average number of unvested shares outstanding.

General, Administrative and Other Expenses

The increase in general, administrative and other expenses for the year ended December 31, 2019 compared to the year ended December 31, 2018 was primarily due to (i) a higher level of expenses that were credited to our investment funds, in particular a higher level of broken-deal expenses and (ii) a higher level of expenses related to capital raising efforts, in particular approximately $20 million of issuance costs incurred in connection with the launch of a closed-end fund that closed in the fourth quarter of 2019. These increases were partially offset by a lower level of financing costs incurred related to debt at consolidated CLOs compared to the prior period.

Net Gains (Losses) from Investment Activities

The following is a summary of net gains (losses) from investment activities:

	Year Ended	
	December 31, 2019	December 31, 2018
	($ in thousands)	
Private Equity	$ 3,110,951	$ 893,384
Credit	(242,995)	(774,524)
Investments of Consolidated CFEs	213,038	(536,050)
Real Assets	(34,545)	160,884
Equity Method - Other	611,160	335,036
Other Investments	(186,860)	(673,618)
Debt Obligations and Other	(435,071)	909,171
Other Net Gains (Losses) from Investment Activities	126,206	940,549
Net Gains (Losses) from Investment Activities	$ 3,161,884	$ 1,254,832

Net Gains (Losses) from Investment Activities for the year ended December 31, 2019

The net gains from investment activities for the year ended December 31, 2019 were comprised of net realized gains of $497.3 million and net unrealized gains of $2,664.5 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 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 year ended December 31, 2019, net realized gains related primarily to realized gains on (i) the sale of our investment in Trainline PLC (LSE: TRN), (ii) the sales of assets in our consolidated real estate funds, (iii) the sale of our investment in Sedgwick Claims Management Services, Inc. (financial services sector) and (iv) the sales of assets in our consolidated special situations funds. Partially offsetting these realized gains were realized losses, the most significant of which related to the sale of investments held by our consolidated CLOs and the sale of our investment in DoubleDutch, Inc. (technology sector).

Unrealized Gains and Losses from Investment Activities

For the year ended December 31, 2019, unrealized gains were driven primarily by (i) mark-to-market gains on the growth equity investments held by KKR and certain consolidated entities, the most significant of which was BridgeBio Pharma, Inc. (NASDAQ: BBIO), (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 USI, Inc. (financial services sector) and (iii) mark-to-market gains on our investment in Fiserv, Inc., which is held in our funds and as a balance sheet co-investment by KKR.

Partially offsetting the unrealized gains above were unrealized losses relating to (i) mark-to-market losses in our energy investments held through certain consolidated entities, (ii) mark-to-market losses on investments held at our consolidated special situations funds, (iii) mark-to-market losses on investments held at our India debt financing company and (iv) the reversal of previously recognized unrealized gains relating to the realization activity described above. For more details regarding investments held at our India debt financing company, see "—Analysis of Non-GAAP Operating Results—Non-GAAP Balance Sheet Measures."

Net Gains (Losses) from Investment Activities for theyear ended December 31, 2018

The net gains from investment activities for the year ended December 31, 2018 were comprised of net realized gains of $534.7 million and net unrealized gains of $720.2 million.

Realized Gains and Losses from Investment Activities

For the year ended December 31, 2018, realized gains related primarily to (i) the sale of assets in our consolidated special situations funds, (ii) the FS Investments Transaction, (iii) the sale of our equity interest in Nephila Capital Ltd. ("Nephila"), (iv) the sale of real estate investments held through certain consolidated entities, and (v) the partial sale of our investment in First Data Corporation (which was merged with Fiserv, Inc.) in the third quarter of 2018 which was held in part as a direct co-investment by KKR.

Partially offsetting these realized gains were realized losses primarily relating (i) the write-off of Trinity Holdings LLC (energy sector) and certain CLOs during the year ended December 31, 2018 and (ii) the partial write-off of our investment in Preferred Proppants, LLC (manufacturing sector) which is held directly by KKR and in our consolidated special situations funds.

Unrealized Gains and Losses from Investment Activities

For the year ended December 31, 2018, unrealized gains were driven primarily by (i) mark-to-market gains in portfolio companies in our core investment strategy, the most significant of which were USI, Inc., PetVet Care Centers, LLC, and Heartland Dental LLC, (ii) mark-to-market gains in our growth equity investments held directly by KKR and certain consolidated entities, (iii) an increase in our allocation of the net income of our hedge fund partnerships and BDC platform, (iv) the reversal of previously recognized unrealized losses related to the write-off of Trinity Holdings LLC and certain CLOs and the partial write-off of Preferred Proppants, LLC as described above, and (v) mark-to-market gains on investments in our energy portfolio held through certain consolidated funds.

Partially offsetting the unrealized gains above were unrealized losses relating to (i) the reversal of previously recognized unrealized gains relating to assets sold in our consolidated special situations funds, the partial sale of First Data Corporation in the third quarter of 2018 which was held as a direct co-investment by KKR and the sale of real estate investments held through certain consolidated entities and (ii) mark-to-market losses on certain investments held in our consolidated special situations funds and investments held at our India debt financing company.

Dividend Income

During the year ended December 31, 2019, the most significant dividends received included $195.3 million from our investment in Fiserv, Inc., part of which is held as a balance sheet co-investment by KKR, $36.0 million from our consolidated real estate funds, $29.1 million from our consolidated special situations funds, $14.1 million from infrastructure investments held by KKR and $12.7 million from our consolidated energy funds. During the year ended December 31, 2018, the most significant dividends received included $52.7 million from our consolidated energy funds, $34.7 million from our consolidated special situations funds, and $32.4 million from our consolidated real estate funds. Significant dividends from portfolio companies or 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 increase in interest income during the year ended December 31, 2019 compared to the year ended December 31, 2018 was primarily due to a higher level of interest earned related to (i) the closing of five additional consolidated CLOs subsequent to December 31, 2018 and (ii) an increase in the amount of capital deployed in investments held by KKR Real Estate Finance Trust Inc. ("KREF"), a NYSE-listed real estate investment trust ("REIT"), which is consolidated, as compared to the prior period. Partially offsetting this increase is a decrease in interest income related to (i) interest income from our consolidated special situations funds, primarily related to corporate restructurings in certain underlying investments that resulted in KKR receiving non-interest bearing securities for those investments subsequent to December 31, 2018 and (ii) investments held at our India debt finance company as a result of an increase in non-performing loans (see "—Analysis of Non-GAAP Operating Results—Non-GAAP Balance Sheet Measures"). 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 year ended December 31, 2019 compared to the year ended December 31, 2018 was primarily due to (i) the impact of the closing of five additional consolidated CLOs subsequent to December 31, 2018, (ii) the issuance of euro denominated senior notes in the second quarter of 2019 and (iii) increased borrowings from consolidated asset backed financing vehicles managed by KKR. These increases were partially offset by a decrease in interest expense associated with the redemption of our 6.375% Senior Notes due 2020 (the "2020 Senior Notes") during the year ended December 31, 2019. 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 increase in income (loss) before taxes for the year ended December 31, 2019 compared to the year ended December 31, 2018 was due primarily to a higher level of net gains from investment activities and capital allocation-based income, and to a lesser extent, increased dividend income, partially offset by a higher level of compensation and benefits and interest expense.

Income Taxes

For the year ended December 31, 2019, income tax expense was $528.8 million compared to a net income tax benefit of $194.1 million for the prior period. The income tax benefit in the prior period was primarily the result of tax benefits recorded on the date of Conversion. Prior to the Conversion, KKR & Co. L.P.'s investment income and carried interest generally were not subject to U.S. corporate income taxes. Subsequent to the Conversion, all income earned by KKR & Co. Inc. is subject to U.S. corporate income taxes, which has resulted in, and we believe will continue to result in, an overall higher income tax expense when compared to periods prior to the Conversion. Our effective tax rate under GAAP for the year ended December 31, 2019 was 10.23%. For a discussion of factors that impacted KKR's tax provision, see Item 8. Financial Statements and Supplementary Data—Note 11 "Income Taxes."

Net Income (Loss) Attributable to Noncontrolling Interests

Net income (loss) attributable to noncontrolling interests for the year ended December 31, 2019 relates primarily to net income attributable to KKR Holdings representing its ownership interests in the KKR Group Partnerships as well as third-party limited partner interests in those investment funds that we consolidate. The increase from the prior period is due primarily to an increase in amounts attributable to KKR Holdings, and to a lesser extent, to an increase in income recorded by certain consolidated fund entities that is attributable to third party limited partners as a result of a higher level of income having been recognized for the year ended December 31, 2019 compared to the prior period. Partially offsetting this increase is a decrease in the amount attributable to noncontrolling interests as a result of the reduction in KKR Holdings' ownership percentage in the KKR Group Partnerships as compared to the prior period.

Net Income (Loss) Attributable to KKR & Co. Inc.

The increase in net income (loss) attributable to KKR & Co. Inc. for the year ended December 31, 2019 compared to the year ended December 31, 2018 was primarily due to an increase in net gains from investment activities and capital allocation-based income, and to a lesser extent, an increase in dividend income in the current period as compared to the prior period. Partially offsetting this increase were decreases primarily related to an increase in income attributable to noncontrolling interests, and to a lesser extent, (i) increased compensation and benefits expenses, (ii) an income tax expense in the current period as compared to an overall tax benefit in the prior period, and (iii) increased interest expense.

Consolidated Statements of Financial Condition

The following table provides the Consolidated Statements of Financial Condition on a GAAP basis as of December 31, 2019 and December 31, 2018.

(Amounts in thousands, except per share amounts)

	As of December 31, 2019	As of December 31, 2018
Assets		
Cash and Cash Equivalents	$ 2,346,713	$ 1,751,287
Investments	54,936,268	44,907,982
Other Assets	3,616,338	4,084,106
Total Assets	**$ 60,899,319**	**$ 50,743,375**
Liabilities and Equity		
Debt Obligations	$ 27,013,284	$ 22,341,192
Other Liabilities	3,383,661	3,019,574
Total Liabilities	**30,396,945**	**25,360,766**
Redeemable Noncontrolling Interests	—	1,122,641
Stockholders' Equity		
Preferred Stock	482,554	482,554
KKR & Co. Inc. Stockholders' Equity - Common Stockholders	10,324,936	8,167,056
Noncontrolling Interests	19,694,884	15,610,358
Total Equity	**30,502,374**	**24,259,968**
Total Liabilities and Equity	**$ 60,899,319**	**$ 50,743,375**
KKR & Co. Inc. Stockholders' Equity Per Outstanding Share of Class A Common Stock	**$ 18.44**	**$ 15.27**

KKR & Co. Inc. Stockholders' Equity - Common Stockholders per Outstanding Share of Class A common stock was $18.44 as of December 31, 2019, up from $15.27 as of December 31, 2018. The increase was primarily attributable to net appreciation in the value of our investment portfolio that is attributable to KKR & Co. Inc. net of dividends to Class A common stockholders.

Consolidated Statements 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.

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$(5.7) billion and $(7.6) billion during the years ended December 31, 2019 and 2018, respectively. These amounts primarily included: (i) proceeds from investments net of investments purchased of $(6.0) billion and $(8.5) billion during the years ended December 31, 2019 and 2018, respectively; (ii) net realized gains (losses) on investments of$497.3 million and $534.7 million during the years ended December 31, 2019 and 2018, respectively; (iii) change in unrealized gains (losses) on investments of$2.7 billion and $0.7 billion during the years ended December 31, 2019 and 2018, respectively; and (iv) capital allocation-based income of $2.4 billion and $0.6 billion during the years ended December 31, 2019 and 2018, 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$(207.4) million and $(78.6) million during the years ended December 31, 2019 and 2018, respectively. Our investing activities included: (i) the purchase of fixed assets of $(194.6) million and $(102.7) million during the years ended December 31, 2019 and 2018, respectively; (ii) development of oil and natural gas properties of$(12.8) million and $(2.6) million for the years ended December 31, 2019 and 2018, respectively; and (iii) proceeds from sale of oil and natural gas properties of $26.6 million for the year ended December 31, 2018.

Net Cash Provided (Used) by Financing Activities

Our net cash provided (used) by financing activities was$6.5 billion and $6.6 billion during the years ended December 31, 2019 and 2018, respectively. Our financing activities primarily included: (i) distributions to, net of contributions by, our noncontrolling and redeemable noncontrolling interests of $1.5 billion and $1.9 billion during the years ended December 31, 2019 and 2018, respectively; (ii) proceeds received net of repayment of debt obligations of$5.5 billion and $5.4 billion during the years ended December 31, 2019 and 2018, respectively; (iii) common stock dividends of$(271.5) million and $(322.3) million during the years ended December 31, 2019 and 2018, respectively; (iv) net delivery of Class A common stock of$(91.0) million and $(98.8) million for the years ended December 31, 2019 and 2018, respectively; (v) repurchases of Class A common stock of$(72.1) million and $(173.1) million during the years ended December 31, 2019 and 2018, respectively; and (vi) preferred stock dividends of$(33.4) million during each of the years ended December 31, 2019 and 2018.

Analysis of Non-GAAP Operating Results

The following is a discussion of the results of our business on a non-GAAP basis for the years ended December 31, 2019 and 2018. 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. For a discussion comparing the results of our business on a non-GAAP basis for the years ended December 31, 2018 and 2017, see "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 15, 2019. Certain non-GAAP measures that are presented in this report as KKR's operating results, such as operating assets, operating liabilities, operating revenues, operating expenses and distributable operating earnings, were previously referred to as segment results in our Annual Report on Form 10-K for the year ended December 31, 2018.

The following tables set forth information regarding KKR's operating results and certain key operating metrics as of and for the years ended December 31, 2019 and 2018.

Year ended December 31, 2019 compared to year ended December 31, 2018

OPERATING REVENUES			
	Year Ended		
	December 31, 2019	December 31, 2018	Change
	($ in thousands)		
Operating Revenues			
Fees and Other, Net			
Management Fees	$ 1,227,236	$ 1,069,074	$ 158,162
Transaction Fees	910,932	977,485	(66,553)
Monitoring Fees	106,289	87,520	18,769
Fee Credits	(382,940)	(280,136)	(102,804)
Total Fees and Other, Net	**1,861,517**	**1,853,943**	**7,574**
Realized Performance Income (Loss)			
Carried Interest	1,070,788	1,218,647	(147,859)
Incentive Fees	65,256	138,330	(73,074)
Total Realized Performance Income (Loss)	**1,136,044**	**1,356,977**	**(220,933)**
Realized Investment Income (Loss)			
Net Realized Gains (Losses) [1]	189,858	365,324	(175,466)
Interest Income and Dividends	495,915	286,468	209,447
Total Realized Investment Income (Loss)	**685,773**	**651,792**	**33,981**
Total Operating Revenues	**$ 3,683,334**	**$ 3,862,712**	**$ (179,378)**

OPERATING EXPENSES			
	Year Ended		
	December 31, 2019	December 31, 2018	Change
	($ in thousands)		
Operating Expenses			
Compensation and Benefits [2]	$ 1,446,292	$ 1,533,431	$ (87,139)
Occupancy and Related Charges	58,888	57,022	1,866
Other Operating Expenses [3]	343,418	293,621	49,797
Total Operating Expenses	**$ 1,848,598**	**$ 1,884,074**	**$ (35,476)**

AFTER-TAX DISTRIBUTABLE EARNINGS			
	Year Ended		
	December 31, 2019	December 31, 2018	Change
	($ in thousands)		
After-tax Distributable Earnings			
(+) Total Operating Revenues	$ 3,683,334	$ 3,862,712	$ (179,378)
(-) Total Operating Expenses	1,848,598	1,884,074	(35,476)
(=) Total Distributable Operating Earnings	**1,834,736**	**1,978,638**	**(143,902)**
(-) Interest Expense	183,682	187,379	(3,697)
(-) Preferred Dividends	33,364	33,364	—
(-) Income (Loss) Attributable to Noncontrolling Interests	4,907	8,807	(3,900)
(-) Income Taxes Paid	207,479	151,848	55,631

After-tax Distributable Earnings	**$ 1,405,304**	**$ 1,597,240**	**$ (191,936)**

(1) Excludes a non-recurring $22.8 million make-whole premium associated with KKR's retirement of its 2020 Senior Notes during the year ended December 31, 2019. Given the extraordinary nature of the Conversion, the non-GAAP financial results for the year ended December 31, 2018 exclude approximately $729.4 million of losses on certain investments which were realized in the second quarter of 2018 in advance of the Conversion.
(2) Includes equity-based compensation of $207.8 million and $242.8 million for the years ended December 31, 2019 and December 31, 2018, respectively.
(3) For the year ended December 31, 2019, other operating expenses include approximately $20 million of issuance costs incurred in connection with the launch of a closed-end fund that closed in the fourth quarter. For the year ended December 31, 2018, excludes approximately $11.5 million of non-recurring costs in connection with the Conversion.

Operating Revenues

The following sections discuss revenues for each of our business lines on a disaggregated basis for theyears ended December 31, 2019 and 2018.

Private Markets Operating Revenues

The following table presents Fees and Other, Net and Realized Performance Income in the Private Markets business line for theyears ended December 31, 2019 and 2018:

	Year Ended		
	December 31, 2019	**December 31, 2018**	**Change**
		($ in thousands)	
Fees and Other, Net			
Management Fees	$ 780,254	$ 665,026	$ 115,228
Transaction Fees	421,494	303,902	117,592
Monitoring Fees	106,289	87,520	18,769
Fee Credits	(307,716)	(239,441)	(68,275)
Total Fees and Other, Net	**1,000,321**	**817,007**	**183,314**
Realized Performance Income (Loss)			
Carried Interest	1,046,038	1,208,747	(162,709)
Incentive Fees	2,316	1,041	1,275
Total Realized Performance Income (Loss)	**$ 1,048,354**	**$ 1,209,788**	**$ (161,434)**

Fees and Other, Net

The increase for the year ended December 31, 2019 as compared to the year ended December 31, 2018 was primarily due to an increase in transaction fees, partially offset by a corresponding increase in fee credits, and an increase in management fees.

The increase in transaction fees was primarily attributable to an increase in the number of transaction fee-generating investments. During theyear ended December 31, 2019, there were 59 transaction fee-generating investments that paid an average fee of $7.1 million compared to 41 transaction fee-generating investments that paid an average fee of $7.4 million during the year ended December 31, 2018. For the year ended December 31, 2019, approximately 36% of these transaction fees were paid by companies located in the Asia-Pacific region, 35% were paid from companies in Europe, and 29% were paid by companies located in North America. 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 increase in fee credits is due primarily to a higher level of transaction fees which are shared with fund investors.

The increase in management fees was primarily due to (i) management fees earned from our European Fund V which entered its investment period in 2019, (ii) a full year of management fees earned from our Global Infrastructure Investors III Fund in 2019 which entered its investment period subsequent to the second quarter of 2018, (iii) management fees earned from our Global Impact Fund which entered its investment period during 2019, and (iv) increased capital invested in our core investment strategy, for which fees are earned on invested capital. This net increase was partially offset by decreases due to lower management fees calculated based on lower levels of invested capital as a result of realizations primarily in our North America Fund XI, 2006 Fund and European Fund IV.

Realized Performance Income

The following table presents realized carried interest by investment vehicle for the year ended December 31, 2019 and 2018:

	Year Ended	
	December 31, 2019	December 31, 2018
	($ in thousands)	
North America Fund XI	$ 341,602	$ 471,291
European Fund IV	221,222	—
2006 Fund	143,692	297,173
Asian Fund II	126,039	92,011
Co-Investment Vehicles and Other	70,179	19,192
European Fund III	65,700	192,715
Asian Fund III	36,707	—
Core Investment Vehicles	14,449	—
Asian Fund	10,913	28,991
Real Estate Partners Americas	7,439	12,189
European Fund II	5,058	2,159
China Growth Fund	3,038	11,759
Millennium Fund	—	64,614
Global Infrastructure Investors	—	16,653
Total Realized Carried Interest [1]	**$ 1,046,038**	**$ 1,208,747**

(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 year ended December 31, 2019 consisted primarily of realized gains from the sales of Sedgwick Claims Management Services, Inc. and Trainline PLC and dividends received from our investment in Fiserv, Inc.

Realized carried interest for the year ended December 31, 2018 consisted primarily of realized gains from the partial sales of National Vision Holdings (NASDAQ: EYE), Inc., GoDaddy Inc. (NYSE: GDDY), and Gardner Denver Holdings, Inc. (NYSE: GDI).

Public Markets Operating Revenues

The following table presents Fees and Other, Net and Realized Performance Income in the Public Markets business line for the year ended December 31, 2019 and 2018:

	Year Ended		
	December 31, 2019	December 31, 2018	Change
	($ in thousands)		
Fees and Other, Net			
Management Fees	$ 446,982	$ 404,048	$ 42,934
Transaction Fees	79,383	42,531	36,852
Fee Credits	(75,224)	(40,695)	(34,529)
Total Fees and Other, Net	**451,141**	**405,884**	**45,257**
Realized Performance Income (Loss)			
Carried Interest	24,750	9,900	14,850
Incentive Fees	62,940	137,289	(74,349)
Total Realized Performance Income (Loss)	**$ 87,690**	**$ 147,189**	**$ (59,499)**

Fees and Other, Net

The increase for the year ended December 31, 2019 was primarily due to an increase in management fees and transaction fees partially offset by an increase in associated fee credits.

The increase in management fees was primarily due to (i) increased fees from our CLOs and leveraged credit strategies as a result of greater overall FPAUM and (ii) an increase in fees earned from BDCs advised by FS/KKR Advisor due to a full year of fees from this strategic partnership in 2019. On a non-GAAP basis, KKR's pro rata income from our BDC platform, which is an equity method investment, is included in management fees and incentive fees. On a GAAP basis, such amounts are included in net gains from investment activities.

The increase in transaction fees was primarily attributable to an increase in both the average size and number of transaction fee-generating investments during the period. During the year ended December 31, 2019, there were 45 transaction fee-generating investments that paid an average fee of $1.8 million compared to 37 transaction fee-generating investments that paid an average fee of $1.1 million during the year ended December 31, 2018.

Realized Performance Income

The decrease for the year ended December 31, 2019 compared to the prior period was primarily attributable to a lower level of incentive fees earned in our hedge fund partnerships as a result of less favorable performance as compared to prior year, partially offset by an increased level of realized carried interest earned in three of our alternative credit strategy funds as compared to one fund during the year ended December 31, 2018.

Capital Markets Operating Revenues

The following table presents Transaction Fees in the Capital Markets business line for theyear ended December 31, 2019 and 2018:

	Year Ended		
	December 31, 2019	**December 31, 2018**	**Change**
		($ in thousands)	
Transaction Fees	**$ 410,055**	**$ 631,052**	**$ (220,997)**

Transaction fees decreased due primarily to a decrease in the size of capital markets transactions and to a lesser extent the number of transactions for theyear ended December 31, 2019, compared to the year ended December 31, 2018. Overall, we completed 192 capital markets transactions for theyear ended December 31, 2019, of which 28 represented equity offerings and 164 represented debt offerings, as compared to 204 transactions for theyear ended December 31, 2018, of which 28 represented equity offerings and 176 represented debt offerings. 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 year ended December 31, 2019, approximately 23% of our transaction fees were earned from unaffiliated third parties as compared to approximately 18% for the year ended December 31, 2018. Our transaction fees are comprised of fees earned from North America, Europe and Asia-Pacific. For the year ended December 31, 2019, approximately 61% of our transaction fees were generated outside of North America as compared to approximately 30% for the year ended December 31, 2018. 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 theyear ended December 31, 2019 and 2018:

	Year Ended		
	December 31, 2019	**December 31, 2018**	**Change**
		($ in thousands)	
Realized Investment Income (Loss)			
Net Realized Gains (Losses)[1]	$ 189,858	$ 365,324	$ (175,466)
Interest Income and Dividends	495,915	286,468	209,447
Total Realized Investment Income (Loss)	**$ 685,773**	**$ 651,792**	**$ 33,981**

(1) Excludes a non-recurring $22.8 million make-whole premium associated with KKR's retirement of its 2020 Senior Notes during the year ended December 31, 2019. Given the extraordinary nature of the Conversion, the non-GAAP financial results for the year ended December 31, 2018 exclude approximately $729.4 million of losses on certain investments which were realized in the second quarter in advance of the Conversion.

Realized Investment Income

The increase in net realized investment income for the year ended December 31, 2019 compared to the prior period is primarily due to an increase in dividends, partially offset by a decreased level of net realized gains for the year ended December 31, 2019, compared to the prior period. Dividend income was higher for the year ended December 31, 2019 compared to 2018 primarily due to dividends received in connection with our investment in Fiserv, Inc. The amount of realized investment income (loss) depends on the transaction activity of our funds and balance sheet, which can vary from period to period.

For the year ended December 31, 2019, interest income and dividends were comprised of (i) $195.3 million of dividend income from our investment in Fiserv, Inc., (ii) $141.4 million of dividend income from distributions received primarily through our real assets investments, including our real estate investment in KREF and our energy investments, as well as certain of our credit and private equity investments, and (iii) $159.2 million of interest income which consists primarily of interest that is received from our Public Markets investments, including CLOs and other credit investments, our cash balances, and, to a lesser extent, our Capital Markets business.

For the year ended December 31, 2018, interest income and dividends were comprised of (i) $174.4 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 Capital Markets business and our cash balances and (ii) $112.1 million of dividend income from distributions received primarily through our real assets investments, including our real estate investment in KREF and our energy investments, as well as our credit and energy investments.

For the year ended December 31, 2019, net realized gains were comprised primarily of gains from the sale of our investments in Trainline PLC, GEG German Estate Group AG (financial services sector), and Sedgwick Claims Management Services, Inc., and the sale of certain investments in our special situations funds. Partially offsetting these realized gains were realized losses, the most significant of which was a realized loss on the sale of our investment in DoubleDutch, Inc.

For the year ended December 31, 2018, net realized gains were comprised primarily of gains from the sale of Private Markets investments including the sales or partial sales of our investments in First Data Corporation, Next Issue Media LLC (technology sector), and National Vision Holdings, Inc., as well as the sale of our equity interest in Nephila and the sale of our alternative credit investment in Amedisys, Inc. (NASDAQ: AMED). Partially offsetting these realized gains were realized losses, the most significant of which was a realized loss on Preferred Proppants, LLC. Given the extraordinary nature of the Conversion, the non-GAAP financial results for the year ended December 31, 2018 exclude approximately $729.4 million of realized losses on certain investments, primarily credit and energy investments, which were realized in the second quarter of 2018 in advance of the Conversion.

Subsequent to December 31, 2019, we completed, or expect to complete sales, partial sales or secondary sales with respect to certain private equity portfolio companies and other investments as well as other realization activities such as the receipt of dividends and interest income across our broader portfolio. These realization activities, if and when completed, are expected to result in realized performance income and realized investment income of approximately $700 million in the first half of 2020. Some of these transactions are not complete, and are subject to the satisfaction of closing conditions; there can be no assurance if or when any of these transactions will be completed.

Operating Expenses

Compensation and Benefits

The decrease for the year ended December 31, 2019 compared to the prior period was due primarily to lower compensation recorded in connection with lower total operating revenues and 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 year ended December 31, 2019 compared to the prior period is primarily due to a higher level of expenses that are creditable to our investment funds, in particular a higher level of broken-deal expenses, as well as a higher level of professional fees in connection with the growth of the firm. 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. Additionally, for the year ended December 31, 2019, other operating expenses include approximately $20 million of issuance costs incurred in connection with the launch of a closed-end fund that closed in the fourth quarter.

Other Components of After-tax Distributable Earnings

Interest Expense

For the year ended December 31, 2019 and 2018, interest expense relates primarily to the senior notes outstanding for KKR and KFN. The decrease in interest expense for the year ended December 31, 2019 compared to the prior period is due primarily to (i) the redemption of our $500 million aggregate principal amount of the 2020 Senior Notes in the third quarter of 2019, (ii) the redemption of preferred shares at KFN in the first quarter of 2018, and (iii) a lower level of borrowings in our Capital Markets business line. These decreases were partially offset by the issuance of $500 million aggregate principal amount of 3.750% Senior Notes due 2029, which bear interest at a lower rate than that of the 2020 Senior Notes, and the issuance of the €650 million aggregate principal amount of 1.625% Senior Notes due 2029 in the second quarter of 2019.

Income Taxes Paid

The increase in income taxes paid is primarily due to a higher level of income that is subject to corporate taxes following the Conversion. Prior to the Conversion, KKR's investment income and carried interest generally were not subject to U.S. corporate income taxes. Subsequent to the Conversion, all income earned by KKR is subject to U.S. corporate income taxes which has resulted in, and we believe will continue to result in, an overall higher income taxes paid when compared to periods prior to the Conversion. As a result of the Conversion, KKR recognized a partial step-up in the tax bases of certain assets that will be recovered as those assets are sold or the bases are amortized. This generally results in a lower level of taxable gains upon realization of carried interest and investment income for those assets that existed on the date of the Conversion. Over time as these assets with higher tax bases are realized, we expect that our income taxes paid and non-GAAP effective tax rate will increase. The pace of such increase is not currently known and is dependent on a variety of factors including the pace at which the assets with higher tax bases are realized and the mix of all assets realized in any given period. Therefore, we cannot predict what the increase, if any, in income taxes paid will be quarter-over-quarter or year-over-year.

After-tax Distributable Earnings

The decrease in after-tax distributable earnings for the year ended December 31, 2019 compared to the prior period was due primarily to a lower level of realized performance income partially offset by an increase in management fees.

Other Operating and Performance Measures

The following table presents certain key operating and performance metrics as of December 31, 2019 and December 31, 2018:

	As of		
	December 31, 2019	December 31, 2018	Change
	($ in thousands)		
Assets Under Management	$ 218,355,100	$ 194,720,400	$ 23,634,700
Fee Paying Assets Under Management	$ 161,209,800	$ 141,007,700	$ 20,202,100
Uncalled Commitments	$ 56,920,600	$ 57,959,000	$ (1,038,400)

The following table presents one of our key performance metrics for the year ended December 31, 2019 and 2018:

	Year Ended		
	December 31, 2019	December 31, 2018	Change
	($ in thousands)		
Capital Invested and Syndicated Capital	$ 28,055,900	$ 26,493,900	$ 1,562,000

Assets Under Management

Private Markets

The following table reflects the changes in our Private Markets AUM fromDecember 31, 2018 to December 31, 2019:

	($ in thousands)
December 31, 2018	$ 103,396,500
New Capital Raised	12,097,800
Distributions and Other	(9,978,500)
Change in Value	13,758,900
December 31, 2019	$ 119,274,700

AUM for the Private Markets business line was$119.3 billion at December 31, 2019, an increase of $15.9 billion, compared to$103.4 billion at December 31, 2018.

The increase was primarily attributable to (i) an increase in the value of our Private Markets portfolio and (ii) to a lesser extent new capital raised primarily in our Next Generation Technology Growth Fund II, Asia Pacific Infrastructure Investors, European Fund V, private equity separately managed accounts, Real Estate Credit Opportunity Partners II Fund, and Asia Real Estate Partners. These increases were partially offset by distributions to Private Markets fund investors primarily as a result of realizations, most notably in our North America Fund XI, European Fund IV, Asian Fund II, 2006 Fund, and European Fund III.

The increase in the value of our Private Markets portfolio was driven primarily by net gains of $3.1 billion in our 2006 Fund, $1.9 billion in our North America Fund XI, $1.6 billion in our Asian Fund III, $1.4 billion in our European Fund IV, $1.2 billion in our core investment vehicles, and $1.0 billion in Asian Fund II.

For the year ended December 31, 2019, the value of our private equity investment portfolio increased 27.0%. This was comprised of a 60.7% increase in share prices of various publicly held or publicly indexed investments and a 16.7% increase in value of our privately held investments.

The most significant increases in share prices of various publicly held or publicly indexed investments were increases in Fiserv, Inc., Gardner Denver Holdings, Inc., and BrightView Holdings Inc. (NYSE: BV). These increases were partially offset by decreases in share prices of various publicly held investments, the most significant of which were decreases in Coffee Day Resorts Private Limited (NSE: CCD), RigNet, Inc. (NASDAQ: RNET), and Tarena International, Inc. (NASDAQ: TEDU).

The most significant increases in value of our privately held investments related to increases in KCF Technologies Co. Ltd. (industrial sector), Kokusai Electric Corporation (manufacturing sector), AppLovin Corporation (technology sector), and Internet Brands, Inc. (technology sector). These increases in value on our privately held investments were partially offset by decreases in value relating primarily to oil and gas assets held in our energy income and growth portfolio, Envision Healthcare Corporation (health care sector), and Academy Ltd. (retail sector). The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) individual company performance, (ii) an increase in the value of market comparables, and (iii) with respect to KCF Technologies Co. Ltd. and Kokusai Electric Corporation, increases in valuation reflecting agreements to exit these investments. 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.

For the year ended December 31, 2018, the value of our private equity investment portfolio increased 5.1%. This was comprised of a 12.3% increase in the value of our privately held investments and a 7.9% decrease in the value of various publicly held or publicly indexed investments.

The most significant increases in value of our privately held investments related to increases in Sedgwick Claims Management Services, Inc., Internet Brands, Inc., and Cognita Schools Ltd (education sector). These increases in value on our privately held investments were partially offset by decreases in value relating primarily to Arbor Pharmaceuticals, Inc. (health care sector), Resource Environmental Solutions, LLC (energy sector), and Mandala Energy Ltd. (energy sector). The increased valuations of individual companies in our privately held investments, in the aggregate, generally related to (i) in the case of Sedgwick Claims Management Services, Inc. and Cognita Schools Ltd, a valuation that reflects an agreement to exit 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 or (ii) a decrease in the value of market comparables.

The most significant decreases in share prices of various publicly held or publicly indexed investments were decreases in Gardner Denver Holdings, Inc., BrightView Holdings, Inc., and National Vision Holdings, Inc. These decreases were partially offset by increases in share prices of various publicly held investments, the most significant of which were gains in First Data Corporation, GoDaddy Inc., and PT Japfa Comfeed Indonesia Tbk. (IDX: JPFA).

Public Markets

The following table reflects the changes in our Public Markets AUM from December 31, 2018 to December 31, 2019:

		($ in thousands)
December 31, 2018	$	91,323,900
New Capital Raised		13,419,600
Impact of Other Transactions		2,172,900
Distributions		(1,951,300)
Redemptions		(7,657,300)
Change in Value		1,772,600
December 31, 2019	$	99,080,400

AUM in our Public Markets business line totaled $99.1 billion at December 31, 2019, an increase of $7.8 billion compared to AUM of $91.3 billion at December 31, 2018. The increases due to new capital raised were related to multiple strategies, most notably $3.5 billion in certain leveraged credit strategies, $2.9 billion in our alternative credit strategies, $2.8 billion in our hedge fund partnerships, and $2.4 billion in CLOs. Partially offsetting these increases were redemptions and distributions from certain investment vehicles across multiple strategies, primarily from our hedge fund partnerships, certain leveraged credit strategies, and our alternative credit strategies. The increase in value was driven primarily by net increases in value of our hedge fund partnerships, certain leveraged credit strategies, partially offset by decreases at our BDCs. The "Impact of Other Transactions" represents a $2.2 billion increase in our pro rata portion of AUM managed by Marshall Wace in connection with the acquisition of an additional 5% interest in Marshall Wace.

Fee Paying Assets Under Management

Private Markets

The following table reflects the changes in our Private Markets FPAUM from December 31, 2018 to December 31, 2019:

		($ in thousands)
December 31, 2018	$	66,830,000
New Capital Raised		14,076,800
Distributions and Other		(3,641,900)
Net Changes in Fee Base of Certain Funds		(561,300)
Change in Value		214,500
December 31, 2019	$	76,918,100

FPAUM in our Private Markets business line was $76.9 billion at December 31, 2019, an increase of $10.1 billion, compared to $66.8 billion at December 31, 2018.

The increase was primarily attributable to new capital raised of $5.7 billion in European Fund V, $2.1 billion in private equity separately managed accounts, $1.9 billion in Next Generation Technology Growth Fund II, and $1.1 billion of capital invested by our core investment vehicles. These increases were partially offset by distributions primarily relating to realizations of $0.6 billion in each of North America Fund XI, European Fund IV, and Asian Fund II, and $0.4 billion in Asian Fund.

Public Markets

The following table reflects the changes in our Public Markets FPAUM from December 31, 2018 to December 31, 2019:

	($ in thousands)
December 31, 2018	$ 74,177,700
New Capital Raised	13,878,500
Impact of Other Transactions	2,172,900
Distributions	(2,089,100)
Redemptions	(5,159,100)
Change in Value	1,310,800
December 31, 2019	$ 84,291,700

FPAUM in our Public Markets business line was $84.3 billion at December 31, 2019, an increase of $10.1 billion compared to FPAUM of $74.2 billion at December 31, 2018. The increases due to new capital raised were related to multiple strategies, most notably $3.5 billion in both our alternative credit strategies and certain leveraged credit strategies, $2.8 billion in our hedge fund partnerships, and $2.4 billion in CLOs. Partially offsetting these increases were redemptions and distributions from certain investment vehicles across multiple strategies, primarily from our hedge fund partnerships, certain leveraged credit strategies, and our alternative credit strategies. The increase in value was related primarily to increases at our hedge fund partnerships and various leveraged credit strategies, partially offset by decreases at our BDCs. The "Impact of Other Transactions" represents a $2.2 billion increase in our pro rata portion of FPAUM managed by Marshall Wace in connection with the acquisition of an additional 5% interest in Marshall Wace.

Uncalled Commitments

Private Markets

As of December 31, 2019, our Private Markets business line had $46.8 billion of remaining uncalled capital commitments that could be called for investments in new transactions as compared to $48.2 billion as of December 31, 2018. The net decrease is due primarily to capital called from fund investors to make investments during the period, partially offset by new capital raised in various Private Markets investing strategies, and our private equity separately managed accounts.

Public Markets

As of December 31, 2019, our Public Markets business line had $10.1 billion of remaining uncalled capital commitments that could be called for investments in new transactions as compared to $9.8 billion as of December 31, 2018. The net increase is due to new capital raised primarily in our alternative credit strategies, partially offset by capital called from fund investors to make investments during the period.

Capital Invested and Syndicated Capital

Private Markets Capital Invested

For the year ended December 31, 2019, Private Markets had $14.1 billion of capital invested as compared to $13.2 billion for the year ended December 31, 2018. The increase was driven primarily by a $1.0 billion increase in capital invested in our private equity platform (including core investments and growth equity), partially offset by a $0.1 billion decrease in capital invested in our real assets platforms. 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 quarterly or year-to-date period is volatile and, consequently, a significant amount of capital invested in one period or a few periods may not be indicative of a similar level of capital deployment in future periods. During the year ended December 31, 2019, 43% of capital deployed in private equity, which includes core and growth equity investments, was in transactions in the Asia-Pacific region, 35% was in Europe and 22% was in North America.

Public Markets Capital Invested

For the year ended December 31, 2019, Public Markets had $10.1 billion of capital invested as compared to $6.9 billion for the year ended December 31, 2018. The increase was primarily due to a higher level of capital deployed in our direct lending and private opportunistic credit strategies, partially offset by a lower level of capital deployed in our special situations strategy. During the year ended December 31, 2019, 67% of capital deployed was in transactions in North America, 25% was in Europe, and 8% was in the Asia-Pacific region.

Capital Markets Syndicated Capital

For the year ended December 31, 2019, Capital Markets syndicated $3.9 billion of capital as compared to $6.3 billion for the year ended December 31, 2018. The decrease was primarily due to a decrease in the size of syndication transactions in the year ended December 31, 2019 as compared to the year ended December 31, 2018. Overall, we completed 21 syndication transactions for the year ended December 31, 2019 as compared to 16 syndications for the year ended December 31, 2018. 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 ofDecember 31, 2019 and December 31, 2018:

OPERATING ASSETS		
	As of	
	December 31, 2019	December 31, 2018
	($ in thousands)	
Operating Assets		
Cash and Short-term Investments	$ 2,783,905	$ 2,502,239
Investments	13,026,387	9,847,464
Net Unrealized Carried Interest [1]	1,982,251	1,223,084
Tax Assets	111,719	561,114
Other Assets [2]	3,716,189	3,453,735
Total Operating Assets	**$ 21,620,451**	**$ 17,587,636**

OPERATING LIABILITIES		
	As of	
	December 31, 2019	December 31, 2018
	($ in thousands)	
Operating Liabilities		
Debt Obligations - KKR (ex-KFN)	$ 3,097,460	$ 2,367,801
Debt Obligations - KFN	948,517	948,517
Tax Liabilities	169,997	174,395
Other Liabilities	514,236	590,981
Total Operating Liabilities	**$ 4,730,210**	**$ 4,081,694**

BOOK VALUE		
	As of	
	December 31, 2019	December 31, 2018
	($ in thousands)	
Book Value		
(+) Total Operating Assets	$ 21,620,451	$ 17,587,636
(-) Total Operating Liabilities	4,730,210	4,081,694
(-) Noncontrolling Interests	26,291	25,382
(-) Preferred Stock	500,000	500,000
Book Value	**$ 16,363,950**	**$ 12,980,560**
Book Value Per Adjusted Share	**$ 19.24**	**$ 15.57**
Adjusted Shares	**850,388,924**	**833,938,476**

(1) The following table provides net unrealized carried interest by business line:

	As of	
	December 31, 2019	December 31, 2018
Private Markets Business Line	$ 1,832,581	$ 1,083,163
Public Markets Business Line	149,670	139,921
Total	**$ 1,982,251**	**$ 1,223,084**

(2) Other Assets include KKR's ownership interest in FS/KKR Advisor, LLC and minority ownership interests in hedge fund partnerships.

Book Value Per Adjusted Share

Book value per adjusted share increased 23.6% from December 31, 2018. This increase was due primarily to a broad-based increase 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 year ended December 31, 2019, the value of KKR's balance sheet portfolio, on a non-GAAP basis, increased 25.2% and KKR's overall private equity portfolio increased 27.0%. The increase in KKR's balance sheet portfolio and net unrealized carried interest was primarily due to mark-to-market gains in our portfolio companies. For a further discussion, see "—Consolidated Results of

Operations—Unrealized Gains and Losses from Investment Activities." 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 increase in book value per adjusted share was also due to approximately $1.4 billion of after-tax distributable earnings, partially offset by the payment of dividends during the year endedDecember 31, 2019. For a discussion of factors that impacted KKR's after-tax distributable earnings, see "—Analysis of Non-GAAP Operating Results."

Investment in Marshall Wace

On November 22, 2019, KKR acquired an additional5.0% interest in Marshall Wace after the exercise of an option agreed to between Marshall Wace and KKR, bringing KKR's total ownership of Marshall Wace to 39.6%, after giving effect to certain equity dilution. KKR's interest in Marshall Wace is accounted for using the equity-method of accounting and is not carried at fair value. If KKR had paid the same price for the 34.6% of Marshall Wace acquired prior to November 22, 2019 as we paid for the 5.0% acquired on November 22, 2019, the implied carrying value for KKR's 39.6% interest in Marshall Wace would have been approximately $460 million higher than its current carrying value.

The following table presents the holdings of our operating assets by asset class as ofDecember 31, 2019. 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, during 2019 we recognized net unrealized losses in our credit investment portfolio at our India debt finance company. As of December 31, 2019, KKR's 51% interest in our India debt finance company had a cost basis of approximately $198 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 $110 million, future realized investment losses of approximately $88 million would be recognized based on valuations as of December 31, 2019, which would reduce after-tax Distributable Earnings in future periods.

	As of December 31, 2019		
Investments [1]	**Cost**	**Fair Value**	**Fair Value as a Percentage of Total Investments**
Private Equity Funds / SMAs	$ 3,442,169	$ 4,914,559	37.7%
Private Equity Co-Investments and Other Equity	2,176,113	3,641,702	28.0%
Private Equity Total	**5,618,282**	**8,556,261**	**65.7%**
Energy	778,898	714,635	5.5%
Real Estate	979,818	1,076,838	8.3%
Infrastructure	495,237	614,093	4.7%
Real Assets Total	**2,253,953**	**2,405,566**	**18.5%**
Special Situations	596,344	464,519	3.6%
Direct Lending	176,378	179,028	1.4%
Alternative Credit Total	**772,722**	**643,547**	**4.9%**
CLOs	769,006	646,597	5.0%
Other Credit	70,424	60,135	0.5%
Credit Total	**1,612,152**	**1,350,279**	**10.4%**
Other	1,094,349	714,281	5.4%
Total Investments	**$ 10,578,736**	**$ 13,026,387**	**100.0%**

	December 31, 2019		
Significant Investments: [2]	**Cost**	**Fair Value**	**Fair Value as a Percentage of Total Investments**
Fiserv, Inc. (NASDAQ: FISV)	$ 794,978	$ 1,837,682	14.1%
USI, Inc.	500,111	800,168	6.1%
BridgeBio Pharma, Inc. (NASDAQ: BBIO)	75,835	513,989	3.9%
Heartland Dental LLC	302,255	423,157	3.2%
PetVet Care Centers, LLC	243,188	413,420	3.2%
Total Significant Investments	**1,916,367**	**3,988,416**	**30.5%**
Other Investments	8,662,369	9,037,971	69.5%
Total Investments	**$ 10,578,736**	**$ 13,026,387**	**100.0%**

(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 December 31, 2019. 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 according with GAAP to KKR's non-GAAP information for the year ended December 31, 2019 and 2018:

Revenues

	Year Ended	
	December 31, 2019	December 31, 2018
	($ in thousands)	
Total GAAP Revenues	**$ 4,220,900**	**$ 2,395,836**
(+) Management Fees - Consolidated Funds and Other	464,190	457,314
(-) Fee Credits - Consolidated Funds	42,041	48,193
(-) Capital Allocation-Based Income (GAAP)	2,430,425	554,510
(+) Realized Carried Interest	1,070,788	1,218,647
(+) Realized Investment Income (Loss)	685,773	651,792
(-) Revenue Earned by Other Consolidated Entities	116,435	111,185
(-) Expense Reimbursements	169,416	146,989
Total Operating Revenues	**$ 3,683,334**	**$ 3,862,712**

Expenses

	Year Ended	
	December 31, 2019	December 31, 2018
	($ in thousands)	
Total GAAP Expenses	**$ 2,908,431**	**$ 2,089,477**
(-) Equity-based and Other Compensation - KKR Holdings L.P.	91,921	100,182
(-) Unrealized Performance Income Compensation	520,033	(295,794)
(-) Amortization of Intangibles	1,674	7,700
(-) Reimbursable Expenses	196,694	176,126
(-) Operating Expenses relating to Other Consolidated Entities	187,056	179,818
(-) Non-recurring Costs [(1)]	—	11,501
(+) Other	(62,455)	(25,870)
Total Operating Expenses	**$ 1,848,598**	**$ 1,884,074**

(1) For the year ended December 30, 2018, represents non-recurring costs in connection with the Conversion.

Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders

	Year Ended	
	December 31, 2019	December 31, 2018
	($ in thousands)	
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	**$ 1,971,685**	**$ 1,097,699**
(+) Net Income (Loss) Attributable to Noncontrolling Interests held by KKR Holdings L.P.	1,369,671	561,052
(+) Equity-based and Other Compensation - KKR Holdings L.P.	91,296	100,632
(+) Amortization of Intangibles and Other, net	226,422	26,116
(+) Non-recurring Costs [(1)]	22,839	11,501
(+) Realized Losses on Certain Investments [(2)]	—	729,425
(-) Unrealized Carried Interest	1,263,046	(756,467)
(-) Net Unrealized Gains (Losses)	1,854,867	1,043,912
(+) Unrealized Performance Income Compensation	520,033	(295,794)
(+) Income Tax Expense (Benefit)	528,750	(194,098)
(-) Income Taxes Paid	207,479	151,848
After-tax Distributable Earnings	**$ 1,405,304**	**$ 1,597,240**

(1) For the year ended December 31, 2019, represents a non-recurring make-whole premium associated with KKR's refinancing of its 2020 Senior Notes. For the year ended December 31, 2018, represents non-recurring costs in connection with the Conversion.
(2) Represents losses on certain investments which were realized in the second quarter in advance of the Conversion.

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 December 31, 2019 and December 31, 2018.

Assets

	As of	
	December 31, 2019	December 31, 2018
Total GAAP Assets	**$ 60,899,319**	**$ 50,743,375**
(-) Impact of Consolidation of Funds and Other Entities	37,453,629	31,888,471
(-) Carry Pool Reclassification	1,448,879	922,977
(-) Other Reclassifications	376,360	344,291
Total Operating Assets	**$ 21,620,451**	**$ 17,587,636**

Liabilities

	As of	
	December 31, 2019	December 31, 2018
Total GAAP Liabilities	**$ 30,396,945**	**$ 25,360,766**
(-) Impact of Consolidation of Funds and Other Entities	23,841,496	20,011,804
(-) Carry Pool Reclassification	1,448,879	922,977
(-) Other Reclassifications	376,360	344,291
Total Operating Liabilities	**$ 4,730,210**	**$ 4,081,694**

KKR & Co. Inc. Stockholders' Equity - Common Stockholders

	As of	
	December 31, 2019	December 31, 2018
KKR & Co. Inc. Stockholders' Equity - Common Stockholders	**$ 10,324,936**	**$ 8,167,056**
(+) Impact of Consolidation of Funds and Other Entities	327,826	205,502
(-) Other Reclassifications	17,446	17,446
(+) Noncontrolling Interests Held by KKR Holdings L.P.	5,728,634	4,625,448
Book Value	**$ 16,363,950**	**$ 12,980,560**

The following table provides reconciliations of KKR's GAAP Shares of Class A Common Stock Outstanding to Adjusted Shares:

	As of	
	December 31, 2019	December 31, 2018
GAAP Shares of Class A Common Stock Outstanding	560,007,579 (1)	534,857,237
Adjustments:		
KKR Holdings Units (2)	290,381,345	299,081,239
Adjusted Shares (3)	**850,388,924**	**833,938,476**
Unvested Shares of Class A Common Stock (4)	**22,712,604**	**33,408,491**

(1) Includes 5.7 million shares of Class A common stock issued to affiliates of Marshall Wace LLP as partial consideration for an additional 5% interest acquired by KKR on November 22, 2019.

(2) Class A common stock that may be issued by KKR & Co. Inc. upon exchange of units in KKR Holdings for Class A common stock.

(3) Amounts exclude unvested equity awards granted under our Equity Incentive Plans.

(4) 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 December 31, 2019 or December 31, 2018. See Item 8. Financial Statements and Supplementary Data—Note 12 "Equity Based Compensation."

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."

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 December 31, 2019, 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."

As of December 31, 2019, netting holes in excess of $50 million existed at three of our private equity funds, which were Americas Fund XII, 2006 Fund, and Asian Fund, which had netting holes of approximately $272 million, $107 million, and $84 million, respectively. 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 Item 8. Financial Statements and Supplementary Data—Note 10 "Debt Obligations."

Preferred Stock

For a discussion of KKR's equity, including our preferred stock, see Item 8. Financial Statements and Supplementary Data—Note 15 "Equity."

Liquidity Needs

We expect that our primary liquidity needs will consist of cash required to:

- continue to 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 Class A common stock or the terms of our preferred stock;
- underwrite commitments, advance loan proceeds and fund syndication commitments within our capital markets business;
- 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 Class A common stock or retire equity awards pursuant to the share repurchase program or other securities issued by KKR.

KKR & Co. Inc. Share Repurchase Program

Under the terms of our share repurchase program, KKR is authorized to repurchase its Class A common stock from time to time in open market transactions, in privately negotiated transactions or otherwise. The timing, manner, price and amount of any Class A 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. 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 issued 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. As of December 31, 2019, $366 million was available under the repurchase 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 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 December 31, 2019:

	Uncalled Commitments
Private Markets	**($ in thousands)**
Core Investment Vehicles	$ 1,694,500
Americas Fund XII	412,500
Asian Fund III	358,600
Asia Real Estate Partners	250,000
Global Infrastructure III	237,400
Asia Infrastructure	200,000
European Fund V	164,300
Real Estate Partners Europe II	150,000
Next Generation Technology Growth II	150,000
Health Care Strategic Growth	118,100
Energy Income and Growth II	116,900
Global Impact Fund	100,000
Real Estate Partners Americas II	92,700
Real Estate Credit Opportunity Partners II	50,000
Other Private Markets Vehicles	456,500
Total Private Markets Commitments	4,551,500
Public Markets	
Special Situations Fund III	400,000
Special Situations Fund II	77,900
Lending Partners Europe II	56,000
Private Credit Opportunities Partners II	17,600
Lending Partners III	14,500
Lending Partners Europe	11,300
Other Public Markets Vehicles	112,400
Total Public Markets Commitments	689,700
Total Uncalled Commitments	$ 5,241,200

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 December 31, 2019, these commitments amounted to $0.8 million and $1,089.4 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 our Capital Markets business line are shown without reflecting arrangements that may reduce the actual amount of contractual commitments shown. 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 December 31, 2019 are 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.

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 the KKR Group Partnerships 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 Class A 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 December 31, 2019, an undiscounted payable of $131.3 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 December 31, 2019, approximately $35.8 million of cumulative cash payments have been made under the tax receivable agreement.

Following the Conversion, we expect the amount of future payments under the tax receivable agreement to be materially higher than it would have been had we not converted to a corporation. In addition, our obligations under the tax receivable agreement would be effectively accelerated in the event of an early termination of the tax receivable agreement by us or in the event of certain mergers, asset sales and other forms of business combinations or other changes of control. See "Risk Factors—Risks Related to Our Organization—We will be required to pay our principals for most of the benefits relating to our use of tax attributes we receive from prior and future exchanges of our Class A common stock for KKR Group Partnership Units and related transactions, and the timing and value of these tax attributes differ from those of our restricted stock units."

Dividends

A dividend of $0.125 per share of Class A common stock has been declared for the quarter ended December 31, 2019, which will be paid on February 25, 2020 to holders of record of Class A common stock as of the close of business on February 10, 2020.

A dividend of $0.421875 per share of Series A Preferred Stock has been declared and set aside for payment on March 16, 2020 to holders of record of Series A Preferred Stock as of the close of business on March 1, 2020. A dividend of $0.406250 per share of Series B Preferred Stock has been declared and set aside for payment on March 16, 2020 to holders of record of Series B Preferred Stock as of the close of business on March 1, 2020.

When KKR & Co. Inc. 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.

The declaration and payment of dividends to our Class A 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 Class A common stock in an annual aggregate amount of $0.54 per share (or a quarterly dividend of $0.135 per share) beginning with any dividend to be announced with respect to the results for the first quarter of 2020, 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 Class A common stock 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 terms of the preferred stock of the KKR Group Partnerships.

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.

Contractual Obligations, Commitments and Contingencies

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, 2019 excluding consolidated funds and CFEs with a reconciliation of such amounts to the anticipated future cash payments of KKR including consolidated funds and CFEs.

	Payments due by Period				
Types of Contractual Obligations	**<1 Year**	**1-3 Years**	**3-5 Years**	**>5 Years**	**Total**
			($ in millions)		
Uncalled commitments to investment funds [1]	$ 5,241.2	$ —	$ —	$ —	$ 5,241.2
Debt payment obligations [2]	—	—	229.3	3,816.7	4,046.0
Interest obligations on debt payment obligations [3]	206.4	322.5	320.5	2,069.3	2,918.7
Underwriting commitments [4]	796.4	—	—	—	796.4
Lending commitments [5]	293.0	—	—	—	293.0
Purchase commitments [6]	0.8	—	—	—	0.8
Lease obligations	52.8	45.7	19.0	14.8	132.3
Total Contractual Obligations of KKR	6,590.6	368.2	568.8	5,900.8	13,428.4
(+) Uncalled commitments of consolidated funds [7]	11,412.1	—	—	—	11,412.1
(+) Debt payment obligations of consolidated funds, CFEs and Other [8]	1,053.4	3,357.6	1,676.5	16,528.2	22,615.7
(+) Corporate real estate borrowings [9]	—	490.0	—	—	490.0
(+) Interest obligations of consolidated funds, CFEs and Other [10]	831.3	1,271.7	1,028.7	2,661.4	5,793.1
(+) Purchase commitments of consolidated funds [11]	616.4	—	—	—	616.4
Total Consolidated Contractual Obligations	$ 20,503.8	$ 5,487.5	$ 3,274.0	$ 25,090.4	$ 54,355.7

(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 pace 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) $727.9 million aggregate principal amount of 1.625% Senior Notes due 2029 issued by KKR Group Finance Co. V LLC (denominated in euro), $500 million aggregate principal amount of 3.750% Senior Notes due 2029 issued by KKR Group Finance Co. VI LLC, $500 million aggregate principal amount of 5.500% Senior Notes due 2043 issued by KKR Group Finance Co. II LLC and $1,000 million aggregate principal amount of 5.125% Senior Notes due 2044 issued by KKR Group Finance Co. III LLC, gross of unamortized discount; (ii) $369.7 million aggregate principal amount of 0.509% Senior Notes due 2023, 0.764% Senior Notes due 2025 and 1.595% Senior Notes due 2038 issued by KKR Group Finance Co. IV LLC (denominated in Japanese Yen); (iii) $500 million aggregate principal amount of 5.500% Senior Notes due 2032 issued by KFN, gross of unamortized discount; (iv) $120 million aggregate principal amount of 5.200% Senior Notes due 2033 issued by KFN; (v) $70.0 million aggregate principal amount of 5.400% Senior Notes due 2033 issued by KFN; and (vi) $258.5 million aggregate principal amount of junior subordinated notes issued by KFN, gross of unamortized discount. 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 term of the related debt obligation, which has been calculated assuming the debt outstanding at December 31, 2019 is not repaid until its maturity. Future interest rates are assumed to be those in effect as of December 31, 2019, 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 commitments of KKR and KFN to fund the purchase of various investments.

(7) Represents uncalled commitments of our consolidated funds excluding KKR's portion of uncalled commitments as the general partner of the respective funds. 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 pace 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."

(8) Amounts include (i) financing arrangements entered into by our consolidated funds with the objective of providing liquidity to the funds of $6.9 billion, (ii) debt securities issued by our consolidated CLOs of $14.7 billion and (iii) borrowings collateralized by specific investments and other assets held directly by majority-owned investment vehicles of $1.0 billion. Debt securities issued by consolidated CLO entities are supported solely by the investments held at the CLO 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.

(9) Represents a debt obligation in connection with the ownership of KKR office space.

(10) The interest obligations on debt of our CFEs and other borrowings represent estimated interest to be paid over the term of the related debt obligation, which has been calculated assuming the debt outstanding at December 31, 2019 is not repaid until its maturity. Future interest rates are assumed to be those in effect as of December 31, 2019, 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.

(11) Represents commitments of consolidated funds to fund the purchase of various investments.

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. See "—Liquidity Needs—Tax Receivable Agreement" in this report and "Risk Factors—We will be required to pay our principals for most of the benefits relating to our use of tax attributes we receive from prior and future exchanges of our Class A common stock for KKR Group Partnership Units and related transactions, and the timing and value of these tax attributes differ from those of our restricted stock units"

The commitment table above excludes KKR's commitment to invest up to an additional $150 million in KKR India Financial Services to support KKR's alternative credit business in India.

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. KKR has also provided certain guarantees for fraud, willful misconduct, bankruptcy and other customary wrongful acts in connection with the financing of KKR's corporate real estate and certain investment vehicles. KKR has also (i) 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 (ii) provided credit support to one of our hedge fund partnerships. We have also indemnified employees and non-employees against potential liabilities, in connection with their service as described under "Item 13. Certain Relationships and Related Transactions, and Director Independence-Indemnification of Directors, Officers and Others" in our Annual Report. In addition, we have also provided credit support to certain of our subsidiaries' obligations in connection with certain investment vehicles or partnerships 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 certain investment vehicles. 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 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. See Item 8. Financial Statements and Supplementary Data—Note 16 "Commitments and Contingencies—Contingent Repayment Guarantees" for further information on KKR's potential clawback obligations.

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 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 Item 8. Financial Statements and Supplementary Data—Note 2 "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.

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 4.4% of total investments measured and reported at fair value as Level I at December 31, 2019.

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 38.9% of total investments measured and reported at fair value as Level II at December 31, 2019.

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 56.7% of total investments measured and reported at fair value as Level III at December 31, 2019. The valuation of our Level III investments at December 31, 2019 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 58% 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 2% 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, 2019, 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 39%, 46%, and 15%, 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 December 31, 2019 had a fair value of approximately $715 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 $71.5 million. As of December 31, 2019, 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 $77 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.

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 December 31, 2019, less than 5% 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 December 31, 2019, 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 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 December 31, 2019, there were no investments which represented greater than 5% of total investments on a GAAP basis. On a non-GAAP basis, as of December 31, 2019, investments which represented greater than 5% of total non-GAAP investments consisted of Fiserv, Inc. and USI, Inc. valued at $1,837.7 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 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.

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 Item 8. Financial Statements and Supplementary Data—Note 2 "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. Inc. In all cases, these directional impacts are presented after deducting amounts that are attributable to noncontrolling interests held by KKR Holdings. As of December 31, 2019, KKR & Co. Inc. and KKR Holdings held interests in our business of 65.9% and 34.1%, 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, a Co-President/Co-Chief Operating Officer, and the Chief Financial 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 Exchange Act. 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 or portfolio manager; a portfolio management committee (or other designated senior employees) then 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 relevant to a particular investment. An investment team presents the investment and its identified risks to an investment committee or a portfolio manager, 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 an investment management and distribution committee comprised of senior employees across our business lines, and includes our Co-Presidents/Co-Chief Operating Officers and Chief Financial Officer. The investment management and distribution committee focuses on coordinating investment and distribution activities across the firm. KKR has a risk and operations committee comprised of senior employees from across our business operations, and includes our Co-Presidents/Co-Chief Operating Officers, Chief Financial Officer, General Counsel, and Chief Compliance Officer. The risk and operations committee focuses on KKR's operations and enterprise risk management.

KKR's global conflicts and compliance 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 as well as potential conflicts involving the overall activities of KKR and its various businesses. This committee also reviews and monitors certain

compliance matters. Our Chief Financial Officer, General Counsel, and Chief Compliance Officer are included as members of this committee.

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, 2019, 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. Inc. 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. Inc. 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 in individual line items within the consolidated statement of operations, (ii) the elimination of management fees and carried interest as a result of the consolidation of certain investment funds and CFEs, 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, 2019, 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. Inc. before income taxes in 2020 from reductions in the following items, if not offset by other factors:

	Management Fees	Carried Interest, Net of Carry Pool Allocation	Net Gains/(Losses) From Investment Activities Including General Partner Capital Interest
		($ in thousands)	
10% Decline in Fair Value of Investments [1]	$ 20,399 [2]	$ 399,043 [3]	$ 858,439 [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 September 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 business line are generally calculated based on the amount of capital committed or invested by a fund, as described under "Business—Our Business Lines—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 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 line, management fees are often calculated based on the average NAV of the fund for that particular period, although certain funds in our Public Markets business line 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 increase or decrease 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, 2019, the fund management fees that were recognized based on the NAV of the applicable funds 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 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 reduce 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. Inc. 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 in individual line items within the consolidated statement of operations, (ii) the elimination of carried interest as a result of the consolidation of certain investment funds, 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, 2019 (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. Inc. before income taxes in 2020 from reductions in the following items, net of the impact of foreign exchange hedging strategies, if not offset by other factors:

	Carried Interest, Net of Carry Pool Allocation	Net Gains/(Losses) From Investment Activities Including General Partner Capital Interest
	($ in thousands)	
10% Decline in Foreign Currencies Against the U.S. Dollar[1]	$ 66,688 [2]	$ 102,098 [2]

(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-U.S. 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 marginally above the contractual floor and therefore, for these investments, a decrease in variable interest rates would not materially impact the amount of interest income earned. The impact on net income attributable to KKR & Co. Inc. 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.

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. Inc. 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, 2019, KKR had debt obligations outstanding with an aggregate principal amount of approximately$258.5 million that accrues interest at a variable rate. Our policy is to reduce these risks by employing hedging techniques, including using interest rate swaps. The impact on net income attributable to KKR & Co. Inc. resulting from an increase of a hypothetical 100 basis points in variable interest rates used in the recognition of interest expense, net of the impact of interest rate hedging strategies, 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 reduce 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

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of KKR & Co. Inc.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statement of financial condition of KKR & Co. Inc. and its subsidiaries (the "Company") as of December 31, 2019 and 2018, 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, 2019, and the related notes and the financial statement schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control-Integrated Framework (2013)* issued by COSO.

Basis for Opinions

The Company's management is responsible for these financial statements, 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 an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the US federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. 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.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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 its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Fair Value-Level III Investments-Refer to Notes 2, 4, and 5 to the financial statements

Critical Audit Matter Description

The Company and the funds it sponsors and manages have investments reported at fair value. The fair values of certain investments are determined based on unobservable pricing inputs ("Level III Investments"). These investments have limited observable market activity and the inputs used in the determination of fair value require significant management judgment or estimation.

In addition, the Company recognizes carried interest from investment funds based on cumulative fund performance to date. At the end of each reporting period, the Company calculates the carried interest that would be due to the Company for each investment fund, pursuant to the fund agreements. Certain of the funds' investments contain unobservable inputs that are classified as Level III in the fair value hierarchy. The change in the fair value of the underlying Level III Investments held by the funds is a significant input into the determination of carried interest for each reporting period. As the fair value of underlying investments varies between reporting periods, it is necessary to make adjustments to amounts recorded as carried interest. Accrued but unpaid carried interest as of the reporting date is reflected in investments in the consolidated statements of financial condition.

We identified the Level III Investments as a critical audit matter because of the unobservable pricing inputs management used to estimate fair value, and changes in the fair value of these investments directly impacts the amount of unrealized carried interest the Company accrues for the period as well as unrealized investment income recorded during the period.

Performing audit procedures to evaluate the appropriateness of these inputs required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists who possess significant investment valuation expertise.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the unobservable pricing inputs used by management to estimate the fair values of Level III Investments included the following, among others:

- We involved more senior, more experienced audit team members to perform audit procedures.
- We tested the design, implementation, and operating effectiveness of controls over the determination of the fair value of Level III Investments.
- With the assistance of fair value specialists, we evaluated management's process for Level III valuation, including their determination of the unobservable pricing inputs used to estimate fair value.
- We assessed the consistency by which management applied its process.
- We evaluated the Company's historical ability to accurately estimate fair value of Level III Investments by comparing previous estimates of fair value to market transactions, subsequent to December 31, 2019, where appropriate.

/s/ Deloitte & Touche LLP
New York, New York
February 14, 2020

We have served as the Company's auditor since 2006.

KKR & CO. INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Amounts in Thousands, Except Share and Per Share Data)

	December 31, 2019	December 31, 2018
Assets		
Cash and Cash Equivalents	$ 2,346,713	$ 1,751,287
Cash and Cash Equivalents Held at Consolidated Entities	816,441	693,860
Restricted Cash and Cash Equivalents	74,262	196,365
Investments	54,936,268	44,907,982
Due from Affiliates	717,399	657,189
Other Assets	2,008,236	2,536,692
Total Assets	$ 60,899,319	$ 50,743,375
Liabilities and Equity		
Debt Obligations	$ 27,013,284	$ 22,341,192
Due to Affiliates	286,098	275,584
Accounts Payable, Accrued Expenses and Other Liabilities	3,097,563	2,743,990
Total Liabilities	30,396,945	25,360,766
Commitments and Contingencies		
Redeemable Noncontrolling Interests	—	1,122,641
Stockholders' Equity		
Series A and B Preferred Stock, $0.01 par value. 13,800,000 and 6,200,000 shares, respectively, issued and outstanding as of December 31, 2019 and 2018.	482,554	482,554
Class A Common Stock, $0.01 par value. 3,500,000,000 shares authorized, 560,007,579 and 534,857,237 shares, issued and outstanding as of December 31, 2019 and 2018, respectively.	5,600	5,349
Class B Common Stock, $0.01 par value. 1 share authorized, 1 share issued and outstanding as of December 31, 2019 and 2018.	—	—
Class C Common Stock, $0.01 par value. 499,999,999 shares authorized, 290,381,345 and 299,081,239 shares, issued and outstanding as of December 31, 2019 and 2018, respectively.	2,904	2,991
Additional Paid-In Capital	8,565,919	8,106,408
Retained Earnings	1,792,152	91,953
Accumulated Other Comprehensive Income (Loss)	(41,639)	(39,645)
Total KKR & Co. Inc. Stockholders' Equity	10,807,490	8,649,610
Noncontrolling Interests	19,694,884	15,610,358
Total Equity	30,502,374	24,259,968
Total Liabilities and Equity	$ 60,899,319	$ 50,743,375

See notes to financial statements.

KKR & CO. INC.
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"). 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.

	December 31, 2019		
	Consolidated CFEs	Consolidated KKR Funds and Other Entities	Total
Assets			
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
Total Assets	$ 15,682,487	$ 21,187,128	$ 36,869,615
Liabilities			
Debt Obligations	$ 14,658,137	$ 2,481,937	$ 17,140,074
Accounts Payable, Accrued Expenses and Other Liabilities	513,057	109,575	622,632
Total Liabilities	$ 15,171,194	$ 2,591,512	$ 17,762,706

	December 31, 2018		
	Consolidated CFEs	Consolidated KKR Funds and Other Entities	Total
Assets			
Cash and Cash Equivalents Held at Consolidated Entities	$ 428,850	$ 176,264	$ 605,114
Restricted Cash and Cash Equivalents	—	174,057	174,057
Investments	14,733,423	15,585,629	30,319,052
Due from Affiliates	—	11,832	11,832
Other Assets	148,221	223,054	371,275
Total Assets	$ 15,310,494	$ 16,170,836	$ 31,481,330
Liabilities			
Debt Obligations	$ 13,958,554	$ 1,392,987	$ 15,351,541
Accounts Payable, Accrued Expenses and Other Liabilities	579,408	126,333	705,741
Total Liabilities	$ 14,537,962	$ 1,519,320	$ 16,057,282

See notes to financial statements.

KKR & CO. INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in Thousands, Except Share and Per Share Data)

	For the Years Ended December 31,		
	2019	**2018**	**2017**
Revenues			
Fees and Other	$ 1,790,475	$ 1,841,326	$ 1,541,604
Capital Allocation-Based Income	2,430,425	554,510	2,015,676
Total Revenues	4,220,900	2,395,836	3,557,280
Expenses			
Compensation and Benefits	2,116,890	1,374,363	1,695,490
Occupancy and Related Charges	62,728	59,706	58,722
General, Administrative and Other	728,813	655,408	582,480
Total Expenses	2,908,431	2,089,477	2,336,692
Investment Income (Loss)			
Net Gains (Losses) from Investment Activities	3,161,884	1,254,832	928,144
Dividend Income	318,972	175,154	202,115
Interest Income	1,418,516	1,396,532	1,242,419
Interest Expense	(1,043,551)	(876,029)	(808,898)
Total Investment Income (Loss)	3,855,821	1,950,489	1,563,780
Income (Loss) Before Taxes	5,168,290	2,256,848	2,784,368
Income Tax Expense (Benefit)	528,750	(194,098)	224,326
Net Income (Loss)	4,639,540	2,450,946	2,560,042
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	—	(37,352)	73,972
Net Income (Loss) Attributable to Noncontrolling Interests	2,634,491	1,357,235	1,467,765
Net Income (Loss) Attributable to KKR & Co. Inc.	2,005,049	1,131,063	1,018,305
Series A Preferred Stock Dividends	23,288	23,288	23,288
Series B Preferred Stock Dividends	10,076	10,076	10,076
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	$ 1,971,685	$ 1,097,699	$ 984,941
Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock			
Basic	$ 3.62	$ 2.14	$ 2.10
Diluted	$ 3.54	$ 2.06	$ 1.95
Weighted Average Shares of Class A Common Stock Outstanding			
Basic	545,096,999	514,102,571	468,282,642
Diluted	557,687,512	533,707,039	506,288,971

See notes to financial statements.

KKR & CO. INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Amounts in Thousands)

	For the Years Ended December 31,		
	2019	**2018**	**2017**
Net Income (Loss)	$ 4,639,540	$ 2,450,946	$ 2,560,042
Other Comprehensive Income (Loss), Net of Tax:			
Foreign Currency Translation Adjustments	(3,398)	(48,764)	54,654
Comprehensive Income (Loss)	4,636,142	2,402,182	2,614,696
Comprehensive Income (Loss) Attributable to Redeemable Noncontrolling Interests	—	(37,352)	73,972
Comprehensive Income (Loss) Attributable to Noncontrolling Interests	2,632,151	1,326,164	1,498,861
Comprehensive Income (Loss) Attributable to KKR & Co. Inc.	$ 2,003,991	$ 1,113,370	$ 1,041,863

See notes to financial statements.

KKR & CO. INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands, Except Share and Per Share Data)

The statements below for the year ended December 31, 2017 and the six months ended June 30, 2018 represent KKR & Co. Inc. as a partnership prior to the Conversion:

	KKR & Co. L.P.								
	Common Units	Capital - Common Unitholders	Accumulated Other Comprehensive Income (Loss)	Total Capital - Common Units	Capital - Series A Preferred Units	Capital - Series B Preferred Units	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests
Balance at January 1, 2017	452,380,335	$ 5,506,375	$ (49,096)	$ 5,457,279	$ 332,988	$ 149,566	$ 10,545,902	$ 16,485,735	$ 632,348
Net Income (Loss)		984,941		984,941	23,288	10,076	1,467,765	2,486,070	73,972
Other Comprehensive Income (Loss)- Foreign Currency Translation (Net of Tax)			23,558	23,558			31,096	54,654	
Changes in Consolidation				—			(1,682)	(1,682)	(315,057)
Transfer of interest under common control and Other (see Note 15 "Equity")		16,139	7,359	23,498			(23,498)	—	
Exchange of KKR Holdings L.P. Units and Other Securities to KKR & Co. L.P. Common Units	20,086,963	291,040	(1,979)	289,061			(289,061)	—	
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and Other		(3,469)	677	(2,792)				(2,792)	
Net Delivery of Common Units - Equity Incentive Plans	8,979,472	(58,679)		(58,679)				(58,679)	
Equity-Based and Other Non-Cash Compensation		204,308		204,308			141,727	346,035	
Common Units Issued in Connection with the Purchase of an Investment	4,727,966	94,181		94,181				94,181	
Capital Contributions				—			3,119,917	3,119,917	220,167
Capital Distributions [1]		(311,973)		(311,973)	(23,288)	(10,076)	(2,125,842)	(2,471,179)	(890)
Balance at December 31, 2017	486,174,736	$ 6,722,863	$ (19,481)	$ 6,703,382	$ 332,988	$ 149,566	$ 12,866,324	$ 20,052,260	$ 610,540
Net Income (Loss)		850,483		850,483	11,644	5,038	1,294,467	2,161,632	7,658
Other Comprehensive Income (Loss)- Foreign Currency Translation (Net of Tax)			(9,237)	(9,237)			(14,676)	(23,913)	
Changes in Consolidation				—			370,307	370,307	
Exchange of KKR Holdings L.P. Units and Other Securities to KKR & Co. L.P. Common Units	32,722,098	507,470	(1,998)	505,472			(505,472)	—	
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and Other		6,448	17	6,465				6,465	
Net Delivery of Common Units - Equity Incentive Plans	7,652,340	(53,439)		(53,439)				(53,439)	
Equity-Based and Other Non-Cash Compensation		125,994		125,994			61,942	187,936	
Unit Repurchases	(2,207,300)	(52,212)		(52,212)				(52,212)	
Capital Contributions				—			2,410,722	2,410,722	349,451
Capital Distributions [2]		(167,078)		(167,078)	(11,644)	(5,038)	(1,550,955)	(1,734,715)	(5,502)
Balance at June 30, 2018	524,341,874	$ 7,940,529	$ (30,699)	$ 7,909,830	$ 332,988	$ 149,566	$ 14,932,659	$ 23,325,043	$ 962,147

(1) $0.67 per common unit,$1.687500 per Series A preferred unit, and$1.625000 per Series B preferred unit.

(2) $0.34 per common unit,$0.843750 per Series A preferred unit, and$0.812500 per Series B preferred unit.

See notes to financial statements.

KKR & CO. INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)
(Amounts in Thousands, Except Share and Per Share Data)

The statement below represents KKR & Co. Inc. as a corporation subsequent to the Conversion for the six months ended December 31, 2018:

	Six Months Ended December 31, 2018	
	Amounts	Shares
KKR & Co. L.P. Partners' Capital - Common Unitholders		
Beginning of Period	$ 7,940,529	524,341,874
Reclassifications resulting from the Conversion	(7,940,529)	(524,341,874)
End of Period	—	—
Preferred Units		
Beginning of Period	482,554	20,000,000
Reclassifications resulting from the Conversion	(482,554)	(20,000,000)
End of Period	—	—
Preferred Stock		
Beginning of Period	—	—
Reclassifications resulting from the Conversion	482,554	20,000,000
End of Period	482,554	20,000,000
Class A Common Stock		
Beginning of Period	—	—
Reclassifications resulting from the Conversion	5,243	524,341,874
Exchange of KKR Holdings Units	65	6,428,323
Net Delivery of Class A Common Stock	42	4,181,402
Repurchases of Class A Common Stock	(53)	(5,333,251)
Class A Common Stock Issued in Connection with the Purchase of an Investment	52	5,238,889
End of Period	5,349	534,857,237
Class B Common Stock		
Beginning of Period	—	—
Issuance of Class B Common Stock resulting from the Conversion	—	1
End of Period	—	1
Class C Common Stock		
Beginning of Period	—	—
Issuance of Class C Common Stock resulting from the Conversion	3,041	304,107,762
Cancellation of Class C Common Stock	(50)	(5,026,523)
End of Period	2,991	299,081,239
Additional Paid-In Capital		
Beginning of Period	—	
Reclassifications resulting from the Conversion	7,932,245	
Exchange of KKR Holdings Units	114,958	
Tax Effects Resulting from Exchange of KKR Holdings Units and Other	(11,359)	
Net Delivery of Class A Common Stock	(45,399)	
Repurchases of Class A Common Stock	(120,877)	
Equity-Based Compensation	116,817	
Equity Issued in Connection with the Purchase of an Investment	120,023	
End of Period	8,106,408	
Retained Earnings		
Beginning of Period	—	
Net Income (Loss) Attributable to KKR & Co. Inc.	263,898	
Series A Preferred Stock Dividends ($0.843750 per share)	(11,644)	
Series B Preferred Stock Dividends ($0.812500 per share)	(5,038)	
Common Stock Dividends ($0.295 per share)	(155,263)	
End of Period	91,953	
Accumulated Other Comprehensive Income (Loss) (net of tax)		
Beginning of Period	(30,699)	
Foreign Currency Translation	(8,395)	
Exchange of KKR Holdings Units	(551)	

End of Period	(39,645)
Total KKR & Co. Inc. Stockholders' Equity	8,649,610
Noncontrolling Interests (See Note 15 "Equity")	15,610,358
Total Equity	$ 24,259,968

See notes to financial statements.

KKR & CO. INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)
(Amounts in Thousands, Except Share and Per Share Data)

The statement below represents KKR & Co. Inc. for the year ended December 31, 2019:

	Year Ended December 31, 2019	
	Amounts	Shares
Preferred Stock		
Beginning of Period	$ 482,554	20,000,000
End of Period	482,554	20,000,000
Class A Common Stock		
Beginning of Period	5,349	534,857,237
Exchange of KKR Holdings Units	87	8,699,894
Net Delivery of Class A Common Stock	101	10,135,649
Repurchases of Class A Common Stock	(29)	(2,859,452)
Class A Common Stock Issued in Connection with the Purchase of Investments	92	9,174,251
End of Period	5,600	560,007,579
Class B Common Stock		
Beginning of Period	—	1
End of Period	—	1
Class C Common Stock		
Beginning of Period	2,991	299,081,239
Cancellation of Class C Common Stock	(87)	(8,699,894)
End of Period	2,904	290,381,345
Additional Paid-In Capital		
Beginning of Period	8,106,408	
Exchange of KKR Holdings Units	162,761	
Tax Effects Resulting from Exchange of KKR Holdings Units and Other	4,190	
Net Delivery of Class A Common Stock	(91,067)	
Repurchases of Class A Common Stock	(72,095)	
Equity-Based Compensation	207,789	
Class A Common Stock Issued in Connection with the Purchase of Investments	247,933	
End of Period	8,565,919	
Retained Earnings		
Beginning of Period	91,953	
Net Income (Loss) Attributable to KKR & Co. Inc.	2,005,049	
Series A Preferred Stock Dividends ($1.687500 per share)	(23,288)	
Series B Preferred Stock Dividends ($1.625000 per share)	(10,076)	
Common Stock Dividends ($0.50 per share)	(271,486)	
End of Period	1,792,152	
Accumulated Other Comprehensive Income (Loss) (net of tax)		
Beginning of Period	(39,645)	
Foreign Currency Translation	(1,058)	
Exchange of KKR Holdings Units	(936)	
End of Period	(41,639)	
Total KKR & Co. Inc. Stockholders' Equity	10,807,490	
Noncontrolling Interests (See Note 15 "Equity")	19,694,884	
Total Equity	$ 30,502,374	

See notes to financial statements.

KKR & CO. INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	For the Years Ended December 31,		
	2019	**2018**	**2017**
Operating Activities			
Net Income (Loss)	$ 4,639,540	$ 2,450,946	$ 2,560,042
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Equity-Based and Other Non-Cash Compensation	297,708	331,708	334,820
Net Realized (Gains) Losses on Investments	(497,346)	(534,652)	(38,316)
Change in Unrealized (Gains) Losses on Investments	(2,664,538)	(720,180)	(889,828)
Capital Allocation-Based Income	(2,430,425)	(554,510)	(2,015,676)
Other Non-Cash Amounts	(45,250)	(23,211)	(51,129)
Cash Flows Due to Changes in Operating Assets and Liabilities:			
Change in Consolidation and Other	(137,498)	45,914	1,831
Change in Due from / to Affiliates	(82,508)	(201,196)	(285,562)
Change in Other Assets	954,554	24,226	86,545
Change in Accounts Payable, Accrued Expenses and Other Liabilities	327,431	93,536	1,581,967
Investments Purchased	(36,678,379)	(35,663,033)	(39,616,120)
Proceeds from Investments	30,634,556	27,143,977	34,799,260
Net Cash Provided (Used) by Operating Activities	(5,682,155)	(7,606,475)	(3,532,166)
Investing Activities			
Purchases of Fixed Assets	(194,569)	(102,664)	(97,070)
Development of Oil and Natural Gas Properties	(12,793)	(2,563)	(1,052)
Proceeds from Sale of Oil and Natural Gas Properties	—	26,630	—
Net Cash Provided (Used) by Investing Activities	(207,362)	(78,597)	(98,122)
Financing Activities			
Preferred Stock Dividends	(33,364)	(33,364)	(33,364)
Common Stock Dividends	(271,486)	(322,341)	(311,973)
Distributions to Redeemable Noncontrolling Interests	—	(16,100)	(890)
Contributions from Redeemable Noncontrolling Interests	—	565,553	220,167
Distributions to Noncontrolling Interests	(3,169,975)	(3,015,655)	(2,125,842)
Contributions from Noncontrolling Interests	4,669,756	4,359,615	3,116,722
Net Delivery of Class A Common Stock (Equity Incentive Plans)	(90,966)	(98,796)	(58,679)
Repurchases of Class A Common Stock	(72,124)	(173,142)	—
Proceeds from Debt Obligations	14,811,703	17,117,987	11,657,948
Repayment of Debt Obligations	(9,310,771)	(11,712,014)	(9,514,558)
Financing Costs Paid	(47,784)	(55,812)	(9,448)
Net Cash Provided (Used) by Financing Activities	6,484,989	6,615,931	2,940,083
Effect of exchange rate changes on cash, cash equivalents and restricted cash	432	(24,708)	79,751
Net Increase/(Decrease) in Cash, Cash Equivalents and Restricted Cash	595,904	(1,093,849)	(610,454)
Cash, Cash Equivalents and Restricted Cash, Beginning of Period	2,641,512	3,735,361	4,345,815
Cash, Cash Equivalents and Restricted Cash, End of Period	$ 3,237,416	$ 2,641,512	$ 3,735,361

See notes to financial statements.

KKR & CO. INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Amounts in Thousands)

	For the Years Ended December 31,		
	2019	**2018**	**2017**
Supplemental Disclosures of Cash Flow Information			
Payments for Interest	$ 1,032,818	$ 788,220	$ 773,882
Payments for Income Taxes	$ 129,929	$ 148,141	$ 55,216
Payments for Operating Lease Liabilities	$ 50,574	$ —	$ —
Supplemental Disclosures of Non-Cash Investing and Financing Activities			
Equity-Based and Other Non-Cash Contributions	$ 299,087	$ 343,443	$ 346,035
Class A Common Stock Issued in Connection with the Purchase of an Investment	$ 248,025	$ 120,075	$ 94,181
Non-Cash Distributions to Noncontrolling Interests	$ —	$ —	$ 3,195
Debt Obligations - Net Gains (Losses), Translation and Other	$ (262,512)	$ 779,529	$ (512,745)
Tax Effects Resulting from Exchange of KKR Holdings L.P. Units and Other	$ 4,190	$ (4,833)	$ (2,792)
Gain on Sale of Oil and Natural Gas Properties	$ —	$ 15,224	$ —
Right-of-Use Assets obtained in Exchange for new Operating Lease Liabilities	$ 10,669	$ —	$ —
Change in Consolidation and Other			
Investments	$ (2,038,205)	$ (2,251,865)	$ (75,827)
Due From Affiliates	$ 1,642	$ —	$ 15,379
Other Assets	$ (19,703)	$ (94,853)	$ (298,097)
Debt Obligations	$ (1,046,515)	$ (3,427,070)	$ 46,809
Due to Affiliates	$ —	$ 8,857	$ 5,021
Accounts Payable, Accrued Expenses and Other Liabilities	$ (47,731)	$ 198,270	$ (114,309)
Noncontrolling Interests	$ 23,123	$ 593,172	$ (1,682)
Redeemable Noncontrolling Interests	$ (1,122,641)	$ —	$ (315,057)
Gain on Asset Contribution	$ —	$ 312,644	$ —
	December 31, 2019	**December 31, 2018**	**December 31, 2017**
Reconciliation to the Consolidated Statements of Financial Condition			
Cash and Cash Equivalents	$ 2,346,713	$ 1,751,287	$ 1,876,687
Cash and Cash Equivalents Held at Consolidated Entities	816,441	693,860	1,802,372
Restricted Cash and Cash Equivalents	74,262	196,365	56,302
Cash, Cash Equivalents and Restricted Cash, End of Period	$ 3,237,416	$ 2,641,512	$ 3,735,361

See notes to financial statements.

KKR & CO. INC.
NOTES TO FINANCIAL STATEMENTS
(All Amounts in Thousands, Except Share and Per Share Data, and Except Where Noted)

1. ORGANIZATION

KKR & Co. Inc. (NYSE: KKR), together with its subsidiaries ("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.

On July 1, 2018, KKR & Co. L.P. converted from a Delaware limited partnership to a Delaware corporation named KKR & Co. Inc. (the "Conversion"). Because the Conversion became effective on July 1, 2018, the prior period amounts in the accompanying consolidated financial statements for the six months ended June 30, 2018 and for the year ended December 31, 2017 reflect KKR as a limited partnership and not a corporation. In this report, references to KKR & Co. Inc. for periods prior to the Conversion mean KKR & Co. L.P., and references to KKR's Class A common stock, Series A Preferred Stock and Series B Preferred Stock for periods prior to the Conversion mean common units, Series A preferred units and Series B preferred units of KKR & Co. L.P., respectively, in each case, except where the context requires otherwise. As a result of the Conversion, the financial impact to the consolidated financial statements contained herein consisted of (i) reclassifications from partnership equity accounts to equity accounts reflective of a corporation and (ii) a partial step-up in the tax basis of certain assets resulting in the recognition of a net income tax benefit.

KKR & Co. Inc. is the parent company of KKR Group Holdings Corp., which is (i) a general partner of KKR Fund Holdings L.P. ("Fund Holdings") and KKR International Holdings L.P. ("International Holdings") and (ii) the sole stockholder of KKR Management Holdings Corp. (the general partner of KKR Management Holdings L.P. ("Management Holdings")) and KKR Fund Holdings GP Limited (the other general partner of Fund Holdings and International Holdings). Fund Holdings, Management Holdings and International Holdings are collectively referred to as the "KKR Group Partnerships."

KKR & Co. Inc. 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 & Co. Inc. As of December 31, 2019, 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 the KKR Group Partnerships will continue to change as KKR Holdings exchange units in the KKR Group Partnerships 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. The KKR Group Partnerships also have outstanding equity interests that provide for the carry pool and preferred units with economic terms that mirror the preferred stock issued by KKR & Co. Inc.

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,		
	2019	**2018**	**2017**
Net income (loss) attributable to KKR & Co. Inc.	$ 2,005,049	$ 1,131,063	$ 1,018,305
Transfers from noncontrolling interests:			
Exchange of KKR Group Partnership shares held by KKR Holdings L.P.[1]	161,270	570,898	247,946
Change from net income (loss) attributable to KKR & Co. Inc. and transfers from noncontrolling interests held by KKR Holdings	**$ 2,166,319**	**$ 1,701,961**	**$ 1,266,251**

(1) Increase in KKR's stockholders' equity for exchange of 8,699,894, 36,890,095, and 17,786,064 KKR Group Partnerships units for the years ended December 31, 2019, 2018, and 2017, respectively, held by KKR Holdings L.P., inclusive of deferred taxes.

Reorganization and Acquisition of KKR Capstone

On January 1, 2020, KKR completed an internal reorganization (the "Reorganization"), in which (i) Management Holdings and International Holdings were combined with Fund Holdings, 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 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 will be accounted for as an equity transaction in the first quarter of 2020.

The consolidated financial statements and the accompanying notes do not reflect the Reorganization or the acquisition of KKR Capstone on January 1, 2020.

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 consolidates the financial results of the KKR Group Partnerships and their 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 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 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, 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."

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.

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.

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 cases may lag the date of KKR's financial statements by no more than three calendar months. As of December 31, 2019, 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 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.

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.

Notes to Financial Statements (Continued)

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.

Revenues

For the years ended December 31, 2019, 2018, and 2017 respectively, revenues consisted of the following:

	For the Years Ended December 31,		
	2019	**2018**	**2017**
Management Fees	$ 824,903	$ 724,558	$ 700,245
Fee Credits	(340,900)	(231,943)	(257,401)
Transaction Fees	914,329	988,954	783,952
Monitoring Fees	106,289	87,545	82,238
Incentive Fees	—	14,038	4,601
Expense Reimbursements	169,415	146,989	121,927
Oil and Gas Revenue	47,153	51,465	63,460
Consulting Fees	69,286	59,720	42,582
Total Fees and Other	1,790,475	1,841,326	1,541,604
Carried Interest	2,041,847	441,529	1,740,661
General Partner Capital Interest	388,578	112,981	275,015
Total Capital Allocation-Based Income	2,430,425	554,510	2,015,676
Total Revenues	**$ 4,220,900**	**$ 2,395,836**	**$ 3,557,280**

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 [1]	Variable or Fixed Consideration	Payment Terms	Subject to Return Once Recognized	Classification of Uncollected Amounts [2]
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							
Recurring Fees	*Portfolio companies*	*Monitoring services*	*Over time as services are rendered*	*Variable consideration since varies based on fluctuations in the basis of the recurring fee*	*Typically quarterly in arrears*	*No*	*Due from Affiliates*
Termination Fees	*Portfolio companies*	*Monitoring services*	*Point in time when the termination is completed*	*Fixed consideration*	*Typically paid on or shortly after termination occurs*	*No*	*Due from Affiliates*
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.

Management fees earned from private equity funds generally range from 1.0% to 2.0% of committed capital during the fund's investment period and are 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.

Management fees earned from real asset funds generally range from0.75% to 1.5% and are generally based on the investment fund's average net asset value, capital commitments, or invested capital.

Management fees earned from alternative and liquid credit funds generally range from0.10% to 1.75%. Such rates may be based on the investment fund's average net asset value, gross assets or invested capital.

Management fees earned from CLOs include senior collateral management fees and subordinate collateral management fees. When combined, senior collateral management fees and subordinate collateral management fees are determined based on an annual rate ranging from 0.40% to 0.50% 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. 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.

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

Certain consolidated entities that employ non-employee operating consultants provide 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 and are not shared with KKR. After the contract is established, there are no significant judgments made when determining the transaction price.

Capital Allocation-Based Income

Capital allocation-based income 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.

KKR earns management fees, incentive fees and capital allocation-based income from investment funds, CLOs, and other vehicles whose primary focus is making investments in specified geographical locations and earns transaction, monitoring, and consulting fees from portfolio companies located in varying geographies. For the years ended December 31, 2019, 2018, and 2017, over 10% of consolidated revenues were earned in the United States. For the year ended December 31, 2019, 55.8%, 21.5% and 22.7% of consolidated revenues were generated in the Americas, Europe/Middle East, and Asia, respectively. For the year ended December 31, 2018, 62.4%, 24.7% and 12.9% of consolidated revenues were generated in the Americas, Europe/Middle East, and Asia, respectively. For the year ended December 31, 2017, 64.5%, 21.1% and 14.4% of consolidated revenues were generated in the Americas, Europe/Middle East, and Asia, respectively. The determination of the geographic region was based on the geographic focus of the associated investment vehicle or where the portfolio company is headquartered. Oil and gas revenue is included within Americas since all KKR's oil and natural gas properties are located in the United States.

For the year ended December 31, 2019, revenues from two of KKR's flagship funds represented approximately $1.1 billion of total consolidated revenues. For the year ended December 31, 2018, none of KKR's flagship funds contributed more than 10% of KKR's total consolidated revenues. For the year ended December 31, 2017, revenues from one of KKR's flagship funds represented approximately $0.9 billion of total consolidated revenues.

Additionally, KKR's fixed assets are predominantly located in the United States.

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 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, 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 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% or 43%, as applicable, 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.

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, 2019, 2018 and 2017, KKR incurred expenses of $10.2 million, $9.5 million and $8.2 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, 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, 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 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.

Prior to the Conversion, KKR & Co. L.P.’s investment income and carried interest generally were not subject to U.S. corporate income taxes. Subsequent to the Conversion, all net income earned by KKR & Co. Inc. is subject to U.S. corporate 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.

Notes to Financial Statements (Continued)

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 2019

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases ("ASC 842") which has subsequently been amended. This guidance, among other items: (i) requires recognition of lease assets and lease liabilities for those leases classified as operating leases under previous GAAP, ASC 840; (ii) retains a distinction between finance leases and operating leases; and (iii) includes the classification criteria for distinguishing between finance leases and operating leases that are substantially similar to the classification criteria for distinguishing between capital leases and operating leases under ASC 840.

The only material lease activity KKR is engaged in is the leasing of office space where KKR is the lessee under the terms of lease agreements, which have been determined to be operating leases. For operating leases, a lessee is required to: (a) recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the consolidated statement of financial condition; (b) recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, generally on a straight-line basis, and (c) classify all cash payments within operating activities in the consolidated statement of cash flows.

KKR adopted this guidance on the effective date, January 1, 2019, using the modified retrospective approach and electing the "Comparatives Under ASC 840 Approach." The Comparatives Under ASC 840 Approach allows an entity to elect not to recast its comparative periods in the period of adoption when transitioning to ASC 842. In doing so, KKR has provided the disclosures required by ASC 840 for the comparative periods. Additionally, KKR has elected the practical expedient package transition election for all leases. The practical expedient package under the new standard allows an entity not to have to reassess its prior conclusions about lease identification, lease classification and initial direct costs. KKR also has made the election under ASC 842 to account for lease and non-lease components as a single lease component.

Upon adoption, KKR recorded ROU assets of $153.3 million and lease liabilities of $162.9 million, resulting in no cumulative-effect adjustment to retained earnings as of January 1, 2019.

Premium Amortization on Purchased Callable Debt Securities

In March 2017, the FASB issued ASU No. 2017-08, Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities ("ASU 2017-08"). This guidance amends the amortization period for certain purchased callable debt securities held at a premium. The guidance requires the premium to be amortized to the earliest call date. The guidance does not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. ASU 2017-08 is effective for fiscal years and interim periods beginning after December 15, 2018. This guidance has been adopted as of January 1, 2019 and did not have a material impact to KKR.

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

In February 2018, the FASB issued ASU No. 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income ("ASU 2018-02"). Under ASC 740-10-45-15, the effects of changes in tax rates and laws on deferred tax balances are recorded as a component of tax expense for the period in which the law was enacted, even if the assets and liabilities related to items of accumulated other comprehensive income ("OCI"). ASU 2018-02 allows entities to elect to reclassify from accumulated OCI to retained earnings stranded tax effects that relate to the Tax Cuts and Jobs Act, which was enacted in December 2017 (the "2017 Tax Act") from the change in federal tax rate for all items accounted for in OCI. Entities can also elect to reclassify other stranded tax effects that relate to the 2017 Tax Act, but do not directly relate to the change in the federal tax rate. Tax effects that are stranded in OCI for other reasons may not be reclassified. In the period of adoption, entities that elect to reclassify the income tax effects of the 2017 Tax Act from accumulated OCI to retained earnings must disclose that they made such an election. Entities must also disclose a description of other income tax effects related to the 2017 Tax Act that are reclassified from accumulated OCI to retained earnings, if any. The guidance is effective for fiscal periods beginning after December 15, 2018, and interim periods within those fiscal years. This guidance has been adopted as of January 1, 2019 and did not have a material impact to KKR. KKR did not elect to reclassify stranded tax effects that relate to the 2017 Tax Act from accumulated OCI to retained earnings for all items accounted for in OCI. KKR's policy for releasing income tax effects from accumulated OCI is when all related units of account are liquidated, sold or extinguished.

Effective on January 1, 2020

Measurement of Credit Losses on Financial Instruments

In June 2016, 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 objective of the guidance in ASU 2016-13 is to allow entities to recognize estimated credit losses in the period that the change in valuation occurs. ASU 2016-13 requires an entity to present financial assets measured on an amortized cost basis on the balance sheet net of an allowance for credit losses. Available for sale and held to maturity debt securities are also required to be held net of an allowance for credit losses. The guidance is effective for fiscal periods beginning after December 15, 2019. The guidance should be applied using a modified retrospective approach. 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. 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.

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. The guidance is effective for fiscal periods beginning after December 15, 2019. Early adoption is permitted and this ASU can be applied on either a retrospective or prospective basis. KKR is currently evaluating the impact of this guidance on the financial statements.

Effective on January 1, 2021

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.

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, 2019, 2018 and 2017, respectively:

	For the Year Ended December 31, 2019		
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total
Private Equity[1]	$ 261,920	$ 2,849,031	$ 3,110,951
Credit[1]	(92,114)	(150,881)	(242,995)
Investments of Consolidated CFEs[1]	(57,230)	270,268	213,038
Real Assets[1]	93,848	(128,393)	(34,545)
Equity Method - Other[1]	70,385	540,775	611,160
Other Investments[1]	53,688	(240,548)	(186,860)
Foreign Exchange Forward Contracts and Options[2]	161,175	20,309	181,484
Securities Sold Short[2]	54,707	(53,483)	1,224
Other Derivatives[2]	(19,584)	(36,918)	(56,502)
Debt Obligations and Other[3]	(29,449)	(405,622)	(435,071)
Net Gains (Losses) From Investment Activities	**$ 497,346**	**$ 2,664,538**	**$ 3,161,884**

	For the Year Ended December 31, 2018		
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total
Private Equity[1]	$ 184,784	$ 708,600	$ 893,384
Credit[1]	(354,090)	(420,434)	(774,524)
Investments of Consolidated CFEs[1]	(83,719)	(452,331)	(536,050)
Real Assets[1]	92,885	67,999	160,884
Equity Method - Other[1]	(3,991)	339,027	335,036
Other Investments[1]	(239,081)	(434,537)	(673,618)
Foreign Exchange Forward Contracts and Options[2]	(90,625)	266,938	176,313
Securities Sold Short[2]	750,007	26,465	776,472
Other Derivatives[2]	(13,273)	1,037	(12,236)
Debt Obligations and Other[3]	291,755	617,416	909,171
Net Gains (Losses) From Investment Activities	**$ 534,652**	**$ 720,180**	**$ 1,254,832**

	For the Year Ended December 31, 2017		
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total
Private Equity[1]	$ 223,568	$ 338,720	$ 562,288
Credit[1]	(470,487)	423,603	(46,884)
Investments of Consolidated CFEs[1]	(97,129)	352	(96,777)
Real Assets[1]	(18,722)	218,728	200,006
Equity Method - Other[1]	34,190	95,968	130,158
Other Investments[1]	(796,348)	65,516	(730,832)
Foreign Exchange Forward Contracts and Options[2]	(31,772)	(342,849)	(374,621)
Securities Sold Short[2]	1,116,325	97,811	1,214,136
Other Derivatives[2]	(7,129)	(23,687)	(30,816)
Debt Obligations and Other[3]	85,820	15,666	101,486
Net Gains (Losses) From Investment Activities	**$ 38,316**	**$ 889,828**	**$ 928,144**

(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:

	December 31, 2019	December 31, 2018
Private Equity	$ 12,923,600	$ 7,349,559
Credit	10,538,139	9,099,135
Investments of Consolidated CFEs	14,948,237	14,733,423
Real Assets	3,567,944	3,157,954
Equity Method - Other	4,846,949	4,212,874
Equity Method - Capital Allocation-Based Income	5,329,368	3,584,415
Other Investments	2,782,031	2,770,622
Total Investments	**$ 54,936,268**	**$ 44,907,982**

As of December 31, 2019 and December 31, 2018, there were no investments which represented greater than 5% of total investments. The majority of the securities underlying private equity investments represent equity securities.

Equity Method

Investment in Marshall Wace

On November 2, 2015, KKR entered into a long-term strategic relationship with Marshall Wace and acquired a 24.9% interest in Marshall Wace through a combination of cash and Class A common stock.

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. The exercise of such options would require the use of cash and/or KKR Class A common stock.

On each of November 30, 2017 and 2018 and November 22, 2019, KKR acquired an additional 5.0% interest in Marshall Wace after the exercise of the options agreed to between Marshall Wace and KKR, bringing KKR's total ownership of Marshall Wace to 39.6%, after giving effect to certain equity dilution. These acquisitions in 2017, 2018 and 2019 were funded through a combination of cash and 4,727,966, 5,238,889 and 5,674,251 shares of Class A common stock, respectively.

KKR's investment in Marshall Wace is accounted for using the equity method of accounting.

Summarized Financial Information

KKR evaluates each of its equity method investments to determine if any are significant as defined in the regulations promulgated by the U.S. Securities and Exchange Commission (the "SEC"). As of and for the years ended December 31, 2019, 2018, and 2017, 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.

The following table shows summarized financial information relating to the statements of financial condition for all of KKR's equity method investments assuming 100% ownership as of December, 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Total Assets	$ 112,688,482	$ 93,577,773
Total Liabilities	$ 22,622,609	$ 21,296,194
Total Equity	$ 90,065,873	$ 72,281,579

Notes to Financial Statements (Continued)

The following table shows summarized financial information relating to the statements of operations for all of KKR's equity method investments assuming 100% ownership for the years ended December 31, 2019, 2018 and 2017:

	For the Years Ended December 31,		
	2019	**2018**	**2017**
Investment Related Revenues	$ 2,552,266	$ 1,679,950	$ 1,167,038
Other Revenues	5,132,796	5,304,634	3,002,987
Investment Related Expenses	1,385,870	1,258,782	482,336
Other Expenses	4,066,713	3,602,612	2,392,965
Net Realized and Unrealized Gain/(Loss) from Investments	10,532,988	1,818,861	9,217,912
Net Income (Loss)	$ 12,765,467	$ 3,942,051	$ 10,512,636

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:

	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
Total Investments	2,053,737	18,172,584	26,468,185	46,694,506
Foreign Exchange Contracts and Options	—	188,572	—	188,572
Other Derivatives	—	1,333	21,806 (1)	23,139
Total Assets	**$ 2,053,737**	**$ 18,362,489**	**$ 26,489,991**	**$ 46,906,217**

	December 31, 2018			
	Level I	Level II	Level III	Total
Private Equity	$ 1,156,977	$ 63,999	$ 6,128,583	$ 7,349,559
Credit	—	2,334,405	6,764,730	9,099,135
Investments of Consolidated CFEs	—	12,650,878	2,082,545	14,733,423
Real Assets	—	—	3,157,954	3,157,954
Equity Method - Other	245,225	43,943	1,503,022	1,792,190
Other Investments	480,192	173,844	2,116,586	2,770,622
Total Investments	1,882,394	15,267,069	21,753,420	38,902,883
Foreign Exchange Contracts and Options	—	177,264	—	177,264
Other Derivatives	—	3,879	37,116 (1)	40,995
Total Assets	**$ 1,882,394**	**$ 15,448,212**	**$ 21,790,536**	**$ 39,121,142**

(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.

Liabilities, at fair value:

	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 (1)	75,842
Other Derivatives	—	34,174	—	34,174
Debt Obligations of Consolidated CFEs	—	14,658,137	—	14,658,137
Total Liabilities	**$ 251,223**	**$ 14,731,675**	**$ 75,842**	**$ 15,058,740**

	December 31, 2018			
	Level I	Level II	Level III	Total
Securities Sold Short	$ 344,124	$ —	$ —	$ 344,124
Foreign Exchange Contracts and Options	—	60,749	—	60,749
Unfunded Revolver Commitments	—	—	52,066 (1)	52,066
Other Derivatives	—	18,440	17,200 (2)	35,640
Debt Obligations of Consolidated CFEs	—	12,081,771	1,876,783	13,958,554
Total Liabilities	**$ 344,124**	**$ 12,160,960**	**$ 1,946,049**	**$ 14,451,133**

(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.

(2) Includes options issued in connection with the acquisition of the equity interest in Marshall Wace and its affiliates in November 2015 to increase KKR's ownership interest in periodic increments. The options are 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. See Note 4 "Investments."

Notes to Financial Statements (Continued)

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 years ended December 31, 2019 and 2018, respectively:

For the Year Ended December 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	23,123	956,402	(2,015,130)	—	—	(42,864)	(1,078,469)	(1,849,206)
Transfers In	26,045	149,804	—	18,429	26,520	—	220,798	—
Transfers Out	(491,723)	(10,248)	—	—	(143,620)	(36,018)	(681,609)	—
Asset Purchases / Debt Issuances	3,179,376	4,600,626	—	927,477	414,393	829,992	9,951,864	—
Sales / Paydowns	(353,684)	(3,032,887)	(62,334)	(501,371)	(303,196)	(516,346)	(4,769,818)	—
Settlements	—	39,424	—	—	—	—	39,424	(26,770)
Net Realized Gains (Losses)	114,812	(55,948)	(2,759)	93,848	17,496	52,757	220,206	—
Net Unrealized Gains (Losses)	1,245,150	(177,954)	(2,322)	(128,393)	141,430	(249,352)	828,559	(807)
Change in Other Comprehensive Income	—	(16,190)	—	—	—	—	(16,190)	—
Balance, End of Period	**$ 9,871,682**	**$ 9,217,759**	**$ —**	**$ 3,567,944**	**$ 1,656,045**	**$ 2,154,755**	**$ 26,468,185**	**$ —**
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	$ 1,316,857	$ (208,744)	$ —	$ (90,583)	$ 149,519	$ (230,726)	$ 936,323	$ —

For the Year Ended December 31, 2018

	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	$ 2,172,290	$ 5,138,937	$ 5,353,090	$ 2,251,267	$ 1,076,709	$ 1,760,011	$ 17,752,304	$ 5,238,236
Transfers In / (Out) Due to Changes in Consolidation	928,217	770,677	(4,153,641)	—	—	1,065	(2,453,682)	(4,045,957)
Transfers In	—	154,255	1,000,000	—	—	38,782	1,193,037	—
Transfers Out	(52,568)	(1,030,072)	—	—	—	—	(1,082,640)	—
Asset Purchases / Debt Issuances	2,383,277	4,265,569	—	1,309,390	657,332	814,407	9,429,975	800,350
Sales / Paydowns	(142,067)	(1,932,299)	(31,280)	(545,686)	(141,806)	(350,484)	(3,143,622)	—
Settlements	—	(1,350)	—	—	—	—	(1,350)	(20,722)
Net Realized Gains (Losses)	41,614	(236,595)	13,000	55,966	(149,825)	20,745	(255,095)	—
Net Unrealized Gains (Losses)	797,820	(294,417)	(98,624)	87,017	60,612	(167,940)	384,468	(95,124)
Change in Other Comprehensive Income	—	(69,975)	—	—	—	—	(69,975)	—
Balance, End 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**
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	$ 808,637	$ (197,159)	$ (98,624)	$ 68,215	$ (86,009)	$ (120,413)	$ 374,647	$ (95,124)

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 December 31, 2019:

	Fair Value December 31, 2019	Valuation Methodologies	Unobservable Input(s) [1]	Weighted Average [2]	Range	Impact to Valuation from an Increase in Input [3]
Private Equity	**$ 9,871,682**					
Private Equity	**$ 7,608,566**	Inputs to market comparables, discounted cash flow and transaction price	Illiquidity Discount	6.7%	5.0% - 15.0%	Decrease
			Weight Ascribed to Market Comparables	25.2%	0.0% - 75.0%	(4)
			Weight Ascribed to Discounted Cash Flow	60.0%	0.0% - 100.0%	(5)
			Weight Ascribed to Transaction Price	14.8%	0.0% - 100.0%	(6)
		Market comparables	Enterprise Value/LTM EBITDA Multiple	14.7x	8.0x - 26.0x	Increase
			Enterprise Value/Forward EBITDA Multiple	15.0x	8.7x - 23.9x	Increase
		Discounted cash flow	Weighted Average Cost of Capital	9.5%	6.7% - 15.4%	Decrease
			Enterprise Value/LTM EBITDA Exit Multiple	12.7x	6.0x - 15.0x	Increase
Growth Equity	**$ 2,263,116**	Inputs to market comparables, discounted cash flow and milestones	Illiquidity Discount	11.7%	10.0% - 40.0%	Decrease
			Weight Ascribed to Market Comparables	37.6%	0.0% - 100.0%	(4)
			Weight Ascribed to Discounted Cash Flow	0.4%	0.0% - 37.5%	(5)
			Weight Ascribed to Milestones	62.0%	0.0% - 100.0%	(6)
		Scenario Weighting	Base	60.8%	40.0% - 70.0%	Increase
			Downside	14.0%	5.0% - 45.0%	Decrease
			Upside	25.2%	5.0% - 45.0%	Increase
Credit	**$ 9,217,759**	Yield Analysis	Yield	6.3%	5.3% - 25.2%	Decrease
			Net Leverage	5.5x	1.2x - 14.1x	Decrease
			EBITDA Multiple	10.5x	0.2x - 27.4x	Increase
Real Assets	**$ 3,567,944** [9]					
Energy	**$ 1,686,783**	Discounted cash flow	Weighted Average Cost of Capital	11.6%	8.5% - 17.6%	Decrease
			Average Price Per BOE (8)	$38.73	$35.21 - $40.70	Increase
Real Estate	**$ 1,671,221**	Inputs to direct income capitalization and discounted cash flow	Weight Ascribed to Direct Income Capitalization	33.9%	0.0% - 100.0%	(7)
			Weight Ascribed to Discounted Cash Flow	66.1%	0.0% - 100.0%	(5)
		Direct income capitalization	Current Capitalization Rate	5.9%	4.9% - 11.0%	Decrease
		Discounted cash flow	Unlevered Discount Rate	7.6%	4.9% - 18.0%	Decrease
Equity Method - Other	**$ 1,656,045**	Inputs to market comparables, discounted cash flow and transaction price	Illiquidity Discount	8.2%	5.0% - 15.0%	Decrease
			Weight Ascribed to Market Comparables	37.4%	0.0% - 100.0%	(4)
			Weight Ascribed to Discounted Cash Flow	37.9%	0.0% - 100.0%	(5)
			Weight Ascribed to Transaction Price	24.7%	0.0% - 100.0%	(6)
		Market comparables	Enterprise Value/LTM EBITDA Multiple	12.3x	8.0x - 17.0x	Increase
			Enterprise Value/Forward EBITDA Multiple	11.3x	10.2x - 14.4x	Increase
		Discounted cash flow	Weighted Average Cost of Capital	8.8%	5.6% - 13.1%	Decrease
			Enterprise Value/LTM EBITDA Exit Multiple	10.5x	6.0x - 12.5x	Increase
Other Investments	**$ 2,154,755** [10]	Inputs to market comparables, discounted cash flow and transaction price	Illiquidity Discount	9.5%	0.0% - 20.0%	Decrease
			Weight Ascribed to Market Comparables	29.6%	0.0% - 100.0%	(4)
			Weight Ascribed to Discounted Cash Flow	41.0%	0.0% - 100.0%	(5)
			Weight Ascribed to Transaction Price	29.4%	0.0% - 100.0%	(6)
		Market comparables	Enterprise Value/LTM EBITDA Multiple	12.6x	1.8x - 27.4x	Increase
			Enterprise Value/Forward EBITDA Multiple	11.3x	0.2x - 13.5x	Increase
		Discounted cash flow	Weighted Average Cost of Capital	14.9%	7.7% - 43.8%	Decrease
			Enterprise Value/LTM EBITDA Exit Multiple	9.7x	3.7x - 12.7x	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 89% liquids and 11% natural gas.

(9) Includes one Infrastructure investment for $209.9 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 11.7x. The significant inputs used in the discounted cash flow approach included the weighted average cost of capital 7.0% 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.

6. FAIR VALUE OPTION

The following table summarizes the financial instruments for which the fair value option has been elected:

	December 31, 2019	December 31, 2018
Assets		
Private Equity	$ —	$ 2,977
Credit	6,451,765	4,950,819
Investments of Consolidated CFEs	14,948,237	14,733,423
Real Assets	222,488	310,399
Equity Method - Other	1,934,555	1,792,190
Other Investments	395,637	235,012
Total	**$ 23,952,682**	**$ 22,024,820**
Liabilities		
Debt Obligations of Consolidated CFEs	$ 14,658,137	$ 13,958,554
Total	**$ 14,658,137**	**$ 13,958,554**

The following table presents the net realized and unrealized gains (losses) on financial instruments for which the fair value option was elected for the years ended December 31, 2019, 2018 and 2017, respectively:

	For the Year Ended December 31, 2019		
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total
Assets			
Private Equity	$ —	$ 194	$ 194
Credit	(67,279)	(203,666)	(270,945)
Investments of Consolidated CFEs	(57,230)	270,268	213,038
Real Assets	737	(2,038)	(1,301)
Equity Method - Other	17,373	157,291	174,664
Other Investments	2,652	(24,130)	(21,478)
Total	**$ (103,747)**	**$ 197,919**	**$ 94,172**
Liabilities			
Debt Obligations of Consolidated CFEs	$ (2,368)	$ (362,783)	$ (365,151)
Total	**$ (2,368)**	**$ (362,783)**	**$ (365,151)**

	For the Year Ended December 31, 2018		
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total
Assets			
Private Equity	$ (4,907)	$ 5,355	$ 448
Credit	(245,737)	(148,150)	(393,887)
Investments of Consolidated CFEs	(83,719)	(452,331)	(536,050)
Real Assets	11,184	(11,446)	(262)
Equity Method - Other	(150,225)	16,916	(133,309)
Other Investments	(13,838)	(19,468)	(33,306)
Total	**$ (487,242)**	**$ (609,124)**	**$ (1,096,366)**
Liabilities			
Debt Obligations of Consolidated CFEs	$ 4,371	$ 521,101	$ 525,472
Total	**$ 4,371**	**$ 521,101**	**$ 525,472**

Notes to Financial Statements (Continued)

	For the Year Ended December 31, 2017		
	Net Realized Gains (Losses)	Net Unrealized Gains (Losses)	Total
Assets			
Private Equity	$ (1,386)	$ 38,791	$ 37,405
Credit	(464,512)	78,282	(386,230)
Investments of Consolidated CFEs	(97,129)	352	(96,777)
Real Assets	13,112	44,136	57,248
Equity Method - Other	18,883	(2,635)	16,248
Other	(32,217)	24,923	(7,294)
Total	**$ (563,249)**	**$ 183,849**	**$ (379,400)**
Liabilities			
Debt Obligations of Consolidated CFEs	$ 83,146	$ 11,768	$ 94,914
Total	**$ 83,146**	**$ 11,768**	**$ 94,914**

Notes to Financial Statements (Continued)

7. NET INCOME (LOSS) ATTRIBUTABLE TO KKR & CO. INC. PER SHARE OF CLASS A COMMON STOCK

For the years ended December 31, 2019, 2018, and 2017, basic and diluted Net Income (Loss) attributable to KKR & Co. Inc. per share of Class A common stock were calculated as follows:

	For the Years Ended December 31,		
	2019	**2018**	**2017**
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	$ 1,971,685	$ 1,097,699	$ 984,941
Excess of carrying value over consideration transferred on redemption of KFN 7.375% Series A LLC Preferred Shares	—	3,102	—
Net Income (Loss) Available to KKR & Co. Inc. Class A Common Stockholders	**$ 1,971,685**	**$ 1,100,801**	**$ 984,941**
Basic Net Income (Loss) Per Share of Class A Common Stock			
Weighted Average Shares of Class A Common Stock Outstanding - Basic	**545,096,999**	**514,102,571**	**468,282,642**
Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock - Basic	**$ 3.62**	**$ 2.14**	**$ 2.10**
Diluted Net Income (Loss) Per Share of Class A Common Stock			
Weighted Average Shares of Class A Common Stock Outstanding - Basic	545,096,999	514,102,571	468,282,642
Weighted Average Unvested Shares of Class A Common Stock and Other Exchangeable Securities	12,590,513	19,604,468	38,006,329
Weighted Average Shares of Class A Common Stock Outstanding - Diluted	**557,687,512**	**533,707,039**	**506,288,971**
Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock - Diluted	**$ 3.54**	**$ 2.06**	**$ 1.95**

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"), as well as exchangeable equity securities issued in connection with the acquisition of Avoca. Vesting or exchanges of these equity interests dilute KKR & Co. Inc. and KKR Holdings pro rata in accordance with their respective ownership interests in the KKR Group Partnerships.

For the years ended December 31, 2019, 2018, and 2017, 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 the KKR Group Partnerships.

	For the Years Ended December 31,		
	2019	**2018**	**2017**
Weighted Average KKR Holdings Units	**296,445,196**	**314,458,757**	**344,422,095**

Additionally, for the years ended December 31, 2019, 2018 and 2017, 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:

	December 31, 2019	December 31, 2018
Unsettled Investment Sales [1]	$ 86,033	$ 101,789
Receivables	26,893	27,258
Due from Broker [2]	65,154	396,512
Oil & Gas Assets, net [3]	215,243	225,256
Deferred Tax Assets, net	158,574	538,161
Interest Receivable	156,026	241,547
Fixed Assets, net [4]	633,025	451,206
Foreign Exchange Contracts and Options [5]	188,572	177,264
Goodwill [6]	83,500	83,500
Derivative Assets	23,139	40,995
Prepaid Taxes	84,462	69,165
Prepaid Expenses	14,596	23,551
Operating Lease Right of Use Assets [7]	121,101	—
Deferred Financing Costs	12,374	13,871
Other	139,544	146,617
Total	**$ 2,008,236**	**$ 2,536,692**

(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 $31.4 million, $22.3 million and $24.7 million for the years ended December 31, 2019, 2018, and 2017, respectively, are included in General, Administrative and Other in the accompanying consolidated statements of operations.

(4) Net of accumulated depreciation and amortization of $132.7 million and $113.5 million as of December 31, 2019 and 2018, respectively. Depreciation and amortization expense of $17.7 million, $15.0 million and $15.3 million for the years ended December 31, 2019, 2018, and 2017, 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 December 31, 2019, 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 year ended December 31, 2019, the operating lease cost was $48.0 million.

Notes to Financial Statements (Continued)

Accounts Payable, Accrued Expenses and Other Liabilities consist of the following:

	December 31, 2019	December 31, 2018
Amounts Payable to Carry Pool [1]	$ 1,448,879	$ 922,977
Unsettled Investment Purchases [2]	481,337	541,165
Securities Sold Short [3]	251,223	344,124
Derivative Liabilities	34,174	35,640
Accrued Compensation and Benefits	131,719	107,887
Interest Payable	234,165	212,969
Foreign Exchange Contracts and Options [4]	39,364	60,749
Accounts Payable and Accrued Expenses	118,454	130,554
Taxes Payable	32,682	24,453
Uncertain Tax Positions	65,716	66,775
Unfunded Revolver Commitments	75,842	52,066
Operating Lease Liabilities [5]	125,086	—
Other Liabilities	58,922	244,631
Total	**$ 3,097,563**	**$ 2,743,990**

(1) 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.

(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 14 years, some of which include options to extend the leases for up to three years. As of December 31, 2019, the weighted average remaining lease term and weighted average discount rate were 4.46 years and 2.53%, 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 December 31, 2019, KKR's commitments to these unconsolidated investment funds was $2.9 billion. KKR has not provided any financial support other than its obligated amount as of December 31, 2019.

As of December 31, 2019 and 2018, 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:

	December 31, 2019	December 31, 2018
Investments	$ 5,329,368	$ 3,610,502
Due from (to) Affiliates, net	439,374	410,489
Maximum Exposure to Loss	**$ 5,768,742**	**$ 4,020,991**

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:

	December 31, 2019			December 31, 2018		
	Financing Available	Borrowing Outstanding	Fair Value	Financing Available	Borrowing Outstanding	Fair Value
Revolving Credit Facilities:						
Corporate Credit Agreement	$ 1,000,000	$ —	$ —	$ 1,000,000	$ —	$ —
KCM Credit Agreement	444,904	—	—	451,338	—	—
KCM Short-Term Credit Agreement	750,000	—	—	750,000	—	—
Notes Issued:						
KKR Issued 6.375% Notes Due 2020 (1)	—	—	—	—	498,975	523,500 (13)
KKR Issued 3.750% Notes Due 2029 (2)	—	493,962	533,505 (13)	—	—	—
KKR Issued 5.500% Notes Due 2043 (3)	—	492,175	613,415 (13)	—	491,836	508,615 (13)
KKR Issued 5.125% Notes Due 2044 (4)	—	991,106	1,186,670 (13)	—	990,740	974,320 (13)
KKR Issued 0.509% Notes Due 2023 (5)	—	228,280	228,026 (13)	—	226,895	227,298 (13)
KKR Issued 0.764% Notes Due 2025 (6)	—	45,255	45,856 (13)	—	44,923	45,161 (13)
KKR Issued 1.595% Notes Due 2038 (7)	—	93,325	98,524 (13)	—	92,817	94,568 (13)
KKR Issued 1.625% Notes Due 2029 (8)	—	718,478	758,903 (14)	—	—	—
KFN Issued 5.500% Notes Due 2032 (9)	—	494,054	504,807	—	493,568	496,359
KFN Issued 5.200% Notes Due 2033 (10)	—	118,411	117,834	—	118,291	115,582
KFN Issued 5.400% Notes Due 2033 (11)	—	68,774	70,059	—	68,683	68,780
KFN Issued Junior Subordinated Notes (12)	—	233,473	185,485	—	232,142	203,135
	2,194,904	3,977,293	4,343,084	2,201,338	3,258,870	3,257,318
Other Debt Obligations	3,865,495	23,035,991	23,035,991	3,840,877	19,082,322	19,082,322
	$ 6,060,399	**$ 27,013,284**	**$ 27,379,075**	**$ 6,042,215**	**$ 22,341,192**	**$ 22,339,640**

(1) $500 million aggregate principal amount of 6.375% senior notes of KKR due 2020. These senior notes were redeemed in full in July 2019. Borrowing outstanding is presented net of (i) unamortized note discount and (ii) unamortized debt issuance costs of $0.7 million as of December 31, 2018.

(2) $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 $4.7 million as of December 31, 2019.

(3) $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 $3.6 million as of December 31, 2019 and 2018, respectively.

(4) $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 $7.7 million and $8.0 million as of December 31, 2019 and 2018, respectively.

(5) ¥25 billion (or $229.3 million) aggregate principal amount of 0.509% senior notes of KKR due 2023. Borrowing outstanding is presented net of unamortized debt issuance costs of $1.0 million and $1.3 million as of December 31, 2019 and 2018, respectively. These senior notes are denominated in Japanese Yen ("JPY").

(6) ¥5.0 billion (or $45.9 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 $0.7 million as of December 31, 2019 and 2018, respectively. These senior notes are denominated in JPY.

(7) ¥10.3 billion (or $94.5 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 $1.2 million as of December 31, 2019 and 2018, respectively. These senior notes are denominated in JPY.

(8) €650 million (or $727.9 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 $6.3 million as of December 31, 2019. These senior notes are denominated in euro.

(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 $4.4 million as of December 31, 2019 and 2018, 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 $1.7 million as of December 31, 2019 and 2018, 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 $1.3 million as of December 31, 2019 and 2018, 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 4.4% and 5.0% and the weighted average years to maturity is 16.8 years and 17.8 years as of December 31, 2019 and 2018, 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

Corporate Credit Agreement

On December 7, 2018, Kohlberg Kravis Roberts & Co. L.P. and the KKR Group Partnerships, as borrowers, entered into and closed on an Amended and Restated Credit Agreement (the "Corporate Credit Agreement") by and among the borrowers, 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, which amended and restated in its entirety the credit agreement dated as of October 22, 2014.

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 $500 million, for an aggregate principal amount of $1.5 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 December 7, 2023, 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. Borrowings under the credit facility are available for general corporate purposes. Interest on borrowings under the credit facility will be based on either London Interbank Offered Rate (LIBOR) or Alternate Base Rate, with the applicable margin per annum based on a corporate ratings-based pricing grid ranging from 56.5 basis points to 110 basis points (for LIBOR borrowings). The borrowers have agreed to pay a facility fee on the total commitments (whether used or unused) at a rate per annum also based on a corporate ratings-based pricing grid ranging from 6 basis points to 15 basis points. Borrowings under the credit facility are guaranteed by (i) KKR & Co. Inc., (ii) any other entity (other than the borrowers) that guarantees the 2020 Senior Notes, the 2043 Senior Notes or the 2044 Senior Notes (each as defined below), and (iii) any other entity (other than the borrowers) that guarantees the JPY Notes (as defined below).

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, which 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 and restated 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. A facility fee ranging between 0.20% and 0.40% is also payable on the entire facility amount.

As of December 31, 2019 and 2018, no amounts were outstanding under the KCM Credit Agreement, however various letters of credit were outstanding in the amount of $55.1 million and $48.7 million, respectively, which reduce the overall borrowing capacity of the KCM Credit Agreement.

KCM Short-Term Credit Agreement

On June 27, 2019, KKR Capital Markets Holdings L.P. and certain other capital market subsidiaries of KKR & Co. Inc. (collectively, the “KCM Borrowers”) entered into a 364-day revolving credit agreement (the “KCM Revolver Agreement”) with the same financial institution that provides the KCM Credit Agreement, as administrative agent. The KCM Revolver Agreement provides for revolving borrowings of up to $750 million, expires on June 26, 2020, and ranks pari passu with the existing $500 million credit facility provided by them for KKR's capital markets business. The prior 364-day revolving credit agreement, dated as of June 28, 2018, expired according to its terms on June 27, 2019. Borrowings under the KCM Revolver Agreement may only be used to facilitate the settlement of debt transactions syndicated by KKR’s capital markets business. Obligations under the KCM Revolver Agreement are limited to the KCM Borrowers, which are solely entities involved in KKR’s capital markets business, and liabilities under the KCM Revolver Agreement are non-recourse to other parts of KKR.

If a borrowing is made under the KCM Revolver 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 1.25% and 2.50%, 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 0.25% and 1.50%, depending on the duration of the loan.

The KCM Revolver 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 Revolver Agreement are secured by certain assets of the KCM Borrowers, including a pledge of equity interests of certain subsidiaries of the KCM Borrowers.

Notes Issuances and Redemptions

KKR Redeemed 6.375% Senior Notes Due 2020

On July 31, 2019, KKR Group Finance Co. LLC, an indirect subsidiary of KKR & Co. Inc., redeemed in full its $500 million aggregate principal amount of 6.375% Senior Notes due 2020 (the “2020 Senior Notes”) in accordance with the optional redemption provisions set forth in the indenture governing the 2020 Senior Notes. In connection with this redemption, KKR paid a make-whole premium of $22.8 million. This make-whole premium payment was recorded as a realized loss within Net Gains (Losses) from Investment Activities on the consolidated statements of operations.

KKR Issued 5.500% Notes Due 2043

On February 1, 2013, KKR Group Finance Co. II LLC, an indirect subsidiary of KKR & Co. Inc., issued $500 million aggregate principal amount of 5.50% Senior Notes due 2043 (the "2043 Senior Notes"). 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. Inc. 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 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 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, an indirect subsidiary of KKR & Co. Inc., issued $500 million aggregate principal amount of 5.125% Senior Notes due 2044 (the "2044 Senior Notes"). 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. Inc. 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 Senior Notes. 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.

Notes to Financial Statements (Continued)

KKR Issued 0.509% Senior Notes Due 2023, 0.764% Senior Notes Due 2025, and 1.595% Senior Notes Due 2038

On March 23, 2018, KKR Group Finance Co. IV LLC, an indirect subsidiary of KKR & Co. Inc., issued ¥40.3 billion aggregate principal amount of its (i) ¥25.0 billion 0.509% Senior Notes due 2023 (the "2023 Notes"), (ii) ¥5.0 billion 0.764% Senior Notes due 2025 (the "2025 Notes") and (iii) ¥10.3 billion 1.595% Senior Notes due 2038 (the "2038 Notes" and, together with the 2023 Notes and the 2025 Notes, the "JPY Notes"). The JPY Notes are fully and unconditionally guaranteed, jointly and severally, by KKR & Co. Inc. and the KKR Group Partnerships. The guarantees are unsecured and unsubordinated obligations of the Guarantors.

The 2023 Notes bear interest at a rate of 0.509% per annum and will mature on March 23, 2023 unless earlier redeemed. The 2025 Notes bear interest at a rate of 0.764% per annum and will mature on March 21, 2025 unless earlier redeemed. The 2038 Notes bear interest at a rate of 1.595% per annum and will mature on March 23, 2038 unless earlier redeemed. Interest on the JPY Notes accrues from March 23, 2018 and is payable semiannually in arrears on March 23 and September 23 of each year, commencing on September 23, 2018 and ending on the applicable maturity date. The JPY Notes are unsecured and unsubordinated obligations of the issuer.

The indenture, as supplemented by the first supplemental indenture, related to the JPY 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 JPY Notes may declare the JPY 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 JPY Notes and any accrued and unpaid interest on the JPY Notes automatically become due and payable. The issuer may redeem the JPY Notes at its option, in whole but not in part, at a redemption price equal to 100% of the principal amount of the JPY Notes to be redeemed, together with interest accrued and unpaid to, but excluding, the date fixed for redemption, at any time, in the event of certain changes affecting taxation as provided in the JPY Indenture.

KKR Issued 1.625% Senior Notes Due 2029

On May 22, 2019, KKR Group Finance Co. V LLC, an indirect subsidiary of KKR & Co. Inc., issued €650 million aggregate principal amount of its 1.625% Senior Notes due 2029 (the "2029 Senior Notes"). The 2029 Senior Notes are guaranteed by KKR & Co. Inc. and the KKR Group Partnership.

The 2029 Senior Notes bear interest at a rate of 1.625% per annum and will mature on May 22, 2029, unless earlier redeemed. Interest on the 2029 Senior Notes accrues from May 22, 2019 and is payable annually in arrears on May 22 of each year, commencing on May 22, 2020 and ending on the applicable maturity date. The 2029 Senior Notes are unsecured and unsubordinated obligations of the issuer. The 2029 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 2029 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 2029 Senior Notes may declare the 2029 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 2029 Senior Notes and any accrued and unpaid interest on the 2029 Senior Notes automatically become due and payable. Prior to February 22, 2029, the issuer may redeem the 2029 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 2029 Senior Notes. On or after February 22, 2029, the issuer may redeem the 2029 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 2029 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 2029 Senior Notes are subject to repurchase by the issuer at a repurchase price in cash equal to 101% of the aggregate principle amount of the 2029 Senior Notes repurchased plus any accrued and unpaid interest on the 2029 Senior Notes repurchased to, but not including, the date of repurchase. In the event of certain changes affecting taxation as provided in the 2029 Senior Notes, the issuer may redeem the 2029 Senior Notes in whole but not in part, at any time at 100% of their principal amount, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

KKR Issued 3.750% Senior Notes Due 2029

On July 1, 2019, KKR Group Finance Co. VI LLC, an indirect subsidiary of KKR & Co. Inc., issued $500 million aggregate principal amount of its 3.750% Senior Notes due 2029 (the "KKR 3.750% Senior Notes"). The KKR 3.750% Senior Notes are guaranteed by the Guarantors.

The KKR 3.750% Senior Notes bear interest at a rate of 3.750% per annum and will mature on July 1, 2029, unless earlier redeemed. Interest on the KKR 3.750% Senior Notes accrues from July 1, 2019 and is payable semi-annually in arrears on January 1 and July 1 of each year, commencing on January 1, 2020 and ending on the maturity date. The KKR 3.750% Senior Notes are unsecured and unsubordinated obligations of the issuer. The KKR 3.750% 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 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 convey all or substantially all of their assets. The Indenture 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 KKR 3.750% Senior Notes may declare the KKR 3.750% 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 KKR 3.750% Senior Notes and any accrued and unpaid interest on the KKR 3.750% Senior Notes automatically become due and payable. Prior to April 1, 2029, all or a portion of the KKR 3.750% 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 KKR 3.750% Senior Notes. On or after April 1, 2029, the issuer may redeem the KKR 3.750% 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 KKR 3.750% 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 KKR 3.750% 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 KKR 3.750% Senior Notes repurchased plus any accrued and unpaid interest on the KKR 3.750% Senior Notes repurchased to, but not including, the date of repurchase.

KFN Issued 5.500% Notes Due 2032

On March 30, 2017, KFN issued $375.0 million aggregate principal amount of 5.500% Senior Notes due 2032 (the "KFN 2032 Senior Notes"), resulting in net proceeds to KFN of $368.6 million. The KFN 2032 Senior Notes are unsecured and unsubordinated obligations of KFN and will mature on March 30, 2032, unless earlier redeemed or repurchased. The KFN 2032 Senior Notes bear interest at a rate of 5.500% per annum, accruing from March 30, 2017. Interest is payable semi-annually in arrears on March 30 and September 30 of each year.

The indenture, as supplemented by a first supplemental indenture, relating to the KFN 2032 Senior Notes includes covenants, including (i) limitations on KFN's ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of certain of its subsidiaries or merge, consolidate or sell, transfer or lease assets, (ii) requirements that KFN maintain a minimum Consolidated Net Worth (as defined in the indenture) and (iii) requirements that KFN maintain a minimum Cash and Liquid Investments (as defined in the indenture). 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 KFN 2032 Senior Notes may declare the KFN 2032 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 KFN 2032 Senior Notes and any accrued and unpaid interest on the KFN 2032 Senior Notes automatically becomes due and payable.

Beginning on March 30, 2022, KFN may redeem the KFN 2032 Senior Notes in whole, but not in part, at KFN's option, at a redemption price equal to 100% of the outstanding principal amount plus accrued and unpaid interest to, but excluding, the date of redemption. At any time prior to March 30, 2022, KFN may redeem the KFN 2032 Senior Notes in whole, but not in part, at KFN's option at any time, at a "make-whole" redemption price set forth in the KFN 2032 Senior Notes. If a change of control occurs, the KFN 2032 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 KFN 2032 Senior Notes repurchased plus any accrued and unpaid interest on the KFN 2032 Senior Notes repurchased to, but not including, the date of repurchase.

On November 17, 2017, KFN issued an additional $125.0 million aggregate principal amount of the KFN 2032 Senior Notes, resulting in the total outstanding aggregate principal amount of $500.0 million. The additional KFN 2032 Senior Notes,

which were issued under the indenture related to the existing KFN 2032 Senior Notes as supplemented by a second supplemental indenture, constitute a further issuance of and are part of the same series as the KFN 2032 Senior Notes first issued on March 30, 2017.

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, which do not provide for recourse to KKR beyond the assets of KFN. The KFN 2033 Senior Notes are not guaranteed by KKR & Co. Inc. or the KKR Group Partnerships. The KFN 2033 Senior Notes 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.

The indenture, as supplemented by a first supplemental indenture, relating to the KFN 2033 Senior Notes includes covenants, including (i) limitations on KFN's ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of certain of its subsidiaries or merge, consolidate or sell, transfer or lease assets, (ii) requirements that KFN maintain a minimum Consolidated Net Worth (as defined in the indenture) and (iii) requirements that KFN maintain a minimum Cash and Liquid Investments (as defined in the indenture). 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 KFN 2033 Senior Notes may declare the KFN 2033 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 KFN 2033 Senior Notes and any accrued and unpaid interest on the KFN 2033 Senior Notes automatically becomes due and payable.

Beginning on February 12, 2023, KFN may redeem the KFN 2033 Senior Notes in whole, but not in part, at KFN's option, at a redemption price equal to 100% of the outstanding principal amount plus accrued and unpaid interest to, but excluding, the date of redemption. At any time prior to February 12, 2023, KFN may redeem the KFN 2033 Senior Notes in whole, but not in part, at KFN's option at any time, at a "make-whole" redemption price set forth in the KFN 2033 Senior Notes. If a change of control occurs, the KFN 2033 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 KFN 2033 Senior Notes repurchased plus any accrued and unpaid interest on the KFN 2033 Senior Notes repurchased to, but not including, the date of repurchase.

KFN Issued 5.400% Notes Due 2033

On May 23, 2018, KFN issued $70.0 million aggregate principal amount of 5.400% Senior Notes due 2033 (the "KFN 5.400% Senior Notes"). The KFN 5.400% Senior Notes are unsecured and unsubordinated obligations of KFN, which do not provide for recourse to KKR beyond the assets of KFN. The KFN 5.400% Senior Notes are not guaranteed by KKR & Co. Inc. or the KKR Group Partnerships. The KFN 5.400% Senior Notes will mature on May 23, 2033, unless earlier redeemed or repurchased. The KFN 5.400% Senior Notes bear interest at a rate of 5.400% per annum, accruing from May 23, 2018. Interest is payable semi-annually in arrears on May 23 and November 23 of each year.

The indenture, as supplemented by a second supplemental indenture, relating to the KFN 5.400% Senior Notes includes covenants, including (i) limitations on KFN's ability to, subject to exceptions, incur indebtedness secured by liens on voting stock or profit participating equity interests of certain of its subsidiaries or merge, consolidate or sell, transfer or lease assets, (ii) requirements that KFN maintain a minimum Consolidated Net Worth (as defined in the indenture) and (iii) requirements that KFN maintain minimum Cash and Liquid Investments (as defined in the indenture). 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 KFN 5.400% Senior Notes may declare the KFN 5.400% 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 KFN 5.400% Senior Notes and any accrued and unpaid interest on the KFN 5.400% Senior Notes automatically becomes due and payable.

Beginning on May 23, 2023, KFN may redeem the KFN 5.400% Senior Notes in whole, but not in part, at KFN's option, at a redemption price equal to 100% of the outstanding principal amount plus accrued and unpaid interest to, but excluding, the date of redemption. At any time prior to May 23, 2023, KFN may redeem the KFN 5.400% Senior Notes in whole, but not in part, at KFN's option at any time, at a "make-whole" redemption price set forth in the KFN 5.400% Senior Notes. If a change of control occurs, the KFN 5.400% 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 KFN 5.400% Senior Notes repurchased plus any accrued and unpaid interest on the KFN 5.400% Senior Notes repurchased to, but not including, the date of repurchase.

KFN Issued Junior Subordinated Notes

KFN 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 the 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.

Other Debt Obligations

As of December 31, 2019, 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	$ 3,865,495	$ 8,377,854	$ 8,377,854	4.0%	4.4
Debt Obligations of Consolidated CLOs	—	14,658,137	14,658,137	(1)	11.0
	$ 3,865,495	**$ 23,035,991**	**$ 23,035,991**		

(1) The senior notes of the consolidated CLOs had a weighted average interest rate of 3.0%. 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.

Financing Facilities of Consolidated Funds and Other

Certain of KKR's consolidated 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 (beyond KKR's capital interest) 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.

In certain other cases, investments and other assets held directly by majority-owned consolidated investment vehicles have been funded with borrowings that are collateralized by the investments and assets they own. These borrowings are non-recourse to KKR beyond the investments and assets serving as collateral. Such borrowings have varying maturities and generally bear interest at fixed rates.

Debt Obligations of Consolidated CLOs

Debt obligations of consolidated CLOs consist of debt securities to third-party investors issued by the consolidated CLOs. 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."

Debt Obligations of Consolidated CMBS

During the year ended December 31, 2019, the controlling financial interest in a CMBS vehicle was sold by KKR resulting in the deconsolidation of that CMBS vehicle. For the year ended December 31, 2018, 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."

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, 2019, the fair value of the consolidated CFE assets was $15.7 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 December 31, 2019. KKR is in compliance with its debt covenants in all material respects as ofDecember 31, 2019.

Scheduled principal payments for debt obligations at December 31, 2019 are as follows:

	Revolving Credit Facilities	Notes Issued	Other Debt Obligations	Total
2020	$ —	$ —	$ 1,053,418	$ 1,053,418
2021	—	—	2,458,087	2,458,087
2022	—	—	1,389,542	1,389,542
2023	—	229,250	1,408,859	1,638,109
2024	—	—	267,616	267,616
Thereafter	—	3,816,727	16,528,211	20,344,938
	$ —	**$ 4,045,977**	**$ 23,105,733**	**$ 27,151,710**

11. INCOME TAXES

The provision (benefit) for income taxes consists of the following:

	For the Years Ended December 31,		
	2019	2018	2017
Current			
Federal Income Tax	$ 56,046	$ 105,245	$ (34,611)
State and Local Income Tax	10,925	16,997	5,229
Foreign Income Tax [1]	38,238	41,716	79,371
Subtotal	105,209	163,958	49,989
Deferred			
Federal Income Tax	428,110	(300,536)	178,449
State and Local Income Tax	49,148	(52,240)	(424)
Foreign Income Tax [1]	(53,717)	(5,280)	(3,688)
Subtotal	423,541	(358,056)	174,337
Total Income Taxes	**$ 528,750**	**$ (194,098)**	**$ 224,326**

(1) The foreign income tax provision was calculated on $126.0 million, $141.0 million, and $171.6 million of pre-tax income generated in foreign jurisdictions in the years 2019, 2018, and 2017, respectively.

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, 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 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.

Prior to the Conversion on July 1, 2018, KKR & Co. L.P.'s investment income and carried interest generally were not subject to U.S. corporate income taxes. Subsequent to the Conversion, all income earned by KKR & Co. Inc. is subject to U.S. corporate income taxes, which we believe will result in an overall higher income tax expense (or benefit) when compared to periods prior to the Conversion.

The Conversion resulted in KKR obtaining a partial step-up in the tax basis of certain assets that will be recovered as those assets are sold or the basis is amortized. KKR's overall tax provision is based on, among other things, the amount of such partial step-up in tax basis that is derived from an analysis of the basis of its former unitholders in their ownership of KKR common units at June 30, 2018. On the date of the Conversion, based on the information available to KKR at that time, KKR recorded an estimated net tax benefit and estimated net deferred tax asset of $257.1 million relating to this partial step-up in tax basis. Upon analysis of the basis of KKR's former unitholders in their ownership of KKR common units at June 30, 2018, based on the additional information made available to KKR after December 31, 2018, the final determination of the amount of partial step-up in tax basis resulted in an additional tax benefit of approximately $45.0 million during 2019.

The following table reconciles the U.S. Federal Statutory Tax Rate to the Effective Income Tax Rate:

	For the Years Ended December 31,		
	2019	2018	2017
Statutory U.S. Federal Income Tax Rate	21.00 %	21.00 %	35.00 %
Income not attributable to KKR & Co. Inc.(1)	(10.57)%	(20.13)%	(38.64)%
Foreign Income Taxes	(0.28)%	1.66 %	2.62 %
State and Local Income Taxes	0.85 %	(0.16)%	0.05 %
Compensation Charges Borne by KKR Holdings	2.75 %	1.69 %	6.29 %
Conversion Benefit	(0.90)%	(11.19)%	— %
Change in Valuation Allowance	— %	(0.53)%	— %
Impact of the 2017 Tax Act	— %	— %	3.52 %
Other	(2.62)%	(0.94)%	(0.78)%
Effective Income Tax Rate	**10.23 %**	**(8.60)%**	**8.06 %**

(1) Represents primarily income attributable to (i) redeemable noncontrolling interests for all periods and (ii) noncontrolling interests for all periods. This item also includes investment income of certain entities and net carried interest of certain general partners of KKR investment funds that were not subject to U.S. federal income taxes prior to the Conversion.

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:

	December 31, 2019	December 31, 2018
Deferred Tax Assets		
Fund Management Fee Credits & Refunds	$ 65,168	$ 60,740
Equity Based Compensation	28,731	21,949
KKR Holdings Unit Exchanges(1)	152,759	127,275
Depreciation and Amortization(2)	300,851	293,481
Operating Lease Deferred Liability	19,152	—
Investment Basis Differences / Net Unrealized Gains & Losses(2)	—	16,613
Net Operating Loss Carryforwards	13,381	3,607
Other	11,732	14,496
Total Deferred Tax Assets before Valuation Allowance	591,774	538,161
Valuation Allowance	—	—
Total Deferred Tax Assets	591,774	538,161
Deferred Tax Liabilities		
Investment Basis Differences / Net Unrealized Gains & Losses(2)	414,048	—
Operating Lease Right-of-Use Asset	19,152	—
Total Deferred Tax Liabilities	433,200	—
Total Deferred Taxes, Net	**$ 158,574**	**$ 538,161**

(1) In connection with exchanges of KKR Holdings units into Class A common stock of KKR & Co. Inc., KKR records a deferred tax asset associated with an increase in KKR & Co. Inc.'s share of the tax basis of the tangible and intangible assets of the KKR Group Partnerships. 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) This deferred tax item includes a portion of the tax benefit KKR recognized as a result of the step-up in tax basis generated by the Conversion.

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. KKR has determined that it is

more likely than not that all deferred tax assets will be realized and that a valuation allowance is not needed as of December 31, 2019 and 2018.

As of December 31, 2019, KKR has a cumulative state and local NOL carryforward of $162.2 million that will begin to expire in 2036. KKR has elected to treat taxes paid in foreign jurisdictions as a deduction in lieu of a Foreign Tax Credit ("FTC"), because of U.S. federal limitations on FTC utilization.

Tax Contingencies

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 U.S. federal and certain state, local and foreign tax regulators. As of December 31, 2019, tax returns of KKR and its predecessor entities for the years 2016 through 2018 for U.S. federal purposes and 2011 through 2018 for state and local tax purposes are open under general statute of limitations provisions and therefore subject to examination.

At December 31, 2019, 2018 and 2017, KKR's unrecognized tax benefits relating to uncertain tax positions, excluding related interest and penalties, consisted of the following:

	For the Years Ended December 31,		
	2019	2018	2017
Unrecognized Tax Benefits, beginning of period	$ 53,598	$ 48,170	$ 43,996
Gross increases in tax positions in prior periods	—	—	—
Gross decreases in tax positions in prior periods	(2,443)	—	—
Gross increases in tax positions in current period	4,107	5,542	4,406
Lapse of statute of limitations	(1,890)	(114)	(232)
Unrecognized Tax Benefits, end of period	**$ 53,372**	**$ 53,598**	**$ 48,170**

If the above tax benefits were recognized it would reduce the 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 had a net reversal of accrued penalties of $(0.4) million and interest of $(0.4) million during 2019 and in total, as of December 31, 2019, recognized a liability for penalties of $2.2 million and interest of $10.2 million. During 2018, penalties of $0.3 million and interest of $2.6 million were accrued and in total, as of December 31, 2018, recognized a liability for penalties of $2.6 million and interest of $10.6 million.

12. EQUITY BASED COMPENSATION

The following table summarizes the expense associated with equity-based compensation for the years endedDecember 31, 2019, 2018 and 2017, respectively.

	For the Years Ended December 31,		
	2019	2018	2017
Equity Incentive Plans	$ 207,789	$ 242,811	$ 204,308
KKR Holdings Principal Awards	91,123	104,625	143,204
Total [1]	**$ 298,912**	**$ 347,436**	**$ 347,512**

(1) Includes $1.4 million, $11.7 million and $11.2 million of equity based compensation for the years ended December 31, 2019, 2018, and 2017 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

On March 29, 2019, the 2019 Equity Incentive Plan became effective. Following the effectiveness of the 2019 Equity Incentive Plan, KKR will not make any further grants under the 2010 Equity Incentive Plan, and the 2019 Equity Incentive Plan became KKR's only plan for providing new equity-based awards. Outstanding awards under the 2010 Equity Incentive Plan will remain outstanding, unchanged and subject to the terms of the 2010 Equity Incentive Plan and their respective equity award agreements, until the vesting, expiration or lapse of such awards in accordance with their terms. There are no significant differences in the expense recognition between the 2010 Equity Incentive Plan and the 2019 Equity Incentive Plan.

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 the KKR Group Partnerships.

Equity awards have been granted under the Equity Incentive Plans and are generally subject to service-based vesting, typically over athree 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 [1]
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

(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 to7% annually based upon expected turnover by class of recipient.

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 December 31, 2019, there was approximately $5.6 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 December 31, 2019, there was approximately $295.9 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)
2020	$ 162.8
2021	86.4
2022	36.9
2023	7.8
2024	1.7
2025	0.3
Total	**$ 295.9**

Notes to Financial Statements (Continued)

A summary of the status of unvested awards granted under the Equity Incentive Plans, excluding Market Condition Awards as described above, from January 1, 2019 through December 31, 2019 is presented below:

	Shares	Weighted Average Grant Date Fair Value
Balance, January 1, 2019	33,400,183	$ 16.23
Granted	4,742,836	25.98
Vested	(13,816,158)	15.79
Forfeitures	(1,629,216)	17.23
Balance, December 31, 2019	**22,697,645**	**$ 18.46**

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 Equity Incentive Plans is presented below:

Vesting Date	Shares
April 1, 2020	6,897,566
October 1, 2020	4,161,077
April 1, 2021	4,765,284
October 1, 2021	2,611,618
April 1, 2022	1,665,568
October 1, 2022	1,309,649
April 1, 2023	841,805
October 1, 2023	130,649
April 1, 2024	182,585
October 1, 2024	5,133
April 1, 2025	126,711
	22,697,645

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 December 31, 2019 and 2018, KKR Holdings owned approximately 34.1% or 290,381,345 units and 35.9% or 299,081,239 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 1.0% of the outstanding KKR Holdings units) have been granted as of December 31, 2019, 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.

Notes to Financial Statements (Continued)

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 the KKR Group Partnerships.

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.

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 December 31, 2019, there was approximately $153.3 million of estimated unrecognized expense related to unvested KKR Holdings awards. That cost is expected to be recognized as follows:

Year	Unrecognized Expense (in millions)
2020	$ 82.0
2021	45.7
2022	25.6
Total	**$ 153.3**

A summary of the status of unvested awards granted under the KKR Holdings Plan from January 1, 2019 through December 31, 2019 is presented below:

	Units	Weighted Average Grant Date Fair Value
Balance, January 1, 2019	24,123,993	$ 14.42
Granted	—	—
Vested	(6,162,014)	14.86
Forfeitures	(1,392,500)	12.25
Balance, December 31, 2019	**16,569,479**	**$ 14.43**

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 KKR Holdings Plan is presented below:

Vesting Date	Units
April 1, 2020	124,479
May 1, 2020	3,085,000
October 1, 2020	2,940,000
May 1, 2021	3,085,000
October 1, 2021	3,425,000
October 1, 2022	3,910,000
	16,569,479

13. RELATED PARTY TRANSACTIONS

Due from Affiliates consists of:

	December 31, 2019	December 31, 2018
Amounts due from portfolio companies	$ 120,391	$ 82,204
Amounts due from unconsolidated investment funds	594,184	568,211
Amounts due from related entities	2,824	6,774
Due from Affiliates	**$ 717,399**	**$ 657,189**

Due to Affiliates consists of:

	December 31, 2019	December 31, 2018
Amounts due to KKR Holdings in connection with the tax receivable agreement	$ 131,288	$ 117,862
Amounts due to unconsolidated investment funds	154,810	157,722
Due to Affiliates	**$ 286,098**	**$ 275,584**

Tax Receivable Agreement

KKR is required to acquire KKR Group Partnership Units from time to time pursuant to the exchange agreement with KKR Holdings. The KKR Group Partnerships have each made an election under Section 754 of the Internal Revenue Code of 1986, as amended, that will remain in effect for each taxable year in which an exchange of KKR Group Partnership Units for Class A common stock occurs, which may result in an increase in KKR's 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 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 otherwise would 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 to pay to KKR Holdings, or to current and former principals who have exchanged KKR Holdings units for shares of Class A 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 KKR realizes as a result of the increase in tax basis described above, as well as 85% of the amount of any such savings KKR actually realizes as a result of increases in tax basis that arise due to future payments under the agreement. KKR expects to benefit from the remaining 15% of cash savings, if any, in income tax that it realizes. 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.

These payment obligations are obligations of KKR & Co. Inc. and certain of its intermediate holding companies and not of any KKR Group Partnership and are recorded within Due to Affiliates in the accompanying consolidated statements of financial condition. Payments made under the tax receivable agreement are required to be made within 90 days of the filing of KKR's tax returns, which may result in a timing difference between the tax savings received by KKR and the cash payments made to the exchanging holders of KKR Group Partnership Units.

As a result of the 2017 Tax Act, which lowered the U.S. federal corporate tax rate from35% to 21%, expected future cash savings generated as a result of KKR Holdings exchanges are expected to decrease. Accordingly, KKR has decreased the liability associated with the tax receivable agreement to reflect lower future payments to individuals who exchanged KKR Holdings units for shares of Class A common stock. The amount of this reduction was $67.2 million and is included in Net Gains (Losses) from Investment Activities in the consolidated statements of operations for the year ended December 31, 2017.

Effective July 1, 2018, we amended the tax receivable agreement to reflect the Conversion. The amendment also provides that, in the event the maximum U.S. federal corporate income tax rate is increased to a rate higher than 21.0% within the five-year period following the Conversion, for exchanges pursuant to the exchange agreement that take place within that five-year period (other than exchanges following the death of an individual), payments of cash tax savings realized as a result of such exchanges shall be calculated by applying a U.S. federal corporate income tax rate not to exceed 21.0%. The amendment also clarifies that the tax benefit payments with respect to exchanges completed at any time prior to the Conversion will be

calculated without taking into account the step-up in tax basis in our underlying assets that we generated in 2018 as a result of the Conversion.

For the year ended December 31, 2019, cash payments that have been made under the tax receivable agreement were $11.8 million. For the years ended December 31, 2018 and 2017, no cash payments have been made under the tax receivable agreement. 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, 2019, $6.3 million of cumulative income tax savings have been realized.

Discretionary Investments

Certain of KKR's current and former employees and other qualifying personnel are permitted to invest, and have invested, their own capital in KKR's funds, in side-by-side investments with these funds and the firm, as well as in funds managed by its strategic manager partnerships. Side-by-side investments are made on the same terms and conditions as those acquired by the applicable fund or the firm, except that the side-by-side investments do not subject the investor to management fees or a carried interest. The cash contributed by these individuals aggregated $433.0 million, $415.0 million, and $505.1 million for the years ended December 31, 2019, 2018 and 2017, 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 $3.8 million, $3.6 million, and $3.9 million for the use of these aircraft for the years ended December 31, 2019, 2018 and 2017, 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 $8.1 million, $7.9 million, and $7.6 million for the years ended December 31, 2019, 2018 and 2017, respectively.

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.

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, the KKR Group Partnerships 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

In the first quarter of 2019, KKR increased the available amount under its repurchase program to$500 million, which may be used for the repurchase of its 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:

	For the Years Ended December 31,		
	2019	2018	2017
Shares of Class A common stock repurchased	2,859,452	7,540,551	—
Equity Awards for Class A common stock retired[1]	3,670,019	1,675,306	—

(1) Amounts exclude retirements of equity awards prior to May 3, 2018, the date on which retirements of equity awards became included under the repurchase program.

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 the 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:

	For the Year Ended December 31, 2019		
	Noncontrolling Interests in Consolidated Entities	Noncontrolling Interests Held by KKR Holdings	Total Noncontrolling Interests
Balance at the beginning of the period	$ 10,984,910	$ 4,625,448	$ 15,610,358
Net income (loss) attributable to noncontrolling interests [1]	1,264,820	1,369,671	2,634,491
Other comprehensive income (loss), net of tax [2]	(1,803)	(537)	(2,340)
Exchange of KKR Holdings Units to Class A Common Stock [3]	—	(161,825)	(161,825)
Equity-based and other non-cash compensation	—	91,297	91,297
Capital contributions	4,668,114	1,642	4,669,756
Capital distributions	(2,972,914)	(197,062)	(3,169,976)
Changes in consolidation	23,123	—	23,123
Balance at the end of the period	**$ 13,966,250**	**$ 5,728,634**	**$ 19,694,884**

	For the Year Ended December 31, 2018		
	Noncontrolling Interests in Consolidated Entities	Noncontrolling Interests Held by KKR Holdings	Total Noncontrolling Interests
Balance at the beginning of the period	$ 8,072,849	$ 4,793,475	$ 12,866,324
Net income (loss) attributable to noncontrolling interests [1]	796,183	561,052	1,357,235
Other comprehensive income (loss), net of tax [2]	(18,512)	(12,559)	(31,071)
Exchange of KKR Holdings Units to Class A Common Stock and Other [3]	(52,585)	(567,309)	(619,894)
Equity-based and other non-cash compensation	—	100,632	100,632
Capital contributions	4,357,219	2,396	4,359,615
Capital distributions	(2,763,416)	(252,239)	(3,015,655)
Changes in consolidation	593,172	—	593,172
Balance at the end of the period	**$ 10,984,910**	**$ 4,625,448**	**$ 15,610,358**

	For the Year Ended December 31, 2017		
	Noncontrolling Interests in Consolidated Entities	Noncontrolling Interests Held by KKR Holdings	Total Noncontrolling Interests
Balance at the beginning of the period	$ 6,252,565	$ 4,293,337	$ 10,545,902
Net income (loss) attributable to noncontrolling interests [1]	676,744	791,021	1,467,765
Other comprehensive income (loss), net of tax [2]	9,192	21,904	31,096
Exchange of KKR Holdings Units to Class A Common Stock and Other [3]	(50,120)	(238,941)	(289,061)
Equity-based and other non-cash compensation	—	141,727	141,727
Capital contributions	3,116,889	3,028	3,119,917
Capital distributions	(1,890,232)	(235,610)	(2,125,842)
Changes in consolidation	(1,682)	—	(1,682)
Transfers of interests under common control and Other	(40,507)	17,009	(23,498)
Balance at the end of the period	**$ 8,072,849**	**$ 4,793,475**	**$ 12,866,324**

(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) For the year ended December 31, 2019, calculated based on the proportion of KKR Holdings units exchanged for KKR & Co. Inc. Class A common stock. For the years ended December 31, 2018 and 2017, calculated based on the proportion of KKR Holdings units and other exchangeable securities 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.

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 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. 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.

The following table presents net income (loss) attributable to noncontrolling interests held by KKR Holdings:

	For the Years Ended December 31,		
	2019	**2018**	**2017**
Net income (loss)	$ 4,639,540	$ 2,450,946	$ 2,560,042
(-) Net income (loss) attributable to Redeemable Noncontrolling Interests	—	(37,352)	73,972
(-) Net income (loss) attributable to Noncontrolling Interests in consolidated entities	1,264,820	796,183	676,744
(-) Preferred Stock Dividends	33,364	33,364	33,364
(+) Income tax expense (benefit) attributable to KKR & Co. Inc.	539,466	(229,232)	150,812
(-) Gain from remeasurement of tax receivable agreement liability attributable to KKR & Co. Inc.[1]	—	—	67,221
Net income (loss) attributable to KKR & Co. Inc. Class A Common Stockholders and KKR Holdings	**$ 3,880,822**	**$ 1,429,519**	**$ 1,859,553**
Net income (loss) attributable to Noncontrolling Interests held by KKR Holdings	**$ 1,369,671**	**$ 561,052**	**$ 791,021**

(1) 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.

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 one year), 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 Stockholders' Equity in the accompanying consolidated statements of financial condition as noncontrolling interests.

The following table presents the rollforward of Redeemable Noncontrolling Interests:

	For the Years Ended December 31,		
	2019	2018	2017
Balance at the beginning of the period	$ 1,122,641	$ 610,540	$ 632,348
Net income (loss) attributable to Redeemable Noncontrolling Interests	—	(37,352)	73,972
Capital contributions	—	565,553	220,167
Capital distributions	—	(16,100)	(890)
Changes in consolidation	(1,122,641)	—	(315,057)
Balance at the end of the period	**$ —**	**$ 1,122,641**	**$ 610,540**

16. COMMITMENTS AND CONTINGENCIES

Funding Commitments

As of December 31, 2019, KKR had unfunded commitments consisting of $5,241.2 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 December 31, 2019, these commitments amounted to $0.8 million and $1,089.4 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 business line are shown without reflecting arrangements that may reduce the actual amount of contractual commitments shown. 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 December 31, 2019 are 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.

As of December 31, 2019, the approximate aggregate future lease payments required on the operating leases are as follows:

2020	$ 52,811
2021	24,954
2022	20,720
2023	14,570
2024	4,491
Thereafter	14,762
Total lease payments required	132,308
Less: Imputed Interest	(7,222)
Total operating lease liabilities	**$ 125,086**

As of December 31, 2019, KKR has an additional operating lease for office space that has not yet commenced with future lease payments of approximately £66.9 million (or $88.9 million) over a lease term of 15 years. This operating lease is denominated in Pound Sterling.

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 December 31, 2019, $36.9 million of carried interest was subject to this clawback obligation, assuming that all applicable carry-paying funds were liquidated at their December 31, 2019 fair values. Had the investments in such funds been liquidated at zero value, the clawback obligation would have been approximately $2.5 billion. 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, unsupportable, 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 Financial Statements (Continued)

17. QUARTERLY FINANCIAL DATA (UNAUDITED)

	For the Three Months Ended,			
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019
Statement of Operations Data:				
Total Revenues	$ 1,187,480	$ 1,179,864	$ 790,485	$ 1,063,071
Total Expenses	728,767	808,811	619,533	751,320
Total Investment Income (Loss)	1,335,926	1,156,076	218,792	1,145,027
Income (Loss) Before Taxes	1,794,639	1,527,129	389,744	1,456,778
Income Tax Expense / (Benefit)	167,593	165,399	53,132	142,626
Net Income (Loss)	1,627,046	1,361,730	336,612	1,314,152
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	—	—	—	—
Net Income (Loss) Attributable to Noncontrolling Interests	917,727	838,996	87,058	790,710
Net Income (Loss) Attributable to KKR & Co. Inc.	709,319	522,734	249,554	523,442
Series A Preferred Stock Dividends	5,822	5,822	5,822	5,822
Series B Preferred Stock Dividends	2,519	2,519	2,519	2,519
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	$ 700,978	$ 514,393	$ 241,213	$ 515,101
Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock				
Basic	$ 1.31	$ 0.94	$ 0.44	$ 0.93
Diluted	$ 1.27	$ 0.93	$ 0.43	$ 0.91
Weighted Average Shares of Class A Common Stock Outstanding				
Basic	533,892,474	544,528,863	546,336,936	555,379,973
Diluted	550,046,440	554,643,810	559,532,065	566,277,984

	For the Three Months Ended,			
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
Statement of Operations Data:				
Total Revenues	$ 472,606	$ 971,620	$ 1,129,666	$ (178,056)
Total Expenses	436,601	675,050	740,090	237,736
Total Investment Income (Loss)	584,530	1,330,786	833,288	(798,115)
Income (Loss) Before Taxes	620,535	1,627,356	1,222,864	(1,213,907)
Income Tax Expense / (Benefit)	17,641	60,960	(129,405)	(143,294)
Net Income (Loss)	602,894	1,566,396	1,352,269	(1,070,613)
Net Income (Loss) Attributable to Redeemable Noncontrolling Interests	25,674	(18,016)	12,236	(57,246)
Net Income (Loss) Attributable to Noncontrolling Interests	398,777	895,690	691,494	(628,726)
Net Income (Loss) Attributable to KKR & Co. Inc.	178,443	688,722	648,539	(384,641)
Series A Preferred Stock Dividends	5,822	5,822	5,822	5,822
Series B Preferred Stock Dividends	2,519	2,519	2,519	2,519
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	$ 170,102	$ 680,381	$ 640,198	$ (392,982)
Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock				
Basic	$ 0.36	$ 1.33	$ 1.22	$ (0.74)
Diluted	$ 0.32	$ 1.24	$ 1.17	$ (0.74)
Weighted Average Shares of Class A Common Stock Outstanding				
Basic	487,704,838	510,586,631	525,240,214	532,266,521
Diluted	535,918,274	548,745,498	545,672,953	532,266,521

Notes to Financial Statements (Continued)

18. SUBSEQUENT EVENTS

Common Stock Dividend

A dividend of $0.125 per share of Class A common stock of KKR & Co. Inc. was announced on January 31, 2020, and will be paid on February 25, 2020 to Class A common stockholders of record as of the close of business on February 10, 2020. KKR Holdings will receive its pro rata share of the distribution from the KKR Group Partnership.

Preferred Stock Dividend

A dividend of $0.421875 per share of Series A Preferred Stock has been declared as announced on January 31, 2020 and set aside for payment on March 16, 2020 to holders of record of Series A Preferred Stock as of the close of business on March 1, 2020.

A dividend of $0.406250 per share of Series B Preferred Stock has been declared as announced on January 31, 2020 and set aside for payment on March 16, 2020 to holders of record of Series B Preferred Stock as of the close of business on March 1, 2020.

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.

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 December 31, 2019. Based upon that evaluation, our Co-Chief Executive Officers and Chief Financial Officer have concluded that, as of December 31, 2019, 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 ofDecember 31, 2019. 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, 2019, 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 2019 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

Restricted Holdings Units

On February 13, 2020, we adopted a new form of equity award under the 2019 Equity Incentive Plan called restricted holdings units. Restricted holdings units will be granted under the 2019 Equity Incentive Plan, and the number of shares of Class A common stock in respect of such awards is subject to the overall limitation on the number of shares of Class A common stock that may be awarded under the 2019 Equity Incentive Plan. The form of restricted holdings units was approved by a committee of independent directors of our Board of Directors. In general, restricted holdings units are subject to vesting conditions. Following vesting, certain restricted holdings units may also be subject to additional restrictions, including transfer restrictions or minimum retained ownership requirements.

Restricted holdings units provide the holder the ability, after vesting and the satisfaction of certain other conditions, to exchange them for KKR Group Partnership Units and then for shares of Class A Common Stock on a one-for-one basis (or at the discretion of KKR, cash in an amount equal to the fair market value of the shares of Class A common stock that would otherwise be deliverable in such exchange). There is no tax receivable agreement in place for such exchange of restricted holdings units granted under the 2019 Equity Incentive Plan, and therefore KKR will receive 100% of any tax benefits arising from the exchange of restricted holdings units granted under that plan.

Prior to vesting, restricted holdings units will not be entitled to any distributions. As of the date of this report, no restricted holdings units have been issued.

Annual Meeting of Stockholders

KKR will hold its 2020 annual meeting of stockholders (the "Annual Meeting") at 9:00 a.m., Eastern Time, on Wednesday, April 22, 2020, at the offices of Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, New York 10017. The close of business on March 16, 2020 has been set as the record date for the Annual Meeting (the "Record Date"). Stockholders as of the close of business on the Record Date may attend the Annual Meeting if they bring valid government-issued photo identification and proof of stock ownership.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers

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

Name	Age	Position(s)
Henry R. Kravis	76	Co-Chief Executive Officer, Co-Chairman and Director
George R. Roberts	76	Co-Chief Executive Officer, Co-Chairman and Director
Joseph Y. Bae	48	Co-President, Co-Chief Operating Officer and Director
Scott C. Nuttall	47	Co-President, Co-Chief Operating Officer and Director
Mary N. Dillon	58	Director
David C. Drummond	56	Director
Joseph A. Grundfest	68	Director
John B. Hess	65	Director
Xavier B. Niel	62	Director
Patricia F. Russo	67	Director
Thomas M. Schoewe	67	Director
Robert W. Scully	70	Director
Robert H. Lewin	40	Chief Financial Officer
David J. Sorkin	60	General Counsel and Secretary

Henry R. Kravis co-founded KKR in 1976 and is our Co-Chairman and Co-Chief Executive Officer. He is actively involved in managing the firm and serves on each of the regional Private Equity Investment Committees. Mr. Kravis serves as a director, chairman emeritus, or trustee of several cultural, professional, and educational institutions, including The Business Council (former chairman), Claremont McKenna College, Columbia Business School (co-chairman), Mount Sinai Hospital, the Partnership for New York City (former chairman), the Partnership Fund for New York City (founder), Rockefeller University (vice chairman), Sponsors for Educational Opportunity (chairman), ICONIQ Capital, LLC and the Tsinghua School of Economics and Management in China. He earned a B.A. from Claremont McKenna College in 1967 and an M.B.A. from 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 and Mr. Roberts are first cousins.

George R. Roberts co-founded KKR in 1976 and is our Co-Chairman and Co-Chief Executive Officer. 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 and Mr. Kravis are first cousins.

Joseph Y. Bae joined KKR in 1996 and is our Co-President and Co-Chief Operating Officer. Mr. Bae has been a member of the board of directors 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 and the

Asia Society. 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 our Co-President and Co-Chief Operating Officer. Mr. Nuttall has been a member of the board of directors 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 Fiserv, Inc. 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.

Mary N. Dillon has been a member of the board of directors since September 6, 2018. Ms. Dillon has served as Chief Executive Officer and a member of the board of directors of Ulta Beauty, Inc., a beauty products retailer, since July 2013. Prior to joining Ulta Beauty, she served as President and Chief Executive Officer and member of the board of directors of United States Cellular Corporation, a provider of wireless telecommunication services, beginning in June 2010. Prior to joining U.S. Cellular, Ms. Dillon served as Global Chief Marketing Officer and Executive Vice President of McDonald’s Corporation from 2005 to 2010, where she led its worldwide marketing efforts and global brand strategy. Prior to joining McDonald’s, Ms. Dillon held several positions of increasing responsibility at PepsiCo Corporation, including as President of the Quaker Foods division from 2004 to 2005 and as Vice President of Marketing for Gatorade and Quaker Foods from 2002 to 2004. Ms. Dillon served as a director of Target Corporation from 2007 to 2013 and as a member of its compensation committee from 2009 to 2013. Ms. Dillon joined the board of directors of Starbucks in January 2016 and serves as chair of its compensation and management development committee, and as a member of the nominating and corporate governance committee. Ms. Dillon provides the board with valuable knowledge and insights she gained through her various senior management and leadership roles, including as the chief executive officer of a publicly traded company. In addition, with over 30 years of experience in consumer-driven businesses, Mr. Dillon brings to the Board her extensive operational and marketing expertise in the retail industry.

David C. Drummond has been a member of the board of directors 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, each until his retirement in January 2020. 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 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 until 2018. 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 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.

Xavier B. Niel has been a member of the board of directors since March 1, 2018. Mr. Niel is the founder, deputy chairman of the board and chief strategy officer of Iliad SA, a French telecommunications company that owns the internet provider Free and the low-cost mobile operator Free Mobile. Mr. Niel also owns majority stakes in telecom operators in various countries. He has been involved in the data communications, internet and telecommunications industry since the late 1980s. In 2010, Mr. Niel founded Kima Ventures SAS, which is an active early-stage investor. In 2013, he created 42, a school that trains computer specialists in France and the United States, and in 2017, he opened Station-F, a startup campus located in Paris. Mr. Niel brings significant value to the board due to his extensive experience as an entrepreneur who founded multiple companies, in addition to his leadership and technology experience.

Patricia F. Russo has been a member of the board of directors 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. She 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. From November 2016 to May 2018, Ms. Russo also 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 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 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. He also serves on the board of the LPGA. 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 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 previously served 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.

Robert H. Lewin joined KKR in 2004 and is our Chief Financial Officer. Since joining KKR, Mr. Lewin held a number of positions, including as an investor in private equity, co-leading the firm's credit and capital markets businesses, serving as Treasurer and Head of Corporate Development and most recently as Head of Human Capital & Strategic Talent. From 2006

through 2010, Mr. Lewin resided in Hong Kong, helping to launch KKR's Asia business. Mr. Lewin has a Bachelor of Science from the University of Pennsylvania. He currently serves on the board of Answer the Call, a non-profit organization.

David J. Sorkin joined KKR in 2007 and is our General Counsel and Secretary. Prior to joining KKR, Mr. Sorkin was a partner with Simpson Thacher & Bartlett LLP. Mr. Sorkin serves as President of 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 board of directors consists of twelve directors, eight of whom, Messrs. Drummond, Grundfest, Hess, Niel, Schoewe and Scully and Mses. Dillon and Russo, are independent under NYSE rules relating to corporate governance matters and the independence standards described in our corporate governance guidelines.

Because the Class B Stockholder has more than 50% of the voting power for the election of our directors, we are a "controlled company" within the meaning of the corporate governance standards of the NYSE. Under these standards, a "controlled company" may elect not to comply with certain corporate governance standards, including the requirements (1) that a majority of its board of directors consist of independent directors, (2) that its board of directors have a compensation committee that is comprised entirely of independent directors with a written charter addressing the committee's purpose and responsibilities and (3) that its board of directors have a nominating and corporate governance committee that is comprised entirely of independent directors with a written charter addressing the committee's purpose and responsibilities. We currently utilize the second and third of these exemptions. See "Risk Factors—Risks Related to Our Common Stock—As a 'controlled company,' we qualify for some exemptions from the corporate governance and other requirements of the NYSE." While we are exempt from NYSE rules relating to board independence, we intend to maintain a board of directors that consists of at least a majority of directors who are independent under NYSE rules. In the event that we cease to be a "controlled company" and our shares of Class A common stock continue to be listed on the NYSE, we will be required to comply with these provisions within the applicable transition periods.

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, and certain personal investments made by our independent directors in companies in which certain of our executive officers have also invested. It was determined that none of these transactions or relationships adversely impacted the independence of our independent directors.

Board Committees

Our 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 "controlled company," our board is not required by NYSE rules to establish a compensation committee or a nominating and corporate governance committee or to meet certain 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. Our 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 on our website at *www.kkr.com* under the "Investor Center" section.

Conflicts Committee

The conflicts committee consists of Mses. Dillon and Russo and Messrs. Drummond, Schoewe and Scully (Chairman). 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, our certificate of incorporation or our bylaws (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 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 us. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to us and not a breach of any duties that may be owed to our stockholders. 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 the 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 dividends on our Class A common stock; (ii) a merger or consolidation of us 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 us; (v) any action that must be submitted to a vote of the Class B Stockholder's members or our stockholders; or (vi) any action that may not be delegated to a board committee under our certificate of incorporation, our bylaws or the DGCL.

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* 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 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* under the "Investor Center" section.

Communications to the Board of Directors

The non-management members of our 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 stockholder, may send communications to the non-management members of our board of directors by writing to: Investor Relations, KKR & Co. Inc., 9 West 57th Street, Suite 4200, New York, New York 10019.

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 stockholders 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 stockholders. 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 stockholders.

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 former Chief Financial Officer (William Janetschek) and our General Counsel (David Sorkin) as our "named executive officers." Mr. Janetschek retired from his position as of December 31, 2019. We believe that the elements of compensation discussed below for our named executive officers serve these primary objectives. We are not required to conduct say-on-pay or say-on-frequency votes under 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 shares of our Class A common stock, on a one-for-one basis, and generally cannot be sold to third parties for monetary value unless they are first exchanged for shares of our Class A common stock. Because KKR Holdings units are exchangeable for shares of our Class A common stock, we believe that our named executive officers' interests are aligned with those of our stockholders.

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 10, 2020, approximately 3.2 million KKR Holdings units remain unallocated.

In 2019, our named executive officers received distributions on KKR Holdings units, including distributions relating to tax liabilities, as well as dividends on shares of Class A common stock they own, and because these distributions and dividends are not considered to be compensation, they have not been reported in the Summary Compensation Table.

Compensation Elements

Base Salary

For 2019, 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 2019. 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 for 2019 should be made to our other employees in order to motivate and retain them for the benefit of the firm. See "—Other Compensation" below for certain incidental benefits provided by the firm.

In 2019, our Co-Presidents/Co-Chief Operating Officers and General Counsel were awarded additional year-end cash 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 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 their bonus payments include (i) their respective contributions and accomplishments in 2019 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 2019 as compared to the prior year; and (iv) the overall financial performance of the firm in 2019 as compared to the prior year based on certain financial measures considered by management, including but not limited to after-tax distributable earnings. More specifically, in assessing Mr. Bae and Mr. Nuttall's contributions, our Co-Chief Executive Officers considered their services as 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. Sorkin's contributions, they considered his leadership and oversight of our global legal, compliance, enterprise risk and internal audit functions and his role with respect to the strategic initiatives undertaken by the firm. The size of the cash bonus payments to the named executive officers (other than Messrs. Kravis, Roberts and Janetschek who received none) were lower compared to the prior year, reflecting the firm's financial performance in 2019, in particular with respect to a year-over-year decrease in operating revenues, and an increase in the number of employees compared to 2018. No equity-based bonus compensation was granted to the named executive officers as part of their 2019 year-end bonus compensation, because it was decided that our senior principals would generally not receive any year-end equity-based bonus for 2019. In making these determinations, our Co-Chief Executive Officers consulted with certain of our senior employees and, with respect to the determinations for our 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.

The cash bonus amounts paid to our Co-Presidents/Co-Chief Operating Officers and our General Counsel for 2019 are reflected in the Bonus column of the 2019 Summary Compensation Table below. Although no deferred equity bonus or additional equity compensation awards were made to our named executive officers in connection with 2019 year-end bonus compensation, these equity awards may become a component of our annual year-end bonus determination for our named executive officers in the future.

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. 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.

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 of carried interest, including any reserved carried interest, 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 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. 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 the recipient's name 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 stockholders. In addition, several of our competitors use participation in carried interest as an important incentive, 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 additional vesting upon death, disability or certain retirement events. In general, the vesting for carry pool allocations is annual over a four-year period (other than for our Co-Chief Executive Officers). 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.

Carry pool allocations after December 31, 2018, whether or not vested, are subject to forfeiture if the recipient violates his or her confidentiality and restrictive covenant agreement. See "—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards—Terms of Confidentiality and Restrictive Covenant Agreements."

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 and, starting in 2019, for financial planning services for certain of 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 shares of Class A common stock equivalents of 15% of the cumulative restricted stock units granted under our Equity Incentive Plans 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 Class A common stock. 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, 2017, 2018 and 2019.

In 2017, 2018 and 2019, our named executive officers received distributions based on their vested KKR Holdings units or dividends on shares of Class A common stock they hold. Because these distributions and dividends are not considered to be compensation, they 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."

Carried interest distributions to our named executive officers in respect of the carry pool for the years ended December 31, 2017, 2018 and 2019 are reflected in the All Other Compensation column in the 2019 Summary Compensation Table below.

2019 Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($) [2]	All Other Compensation ($) [3]	Total ($)
Henry R. Kravis	2019	300,000	—	—	39,822,617 [4]	40,122,617
Co-Chief Executive Officer	2018	300,000	—	—	56,217,088	56,517,088
	2017	300,000	—	44,650,000	68,484,271	113,434,271
George R. Roberts	2019	300,000	—	—	39,865,377 [5]	40,165,377
Co-Chief Executive Officer	2018	300,000	—	—	56,233,435	56,533,435
	2017	300,000	—	44,650,000	68,761,704	113,711,704
Joseph Y. Bae	2019	300,000	8,300,000	—	26,372,589 [6]	34,972,589
Co-President and Co-Chief Operating Officer	2018	300,000	9,000,000	5,872,442	21,168,222	36,340,664
	2017	300,000	7,385,000	121,302,000	14,919,102	143,906,102
Scott C. Nuttall	2019	300,000	8,300,000	—	26,612,129 [7]	35,212,129
Co-President and Co-Chief Operating Officer	2018	300,000	9,000,000	5,872,442	21,491,798	36,664,240
	2017	300,000	7,385,000	121,302,000	15,364,186	144,351,186
William J. Janetschek	2019	300,000	—	—	1,951,426 [8]	2,251,426
Former Chief Financial Officer	2018	300,000	2,950,000	1,257,647	9,378,133	13,885,780
	2017	300,000	2,747,500 [1]	967,419	6,655,362	10,670,281
David J. Sorkin	2019	300,000	2,800,000	—	3,361,433 [9]	6,461,433
General Counsel	2018	300,000	2,950,000	1,257,647	4,607,770	9,115,417
	2017	300,000	2,747,500 [1]	967,419	3,389,709	7,404,628

(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 2017 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 stock units and KKR Holdings units granted in such reporting period. For the fiscal years ended December 31, 2017 and 2018, restricted stock units presented in such reporting periods relate to the equity portion of the prior year's year-end bonus compensation and in each case reflect the grant date fair value of restricted stock units. For the fiscal year ended December 31, 2017, amounts relating to KKR Holdings units represent the original grant date fair value of KKR Holdings units. Fair value of the restricted stock 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.

(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 $39,182,711 in cash payments of carried interest from the carry pool during 2019; $40,000 in fees for Mr. Kravis's service as a KKR-designated director on the board of directors of First Data Corporation prior to its merger with Fiserv, Inc., a KKR portfolio company, during 2019; $150,195 related to Mr. Kravis's use of a car and driver during 2019; $399,711 related to certain personnel who administer personal matters for Mr. Kravis during 2019; $25,000 related to financial planning services fees; 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 $39,182,711 in cash payments of ca rried interest from the carry pool during 2019; $192,808 related to Mr. Roberts's use of a car and driver during 201 9; $439,858 related to certain personnel who administer personal matters for Mr. Roberts during 2019; $25,000 related to financial planning services fees; 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 $26,322,589 in cash payments of carried interest from the carry pool during 2019; $25,000 related to financial planning services fees; and $25,000 related to tax preparation fees.

(7) Consists of $26,522,129 in cash payments of carried interest from the carry pool during 2019; $40,000 in fees for Mr. Nuttall's service as a KKR-designated director on the board of directors of First Data Corporation prior to its merger with Fiserv, Inc., a KKR portfolio company, during 2019; $25,000 related to financial planning services fees; and $25,000 related to tax preparation fees.

(8) Consists of $1,926,426 in cash payments of carried interest from the carry pool during 2019 and $25,000 related to tax preparation fees.

(9) Consists of $3,311,433 in cash payments of carried interest from the carry pool during 2019; $25,000 related to financial planning services fees; and $25,000 related to tax preparation fees.

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. As of February 10, 2020, 270,941,316 outstanding KKR Holdings units have vested, constituting 93% of the KKR Holdings units outstanding. See "—KKR Holdings."

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 shares of Class A common stock 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 290,381,345 KKR Holdings units have been legally allocated, but the allocation of 2,870,550 of these units has not been communicated to each respective principal as of December 31, 2019. 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 Plans, which are described below.

Terms of Restricted Stock Units

Restricted stock units are equity awards issuable under our 2019 Equity Incentive Plan, which after vesting, may be settled for shares of our Class A common stock on a one-for-one basis (or an amount of cash equal to the fair market value of such shares).

In general, restricted stock 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 stock unit grant agreements may also subject the shares of Class A common stock delivered upon settlement of such restricted stock units to transfer restrictions and/or minimum retained ownership requirements. Unvested restricted stock units granted under our Equity Incentive Plans are not entitled to receive dividends. Certain restricted stock unit grant agreements may also contain additional vesting requirements.

Shares of Class A common stock delivered upon settlement of restricted stock 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 shares of Class A common stock 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. Inc. 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 stock unit grant agreement, which would obligate them to continuously hold shares of Class A common stock equivalents of 15% of their cumulatively vested restricted stock units, unless waived. From time to time, the transfer restrictions and minimum retained ownership requirements applicable to restricted stock 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 or shares 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. Inc. Equity Incentive Plan" below.

Terms of Restricted Holdings Units

In February 2020, KKR adopted restricted holdings units, a new form of equity award, under the 2019 Equity Incentive Plan. For a description of terms and conditions of the restricted holdings units, see "Part II. Item 9B. Other Information." Grants of restricted holdings units to KKR's named executive officers are subject to further approval by KKR's board of directors. KKR's independent directors are ineligible to receive restricted holdings units. As of the date of this report, no restricted holdings units have been issued.

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, 15 months from termination. 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 stock 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 stock 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 2019 Fiscal Year-End

The following table sets forth information concerning unvested restricted stock units and KKR Holdings units for each of the named executive officers as of December 31, 2019.

	Stock Awards	
Name	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	1,500,000 [2]	$ 43,755,000
George R. Roberts	1,500,000 [2]	$ 43,755,000
Joseph Y. Bae	8,040,228 [3]	$ 234,533,451
Scott C. Nuttall	8,146,240 [4]	$ 237,625,821
William J. Janetschek	283,328 [5]	$ 8,264,678
David J. Sorkin	283,328 [6]	$ 8,264,678

(1) These amounts are based on the closing market price of our Class A common stock on the last trading day of the year ended December 31, 2019, of $29.17 per share.

(2) Includes 1,500,000 KKR Holdings units granted to each of Messrs. Kravis and Roberts on November 2, 2017, which will vest in three equal annual installments, beginning on October 1, 2020.

(3) Includes (i) 67,033 KKR Holdings units granted on December 30, 2016, which will vest on April 1, 2020; (ii) 520,000 KKR Holdings units granted on February 25, 2016, which will vest in equal installments on May 1, 2020 and May 1, 2021; (iii) 3,637,500 KKR Holdings units granted on November 2, 2017, which will vest on October 1 of each year as follows: 27% in 2020, 33% in 2021 and 40% in 2022; (iv) 3,625,000 restricted stock units granted on November 2, 2017, of which (a) 1,125,000 units will vest on October 1 of each year as follows: 27% in 2020, 33% in 2021 and 40% in 2022 and (b) 2,500,000 units will vest upon the market price of our Class A common stock reaching and maintaining a market price of $40.00 per share for a period of ten consecutive trading days on or prior to December 31, 2022; and (v) 190,695 restricted stock units granted on February 21, 2018, which will vest in equal installments on April 1, 2020 and April 1, 2021.

(4) Includes (i) 53,045 KKR Holdings units granted on December 30, 2016, which will vest on April 1, 2020; (ii) 640,000 KKR Holdings units granted on February 25, 2016, which will vest in equal installments on May 1, 2020 and May 1, 2021; (iii) 3,637,500 KKR Holdings units granted on November 2, 2017, which will vest on October 1 of each year as follows: 27% in 2020, 33% in 2021 and 40% in 2022; (iv) 3,625,000 restricted stock units granted on November 2, 2017, of which (a) 1,125,000 units will vest on October 1 of each year as follows: 27% in 2020, 33% in 2021 and 40% in 2022 and (b) 2,500,000 units will vest upon the market price of our Class A common stock reaching and maintaining a market price of $40.00 per share for a period of ten consecutive trading days on or prior to December 31, 2022; and (v) 190,695 restricted stock units granted on February 21, 2018, which will vest in equal installments on April 1, 2020 and April 1, 2021.

(5) Includes (i) 220,000 KKR Holdings units granted on February 25, 2016, which will vest in equal installments on May 1, 2020 and May 1, 2021; (ii) 22,488 restricted stock units granted on February 21, 2017, which will vest on April 1, 2020; and (iii) 40,840 restricted stock units granted on February 21, 2018, which will vest in equal installments on April 1, 2020 and April 1, 2021.

(6) Includes (i) 220,000 KKR Holdings units granted on February 25, 2016, which will vest in equal installments on May 1, 2020 and May 1, 2021; (ii) 22,488 restricted stock units granted on February 21, 2017, which will vest on April 1, 2020; and (iii) 40,840 restricted stock units granted on February 21, 2018, which will vest in equal installments on April 1, 2020 and April 1, 2021.

Option Exercises and Stock Vested in 2019

The following table sets forth information concerning the vesting of KKR Holdings units and restricted stock units held by each of our named executive officers during the year ended December 31, 2019.

	Stock Awards	
Name	Number of Shares Acquired on Vesting (#) [1]	Value Realized on Vesting ($) [2]
Henry R. Kravis	500,000	$ 13,030,000
George R. Roberts	500,000	$ 13,030,000
Joseph Y. Bae	1,427,476	$ 36,415,921
Scott C. Nuttall	1,469,541	$ 37,461,549
William J. Janetschek	172,150	$ 4,210,080
David J. Sorkin	172,840	$ 4,226,729

(1) The amounts reflected in this column represent KKR Holdings units and shares of Class A common stock 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 Stock Units" for additional terms, including with respect to the transfer of certain restrictions from the restricted stock units to employees' KKR Holdings units.

(2) These amounts are based on the closing market price of our Class A common stock on each respective vesting date.

Pension Benefits for 2019

We provided no pension benefits during the fiscal year endedDecember 31, 2019.

Nonqualified Deferred Compensation for 2019

We provided no defined contribution plan for the deferral of compensation on a basis that is not tax-qualified during the fiscal year endedDecember 31, 2019.

Potential Payments Upon Termination or Change in Control

Upon termination of employment, vesting generally ceases for KKR Holdings units and restricted stock units that have not vested. In addition, transfer-restricted vested KKR Holdings units and, if applicable, transfer-restricted restricted stock units (which term includes the transfer-restricted shares of Class A common stock that may be delivered upon settlement of such restricted stock 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 restricted stock 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 stock 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 stock unit, if applicable, remains transfer restricted over one- and two-year periods.

Upon death or permanent disability, a holder of KKR Holdings units or restricted stock units becomes immediately vested in all unvested KKR Holdings units and restricted stock 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 stock units becomes immediately vested in all unvested KKR Holdings units and restricted stock 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 stock units held by the named executive officers as of December 31, 2019 are set forth above in "Outstanding Equity Awards at 2019 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, 2019:

- 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 $277,500;
- the annual total compensation of Messrs. Kravis and Roberts were $40,122,617 and $40,165,377, 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 145 to 1.

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, 2019 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 any employee who joined us in connection with an acquisition consummated during the year (there was none in 2019) were excluded from the calculation. Compensation of employees who were employed for less than the full year of 2019 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—2019 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 2019, and the distributions and dividends payable with respect to their vested KKR Holdings units and shares of Class A common stock they hold are not considered compensation and accordingly are not included in the pay ratio calculation above.

Director Compensation

We limit compensation for service on our board of directors to the independent directors. Each independent director receives (1) an annual cash retainer of $90,000, (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 an additional annual cash retainer of $25,000 (in addition to the annual cash retainer as a member of the audit committee) if such independent director serves as the chairman of the audit committee, and (4) an additional annual cash retainer of $10,000 if such independent director is a member of the conflicts committee and an additional annual cash retainer of $15,000 (in addition to the annual cash retainer as a member of the conflicts committee) if such independent director serves as the chairman of the conflicts committee. Cash retainers are pro-rated if, during the fiscal year, a director joins or resigns from the board of directors, a director joins or resigns from a committee or the amount of a retainer is increased or decreased. In addition, on October 30, 2019, 5,205 restricted stock units were granted to each independent director pursuant to our 2019 Equity Incentive Plan.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) [1]	Total ($)
Mary N. Dillon	92,833	147,406	240,239
David C. Drummond	92,833	147,406	240,239
Joseph A. Grundfest	140,000	147,406	287,406
John B. Hess	90,000	147,406	237,406
Xavier B. Niel	90,000	147,406	237,406
Patricia F. Russo	92,833	147,406	240,239
Thomas M. Schoewe	117,833	147,406	265,239
Robert W. Scully	137,083	147,406	284,489

(1) Represents the aggregate grant date fair value of restricted stock units granted to each of the independent directors during the year ended December 31, 2019 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 stock units to each independent director in the year ended December 31, 2019. The table includes the grant date and grant date fair value of 2019 restricted stock units and the aggregate number of unvested restricted stock units as of December 31, 2019 owned by each independent director who served as a director during the year ended December 31, 2019:

Name	Grant Date [1]	Stock Awards (#)	Grant Date Fair Value ($) [2]	Total Number of Unvested Restricted Equity Awards on December 31, 2019 (#)
Mary N. Dillon	10/30/2019	5,205	147,406	5,205
David C. Drummond	10/30/2019	5,205	147,406	5,205
Joseph A. Grundfest	10/30/2019	5,205	147,406	5,205
John B. Hess	10/30/2019	5,205	147,406	5,205
Xavier B. Niel	10/30/2019	5,205	147,406	5,205
Patricia F. Russo	10/30/2019	5,205	147,406	5,205
Thomas M. Schoewe	10/30/2019	5,205	147,406	5,205
Robert W. Scully	10/30/2019	5,205	147,406	5,205

(1) The restricted stock units were granted on October 30, 2019 and will vest on October 1, 2020, subject to the grantee's continued service through the vesting date.

(2) This column represents the grant date fair value of restricted stock units granted to each of the independent directors during the year ended December 31, 2019 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. Inc. Equity Incentive Plan

In connection with the Conversion, we amended and restated the KKR & Co. L.P. 2010 Equity Incentive Plan by adopting the Amended and Restated KKR & Co. Inc. 2010 Equity Incentive Plan, which we refer to as our 2010 Equity Incentive Plan. In addition, on March 29, 2019, the KKR & Co. Inc. 2019 Equity Incentive Plan, which we refer to as our 2019 Equity Incentive Plan, became effective. Following the effectiveness of our 2019 Equity Incentive Plan, we do not make any further grants under our 2010 Equity Incentive Plan, and our 2019 Equity Incentive Plan became our only plan for providing new equity-based awards. Our 2019 Equity Incentive Plan has a term of 10 years from the effective date. Outstanding awards under our 2010 Equity Incentive Plan remain outstanding, unchanged and subject to the terms of our 2010 Equity Incentive Plan and their respective equity award agreements, until the vesting, expiration or lapse of such awards in accordance with their terms.

Administration

Our board of directors or a committee or subcommittee thereof administers or will administer, as applicable, our Equity Incentive Plans (the "Administrator"). The Administrator has the authority to make all decisions, determinations and interpretations with respect to the administration of our Equity Incentive Plans, including determining who will receive awards thereunder, the number of shares of Class A common stock underlying the awards and the terms and conditions of the awards, and is permitted, subject to applicable law, to delegate all or any part of its responsibilities and powers to any employee or employees selected by it in accordance with the terms of the plan. The board of directors authorized its executive committee (consisting of Messrs. Kravis and Roberts) to act as the Administrator under each plan, provided that (i) the Executive Committee is not authorized to make grants with respect to the executive officers without approval of the board of directors and (ii) the board of directors reserved the power and authority to act as the Administrator and to modify the power and authority of the Executive Committee under each plan.

Class A Common Stock Subject to the Plan

As of January 1, 2020, 123,295,864 shares of Class A common stock were available for issuance in respect of outstanding awards and the grant of future awards, representing 15% of the aggregate number of 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) (which is referred to as "Diluted Class A Shares" in this report) outstanding at the close of business on December 31, 2019, minus the number of shares underlying any outstanding equity awards granted under our 2019 Equity Incentive Plan that have not yet been delivered upon vesting. Under the 2019 Equity Incentive Plan, the aggregate number of shares of Class A common stock available under the plan will be increased, on the first day of each fiscal year, by a number of shares of Class A common stock equal to the positive difference, if any, between (x) 15% of the number of Diluted Class A Shares outstanding at the close of business on the last day of the immediately preceding fiscal year minus (y) the number of shares of Class A common stock available for issuance in respect of outstanding awards and the grant of future awards, in each case, under our 2019 Equity Incentive Plan as of the last day of such year, unless the Administrator in its sole discretion should decide to increase the number of shares of Class A common stock available under the plan by a lesser amount on any such date. As a result, on the first day of each fiscal year, the number of shares of Class A common stock available for issuance of future awards under our 2019 Equity Incentive Plan will be adjusted upwards to 15% of the number of Diluted Class A Shares outstanding at the close of business on the last day of the immediately preceding fiscal year, minus the number of shares underlying any outstanding equity awards granted under our 2019 Equity Incentive Plan that have not yet been delivered upon vesting. Therefore, we expect that the number of shares of Class A common stock available for issuance of future awards under our 2019 Equity Incentive Plan will increase at the beginning of each fiscal year compared to the end of the immediately preceding fiscal year if, during the immediately preceding year, there has been (i) any increase in the aggregate number of shares of Class A common stock and KKR Group Partnership Units outstanding or (ii) any delivery of underlying shares upon vesting of outstanding equity awards under our 2019 Equity Incentive Plan.

Restricted Stock Units and Other Equity-Based Awards

The Administrator may grant or sell awards of restricted stock units, Class A common stock, restricted Class A common stock, deferred restricted Class A common stock, phantom restricted Class common stock, or 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 Class A common stock. Any of these or other equity-based awards may be in such form, and dependent on such conditions, as the Administrator determines, including the right to receive, or vest with respect to, one or more shares of Class A common stock (or the equivalent cash value of such shares) upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. The Administrator may determine whether any such equity-based awards will be payable in cash, shares of Class A common stock or other assets or a combination of cash, Class A common stock and other assets.

Options and Stock Appreciation Rights

The Administrator may award non-qualified stock options and stock appreciation rights. Options and stock appreciation rights granted under our Equity Incentive Plans 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 stock appreciation right will be exercisable for a period of more than ten years after it is granted. The exercise price per share will be determined by the Administrator, provided that options and stock appreciation rights granted to participants who are U.S. taxpayers will not be granted with an exercise price less than 100% of the fair market value per share of the Class A common stock on the date of grant. To the extent permitted by the Administrator, the exercise price of an option may be paid in cash or its equivalent, in shares of Class A common stock 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 shares of Class A common stock or net settlement in shares of Class A common stock. As determined by the Administrator, stock appreciation rights may be settled in shares of Class A common stock, cash or any combination thereof.

Compensation Committee Interlocks and Insider Participation

Because we are a "controlled company" within the meaning of the corporate governance standards of the NYSE, our 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 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

Our board of directors 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
Mary N. Dillon
David C. Drummond
Joseph A. Grundfest
John B. Hess
Xavier B. Niel
Patricia F. Russo
Thomas M. Schoewe
Robert W. Scully

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

The following table sets forth the beneficial ownership of our Class A common stock and KKR Group Partnership Units that are, together with shares of our Class C common stock, exchangeable for shares of our Class A common stock by:

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

The numbers of shares of Class A common stock and KKR Group Partnership Units and shares of Class C common stock outstanding and the percentage of beneficial ownership are based on 558,046,130 shares of Class A common stock issued and outstanding and290,381,345 KKR Group Partnership Units that, together with shares of our Class C common stock, are exchangeable for shares of our Class A common stock as of February 10, 2020. 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 10, 2020. 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.

	Class A Common Stock Beneficially Owned [1]		KKR Group Partnership Units and Class C Common Stock Beneficially Owned [1][2]		Percentage of Combined Class A and Class C Beneficial
Name [3]	Number	Percent	Number	Percent	Ownership [4]
KKR Holdings [5]	2,677	*	290,381,345	100.0%	34.2%
ValueAct Capital MFB Holdings, L.P. [6]	48,100,000	8.6%	—	—	5.7
The Vanguard Group Inc. [7]	47,846,307	8.6	—	—	5.6
Vulcan Value Partners, LLC [8]	30,115,654	5.4	—	—	3.6
Henry R. Kravis [5][9][10]	14,965,126	2.7	290,381,345	100.0	36.0
George R. Roberts [5][9][10]	12,858,598	2.3	290,381,345	100.0	35.7
Joseph Y. Bae [11]	1,463,122	*	8,839,897	3.0	1.2
Scott C. Nuttall [11]	1,641,410	*	12,053,794	4.2	1.6
Mary N. Dillon	7,020	*	—	—	*
David C. Drummond	38,878	*	—	—	*
Joseph A. Grundfest	73,494	*	—	—	*
John B. Hess	147,094	*	—	—	*
Xavier B. Niel	9,908	*	—	—	*
Patricia F. Russo	66,494	*	—	—	*
Thomas M. Schoewe	74,094	*	—	—	*
Robert W. Scully	128,494	*	—	—	*
William J. Janetschek [11]	80,895	*	3,130,000	1.1	*
David J. Sorkin [11]	42,908	*	3,203,593	1.1	*
Directors and executive officers as a group (14 persons)	26,927,691	4.8%	290,381,345	100.0%	37.4%

* Less than 1.0%.

(1) KKR Group Partnership Units held by KKR Holdings are exchangeable (together with the corresponding Class C common stock) for our Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for stock splits, stock dividends 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 and Class C common stock reflected in this table has not also been reflected as beneficial ownership of our Class A common stock for which such KKR Group Partnership Units and Class C common stock may be exchanged.

(2) On any matters that may be submitted to a vote of the holders of Class A common stock, our Class C common stock provides its 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 the holders of Class A common stock.

(3) The address of each director and executive officer, except Mr. Roberts, is c/o Kohlberg Kravis Roberts & Co. L.P., 9 West 57th Street, Suite 4200, New York, New York 10019. The address of Mr. Roberts is c/o Kohlberg Kravis Roberts & Co. L.P., 2800 Sand Hill Road, Suite 200, Menlo Park, California 94025.

(4) This column assumes the exchange of KKR Group Partnership Units and Class C common stock into shares of Class A common stock and a number of outstanding shares of Class A common stock 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 shares of Class A common stock and 290,381,345 exchangeable KKR Group Partnership Units and shares of Class C common stock. 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, shares of Class C common stock and shares of Class A common stock held by KKR Holdings and voting control over all shares of Class A common stock and Class C common stock held by KKR Holdings. 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, shares of Class A common stock and shares of Class C common stock 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. Mr. Kravis disclaims beneficial ownership of the securities that may be deemed to be beneficially owned by him, except with respect to 72,814,740 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 80,277,805 KKR Group Partnership Units in which he and certain related entities he controls have a pecuniary interest. The address of KKR Holdings is 9 West 57th Street, Suite 4200, New York, New York 10019.

(6) Based on a Schedule 13D/A filed with the SEC on September 17, 2019, shares of Class A common stock 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 Class A common stock, 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 12, 2020, as of December 31, 2019, The Vanguard Group reports it is the beneficial owner of 47,846,307 shares of Class A common stock, with sole voting power over 284,349 shares of Class A common stock, sole dispositive power over 47,489,330 shares of Class A common stock, shared voting power over 128,522 shares of Class A common stock and shared dispositive power over 356,977 shares of Class A common stock. The address of The Vanguard Group is 100 Vanguard Blvd., Malvern, Pennsylvania 19355.

(8) Based on a Schedule 13G filed with the SEC on February 14, 2020, as of December 31, 2019, Vulcan Value Partners, LLC and C.T. Fitzpatrick may be deemed to beneficially own and have the sole voting power over 29,682,559 shares of Class A common stock and sole dispositive power over 30,115,654 shares of Class A common stock. The address of these beneficial owners is Three Protective Center, 2801 Highway 280 South, Suite 300, Birmingham, Alabama 35223. Mr. Fitzpatrick and/or members of his immediate family own 397,347 shares of Class A common stock for his or their own accounts, in a managed account over which Vulcan Value Partners, LLC serves as the investment adviser. Vulcan Value Partners, LLC exercises voting and dispositive power over such account.

(9) KKR MIF Fund Holdings L.P. owns, beneficially or of record, an aggregate of 1,028,156 shares of Class A common stock. 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 Group Partnership L.P. (as the sole shareholder of KKR IFI Limited); KKR Group Holdings Corp. (as the general partner of KKR Group Partnership L.P.); KKR & Co. Inc. (as the sole shareholder of KKR Group Holdings Corp.); and KKR Management LLP (as the Class B common stockholder of KKR & Co. Inc.) may be deemed to be the beneficial owner of the securities. Messrs. Kravis and Roberts are the founding partners of KKR Management LLP and may be deemed to share dispositive power with respect to the shares of Class A common stock held by KKR MIF Fund Holdings L.P. Each of Messrs. Kravis and Roberts disclaims beneficial ownership of the securities.

(10) KKR Reference Fund Investments L.P. owns, beneficially or of record, an aggregate of 3,639,010 shares of Class A common stock. 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 Group Partnership L.P. (as the sole shareholder of KKR IFI Limited); KKR Group Holdings Corp. (as the general partner of KKR Group Partnership L.P.); KKR & Co. Inc. (as the sole shareholder of KKR Group Holdings Corp.); and KKR Management LLP (as the Class B common stockholder of KKR & Co. Inc.) may be deemed to be the beneficial owner of the securities. Messrs. Kravis and Roberts are the founding partners of KKR Management LLP and may be deemed to share dispositive power with respect to the shares of Class A common stock held by KKR MIF Fund Holdings L.P. Each of Messrs. Kravis and Roberts disclaims beneficial ownership of the securities

(11) The shares of Class A common stock above for Messrs. Bae, Nuttall, Janetschek and Sorkin include 95,348, 95,348, 42,908 and 42,908 restricted stock units, respectively, that will vest within 60 days of February 10, 2020.

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 Plans as of December 31, 2019.

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights [1]	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) [2]
Equity Compensation Plans Approved by Security Holders	4,262,474	—	120,508,317
Equity Compensation Plans Not Approved by Security Holders	—	—	—
Total	4,262,474	—	120,508,317

(1) Reflects the aggregate number of restricted stock units granted under our Equity Incentive Plans and outstanding as of December 31, 2019.

(2) The aggregate number of shares of Class A common stock available under our 2019 Equity Incentive Plan is increased, on the first day of each fiscal year, by a number of shares of Class A common stock equal to the positive difference, if any, between (x) 15% of the number of Diluted Class A Shares outstanding at the close of business on the last day of the immediately preceding fiscal year minus (y) the number of shares of Class A common stock available for issuance in respect of outstanding awards and the grant of future awards, in each case, under our 2019 Equity Incentive Plan as of the last day of such year, unless the Administrator in its sole discretion should decide to increase the number of shares of Class A common stock available under the plan by a lesser amount on any such date. We have filed registration statements on Form S-8 under the Securities Act to register shares of Class A common stock covered by our Equity Incentive Plans. Accordingly, upon issuance pursuant to our Equity Incentive Plans, these shares of Class A common stock 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 agreement of the KKR Group Partnership, 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, Lewin and Sorkin, hold their KKR Group Partnership Units. Pursuant to the exchange agreement, 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 shares of Class C common stock) for shares of our Class A common stock 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 shares of Class A common stock 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 shares of our Class A common stock, our interests in the KKR Group Partnerships will be correspondingly increased. Any shares of Class A common stock 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, 2019, 8,699,894 KKR Group Partnership Units were exchanged for shares of our Class A common stock pursuant to this agreement.

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 shares of Class A common stock 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 Class A common stock 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 Class A common stock (and other securities convertible into or exchangeable or exercisable for shares of our Class A common stock) held or acquired by them. Under the registration rights agreement, holders of registration rights will have the right to request us to register shares of our Class A common stock received upon the exchange of their KKR Holdings units and the sale of such shares and also have the right to require us to make available shelf registration statements permitting sales of shares of Class A common stock 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 related post-effective amendments were declared effective on April 14, 2011, September 21, 2011 and July 10, 2018. As of December 31, 2019, 290,381,345 shares of Class A common stock remain unissued under that registration statement.

Tax Receivable Agreement

We are required to acquire KKR Group Partnership Units from time to time pursuant to our exchange agreement with KKR Holdings. The KKR Group Partnerships have each made an election under Section 754 of the Code that will remain in effect for each taxable year in which an exchange of KKR Group Partnership Units for shares of Class A common stock occurs, which may result in an increase in our 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 share of the tax basis of the tangible and intangible assets of the KKR Group Partnership, 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 we otherwise would 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 us to pay to KKR Holdings, or to current and former principals who have exchanged KKR Holdings units for shares of Class A 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 actually realize as a result of increases in tax basis that arise due to future payments under the agreement. We expect to benefit from the remaining 15% of cash savings, if any, in income tax that we 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.

These payment obligations are obligations of KKR & Co. Inc. and certain of its intermediate holding companies and not of the KKR Group Partnership. Payments made under the tax receivable agreement are required to be made within 90 days of the filing of our tax returns, which may result in a timing difference between the tax savings received by KKR and the cash payments made to the exchanging holders of KKR Group Partnership Units. There is no tax receivable agreement in place for any exchange of KKR Group Partnership Units underlying restricted holdings units granted under the 2019 Equity Incentive Plan, and therefore we will receive 100% of any tax benefits arising from such exchange.

For purposes of the tax receivable agreement, cash savings in income tax will be computed by comparing our actual income tax liability to the amount of such taxes that we 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 Partnership as a result of the exchanges of KKR Group Partnership Units and had we 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 we exercise our right to terminate the tax receivable agreement for an amount based on the agreed payments remaining to be made under the agreement.

Effective July 1, 2018, we amended the tax receivable agreement to reflect the Conversion. The amendment also provides that, in the event the maximum U.S. federal corporate income tax rate is increased to a rate higher than 21.0% within the five-year period following the Conversion, for exchanges pursuant to the exchange agreement that take place within that five-year period (other than exchanges following the death of an individual), payments of cash tax savings realized as a result of such exchanges shall be calculated by applying a U.S. federal corporate income tax rate not to exceed 21.0%. The amendment also clarifies that the tax benefit payments with respect to exchanges completed at any time prior to the Conversion will be calculated without taking into account the step-up in tax basis in our underlying assets that we generated in 2018 as a result of the Conversion.

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 Partnership at the time of the transaction;

- the price of our Class A common stock 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 Partnership is directly proportional to the price of our Class A common stock at the time of the exchange; and

- the amount of tax, if any, we are required to pay aside from any tax benefit from the exchanges, and the timing of any such payment—if we do not have taxable income aside from any tax benefit from the exchanges, we 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 Partnership, 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 125 days of the filing of our tax returns. For the year ended December 31, 2019, 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.

We 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 us 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, our or our successor's minimum obligations 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 we 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 Partnership 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 we 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 our cash tax savings. Our 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. See Item 1A. "Risk Factors—Risks Related to Our Organizational Structure—We will be required to pay our principals for most of the benefits relating to our use of tax attributes we receive from prior and future exchanges of our Class A common stock for KKR Group Partnership Units and related transactions, and the timing and value of these tax attributes differ from those of our restricted stock units"

KKR Group Partnership Agreement

We indirectly control the general partner of the KKR Group Partnership and, through the KKR Group Partnership and its subsidiaries, the KKR business.

Pursuant to the limited partnership agreement of the KKR Group Partnership, we, as the controlling general partner of the KKR Group Partnership, 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 6.75% Series A preferred units of KKR & Co. L.P. and on June 20, 2016, in connection with the issuance of the 6.50% Series B preferred units of KKR & Co. L.P., 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. Following the Conversion, the Series A preferred units and Series B preferred units of KKR & Co. L.P. became Series A Preferred Stock and Series B Preferred Stock of KKR & Co. Inc., respectively.

The limited partnership agreement of the KKR Group Partnership provides for tax distributions to the holders of KKR Group Partnership Units if the general partner of the KKR Group Partnership determine that distributions from the KKR Group Partnership 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 agreement of the KKR Group Partnership authorizes the general partner of the KKR Group Partnership to issue an unlimited number of additional securities of the KKR Group Partnership 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 $3.8 million for the use of these aircraft during the year ended December 31, 2019, 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 hedge fund 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, they, together with their investments in our funds or the funds managed by our hedge fund 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 $433 million for the year ended December 31, 2019, of which $46.6 million, $92.1 million, $22.7 million, $10.4 million, $4.0 million, $2.7 million and $1.3 million was invested by Messrs. Kravis, Roberts, Bae, Nuttall, Janetschek, Lewin and Sorkin and their investment vehicles, respectively. These investments are not included in the accompanying consolidated financial statements. In addition, our funds invested $3.0 million in 2019 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 certificate of incorporation, 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) the Class B Stockholder; (b) KKR Management LLC in its capacity as the former general partner of KKR & Co. L.P. (the "Former Managing Partner"); (c) any person who is or was an affiliate of the Class B 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 us or our subsidiaries, the KKR Group Partnership, the Class B Stockholder or any Former Managing Partner or any affiliate of us or our subsidiaries, the Class B Stockholder or the Former Managing Partner; (e) any person who is or was serving at our request or any Former Managing Partner or any affiliate of us or any 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); or (f) any person designated by us as an indemnitee as permitted by applicable law.

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, the Class B Stockholder 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 its activities, regardless of whether we would have the power to indemnify the person against liabilities under our certificate of incorporation. We currently maintain liability insurance for our directors and officers. Such insurance would be available to our directors and officers in accordance with its terms.

In addition, we have entered into indemnification agreements with KKR Management LLP, which formerly was KKR Management LLC, and each of our directors. Each indemnification agreement provides that the indemnitee, subject to the limitations set forth in each indemnification agreement, will be indemnified and held harmless by us 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 its status as an indemnitee or by reason of any action alleged to have been taken or omitted in such capacity, whether arising from alleged 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 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 December 31, 2019, $36.9 million of carried interest was subject to this clawback obligation, assuming that all applicable carry-paying funds were liquidated at their December 31, 2019 fair values. Had the investments in such funds been liquidated at zero value, the clawback obligation would have been approximately $2.5 billion. 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.

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 $8.1 million for the year ended December 31, 2019.

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 2019—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 our outstanding voting securities. 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

Our board of directors 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. 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 Class A common stock 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 Class A common stock; 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 hedge fund partnerships; 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

See Item 10. "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, 2019 and 2018.

	For the Year Ended December 31, 2019	
	KKR	Completed Transactions
	($ in thousands)	
Audit Fees	$ 27,849 (1)	$ —
Audit-Related Fees	$ 10,746 (2)	$ 7,704 (4)
Tax Fees	$ 42,807 (3)	$ 7,965 (4)
All Other Fees	$ 79	$ —

	For the Year Ended December 31, 2018	
	KKR	Completed Transactions
	($ in thousands)	
Audit Fees	$ 27,283 (1)	$ —
Audit-Related Fees	$ 12,943 (2)	$ 22,774 (4)
Tax Fees	$ 43,688 (3)	$ 9,401 (4)
All Other Fees	$ —	$ —

(1) Audit Fees consisted of estimated fees for each audit year for (a) 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; (b) reviews of the interim condensed consolidated financial statements included in our quarterly reports on Form 10-Q; (c) comfort letters, consents and other services related to SEC and other regulatory filings; and (d) audit services provided to certain KKR funds which are not consolidated and other corporate entities.

(2) 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.

(3) 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 structuring services for strategic acquisitions or investments in target companies for in-process transactions and transactions not completed.

(4) 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.

Our audit committee charter, which is available on our website at*www.kkr.com* under "Investor Center—KKR & Co. Inc.—Corporate Governance—Audit Committee 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, 2019, 2018 and 2017 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	Plan of Conversion (incorporated by reference to Exhibit 2.1 of KKR & Co. Inc. Quarterly Report on Form 10-Q filed on May 8, 2018).
3.1	Certificate of Incorporation of KKR & Co. Inc. (incorporated herein by reference to Exhibit 3.2 KKR & Co. Inc. Quarterly Report on Form 10-Q filed on May 8, 2018).
3.2	Bylaws of KKR & Co. Inc. (incorporated herein by reference to Exhibit 3.3 of KKR & Co. Inc. Quarterly Report on Form 10-Q filed on May 8, 2018).
4.1	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.
4.2	Form of 6.75% Series A Preferred Stock Certificate (included in Exhibit 2.1 to the KKR & Co. Inc. Quarter Report on Form 10-Q filed on May 8, 2018).
4.3	Form of 6.50% Series B Preferred Stock Certificate (included in Exhibit 2.1 to the KKR & Co. Inc. Quarter Report on Form 10-Q filed on May 8, 2018).
4.4	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. Inc. Current Report on Form 8-K filed on February 1, 2013).
4.5	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. Inc. Current Report on Form 8-K filed on February 1, 2013).
4.6	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. Inc. Quarterly Report on Form 10-Q filed on August 7, 2014).
4.7	Form of 5.500% Senior Note due 2043 (included in Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on February 1, 2013).
4.8	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. Inc. Current Report on Form 8-K filed on May 29, 2014).

4.9	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. Inc. Current Report on Form 8-K filed on May 29, 2014).
4.10	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. Inc. Quarterly Report on Form 10-Q filed on August 7, 2014).
4.11	Form of 5.125% Senior Note due 2044 (included in Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on May 29, 2014).
4.12	Indenture dated as of March 23, 2018 among KKR Group Finance Co. IV 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. Inc. Current Report on Form 8-K filed on March 23, 2018).
4.13	First Supplemental Indenture dated as of March 23, 2018 among KKR Group Finance Co. IV 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. Inc. Current Report on Form 8-K filed on March 23, 2018).
4.14	Form of 0.509% Senior Note due 2023 (included in Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on March 23, 2018).
4.15	Form of 0.764% Senior Note due 2025 (included in Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on March 23, 2018).
4.16	Form of 1.595% Senior Notes due 2038 (included in Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on March 23, 2018).
4.17	Indenture dated as of May 22, 2019 among KKR Group Finance Co. V LLC, KKR & Co. Inc., 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. Inc. Current Report on Form 8-K filed on May 22, 2019).
4.18	First Supplemental Indenture dated as of May 22, 2019 among KKR Group Finance Co. V LLC, KKR & Co. Inc., 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. Inc. Current Report on Form 8-K filed on May 22, 2019).
4.19	Form of 1.625% Senior Note due 2029 (included in Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on May 22, 2019).
4.20	Indenture dated as of July 1, 2019 among KKR Group Finance Co. VI LLC, KKR & Co. Inc., 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. Inc. Current Report on Form 8-K filed on July 1, 2019).
4.21	First Supplemental Indenture dated as of July 1, 2019 among KKR Group Finance Co. VI LLC, KKR & Co. Inc., 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. Inc. Current Report on Form 8-K filed on July 1, 2019).

4.22	Form of 3.750% Senior Note due 2029 (included in Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on July 1, 2019).
4.23	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).
4.24	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).
4.25	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).
4.26	Second Supplemental Indenture dated as of November 17, 2017 among KKR Financial Holdings LLC and The Bank of New York Mellon Trust Company, N. A., as trustee (incorporated by reference to Exhibit 4.3 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on November 11, 2017).
4.27	Form of 5.50% Senior Note due 2032 of KKR Financial Holdings LLC (included in Exhibit 4.2 to the KKR Financial Holdings LLC Current Report on Form 8-K filed on March 30, 2017).
10.1	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 & Co. Inc. Current Report on Form 8-K filed on January 2, 2020).
10.2	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. Inc. Current Report on Form 8-K filed on July 20, 2010).
10.3 *	Amended and Restated KKR & Co. Inc. 2010 Equity Incentive Plan (incorporated by reference to Exhibit 4.4 to the KKR & Co. Inc. Post-Effective Amendment No. 1 to Form S-8 filed on July 2, 2018).
10.4 *	KKR & Co. Inc. 2019 Equity Incentive Plan (incorporated herein by reference to Appendix A to the KKR & Co. Inc. definitive proxy statement filed on December 14, 2018).
10.5	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. Inc. Current Report on Form 8-K filed on July 20, 2010).
10.6	Amendment to Tax Receivable Agreement, dated as of May 3, 2018, among KKR Holdings L.P., KKR Management Holdings Corp., KKR & Co. L.P., KKR Management Holdings L.P. and KKR Group Holdings Corp. (incorporated by reference to Exhibit 10.1 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on May 8, 2018).
10.7	Third Amended and Restated Exchange Agreement, dated as of January 1, 2020, among KKR Group Partnership L.P., KKR Holdings L.P. KKR & Co. Inc. and KKR Group Holdings Corp. (incorporated by reference to Exhibit 10.3 to the KKR & Co. Inc. Current Report on Form 8-K filed on January 2, 2020).
10.8	Amended and Restated Credit Agreement, dated as of December 7, 2018, 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. Inc. Current Report on Form 8-K filed on December 7, 2018).

10.9 †	364-Day Revolving Credit Agreement, dated as of June 27, 2019, 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. Inc. Quarterly Report on Form 10-Q filed on August 2, 2019).
10.10 ††	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. Inc. Quarterly Report on Form 10-Q filed on August 4, 2017).
10.11	Second Amendment, dated as of November 14, 2018, to the 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 10.14 to the KKR & Co. Inc. Annual Report on Form 10-K filed on February 15, 2019).
10.12 *	Form of Indemnification Agreement for Directors of KKR & Co. Inc. (incorporated by reference to Exhibit 10.7 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on May 8, 2018).
10.13	Indemnification Agreement, dated as of May 3, 2018, between KKR & Co. L.P. and KKR Management LLP, formerly KKR Management LLC (incorporated by reference to Exhibit 10.6 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on May 8, 2018).
10.14 *	Independent Director Compensation Program (incorporated by reference to Exhibit 10.1 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on November 5, 2019).
10.15 *	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. Inc. Annual Report on Form 10-K filed on February 27, 2015).
10.16 *	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. Inc. Annual Report on Form 10-K filed on February 26, 2016).
10.17 *	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. Inc. Annual Report on Form 10-K filed on February 24, 2017).
10.18 *	Form of Grant Certificate (Executive Officers) (incorporated by reference to Exhibit 10.19 of the KKR & Co. Inc. Annual Report on Form 10-K filed on February 24, 2017).
10.19 *	Form of Grant Certificate (Executive Officers) (incorporated by reference to Exhibit 10.23 of the KKR & Co. Inc. Annual Report on Form 10-K filed on February 23, 2018).
10.20 *	Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. (Executive Officers) (Market Price Vesting) (incorporated by reference to Exhibit 10.24 of the KKR & Co. Inc. Annual Report on Form 10-K filed on February 23, 2018).
10.21 *	Form of Public Company Holdings Unit Award Agreement of KKR & Co. L.P. (Executive Officers) (Service Vesting) (incorporated by reference to Exhibit 10.25 of the KKR & Co. Inc. Annual Report on Form 10-K filed on February 23, 2018).
10.22 *	Form of Public Company Equity Unit Award Agreement of KKR & Co. Inc. (Directors) (incorporated by reference to Exhibit 10.3 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on November 2, 2018).

10.23 *	Form of Public Company Holdings Unit Award Agreement of KKR & Co. Inc. (Executive Officers) (incorporated by reference to Exhibit 10.4 to the KKR & Co. Inc. Quarterly Report on Form 10-Q filed on November 2, 2018).
10.24 *	Form of Restricted Stock Unit Agreement of KKR & Co. Inc. (Directors) (incorporated by reference to Exhibit 10.2 to the KKR & Co. Inc. Quarterly Report on For m10-Q filed on May 3, 2019).
10.25 *	Form of Restricted Stock Unit Agreement of KKR & Co. Inc. (Executive Officers) (incorporated by reference to Exhibit 10.3 to the KKR & Co. Inc. Quarterly Report on For m10-Q filed on May 3, 2019).
10.26 *	Form of Restricted Stock Unit Agreement of KKR & Co. Inc. (Directors).
10.27 *	Form of Restricted Stock Unit Agreement of KKR & Co. Inc. (Executive Officers).
10.28 *	Form of Restricted Holdings Unit Agreement of KKR & Co. Inc. (Executive Officers).
10.29 *	Form of Compensation Agreement for 2019 (Executive Officers).
21.1	Subsidiaries of the Registrant.
23.1	Consent of Independent Registered Public Accounting Firm Relating to the Financial Statements of KKR & Co. Inc.
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, formatted in Inline XBRL: (i) the Consolidated Statements of Financial Condition as of December 31, 2019 and December 31, 2018, (ii) the Consolidated Statements of Operations for the years ended December 31, 2019, 2018 and 2017, (iii) the Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2019, 2018 and 2017, (iv) the Consolidated Statements of Changes in Equity for the years ended December 31, 2019, 2018 and 2017 (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017, and (vi) the Notes to the Consolidated Financial Statements.
104	Cover page interactive data file, formatted in Inline XBRL and contained in Exhibit 101.

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

† 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.

†† Certain information contained in this agreement has been omitted in accordance with a request for confidential treatment that the registrant has submitted to the SEC. Omitted information has been filed separately with the SEC.

The registrant hereby agrees to furnish to the SEC at its request copies of long-term debt instruments defining the rights of holders of outstanding long-term debt that are not required to be filed herewith.

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:	Balance at Beginning of Period	Tax Valuation Allowance Charged to Income Tax Provision	Tax Valuation Allowance Credited to Income Tax Provision	Balance at End of Period
December 31, 2017	$ 9,768	$ 2,104	$ —	$ 11,872
December 31, 2018	$ 11,872	$ —	$ 11,872 (1)	$ —
December 31, 2019	$ —	$ —	$ —	$ —

(1) The valuation allowance related to a deferred tax asset for foreign tax credit carryovers is no longer applicable because KKR elected to deduct its foreign tax credit carryovers in lieu of taking a tax credit.

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 14, 2020

KKR & CO. INC.

/s/ ROBERT H. LEWIN
Name: Robert H. Lewin
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.

Signature	Title	Date
/s/ HENRY R. KRAVIS Henry R. Kravis	Co-Chairman and Co-Chief Executive Officer (principal executive officer)	February 14, 2020
/s/ GEORGE R. ROBERTS George R. Roberts	Co-Chairman and Co-Chief Executive Officer (principal executive officer)	February 14, 2020
/s/ JOSEPH Y. BAE Joseph Y. Bae	Director, Co-President and Co-Chief Operating Officer	February 14, 2020
/s/ SCOTT C. NUTTALL Scott C. Nuttall	Director, Co-President and Co-Chief Operating Officer	February 14, 2020
/s/ MARY N. DILLON Mary N. Dillon	Director	February 14, 2020
/s/ DAVID C. DRUMMOND David C. Drummond	Director	February 14, 2020
/s/ JOSEPH A. GRUNDFEST Joseph A. Grundfest	Director	February 14, 2020
/s/ JOHN. B. HESS John. B. Hess	Director	February 14, 2020
/s/ XAVIER B. NIEL Xavier B. Niel	Director	February 14, 2020
/s/ PATRICK F. RUSSO Patricia F. Russo	Director	February 14, 2020
/s/ THOMAS M. SCHOEWE Thomas M. Schoewe	Director	February 14, 2020
/s/ ROBERT W. SCULLY Robert W. Scully	Director	February 14, 2020
/s/ ROBERT H. LEWIN Robert H. Lewin	Chief Financial Officer (principal financial and accounting officer)	February 14, 2020

EXHIBIT 4.1

DESCRIPTION OF SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

General

The following description summarizes the most important terms of our securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended. This summary does not purport to be complete and is qualified in its entirety by the provisions of our certificate of incorporation and bylaws, copies of which have been filed by us with the Securities and Exchange Commission. For a complete description of our these securities, you should refer to our certificate of incorporation, our bylaws and applicable provisions of Delaware law. As used in this section, "we," "us" and "our" mean KKR & Co. Inc., a Delaware corporation, and its successors, but not any of its subsidiaries.

Our authorized capital stock consists of 5,000,000,000 shares, all with a par value of $0.01 per share, of which:

- 3,500,000,000 are designated as Class A common stock;
- 1 is designated as Class B common stock;
- 499,999,999 are designated as Class C common stock; and
- 1,000,000,000 are designated as preferred stock, of which (x) 13,800,000 shares are designated as "6.75% Series A Preferred Stock" ("Series A Preferred Stock") and (y) 6,200,000 shares are designated as "6.50% Series B Preferred Stock" ("Series B Preferred Stock").

Common Stock

Our common stock consists of Class A common stock, Class B common stock and Class C common stock.

Economic Rights

Dividends. Subject to preferences that apply to shares of Series A Preferred Stock and Series B Preferred Stock and any other shares of preferred stock outstanding at the time, the holders of our Class A common stock are entitled to receive dividends out of funds legally available if our board of directors, in its discretion, determines to issue dividends and then only at the times and in the amounts that our board of directors may determine. The holder of our Class B common stock (the "Class B Stockholder") and the holder of our Class C common stock do not have any rights to receive dividends.

Liquidation. If we become subject to an event giving rise to our dissolution, liquidation or winding up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our Class A common stock and any participating preferred stock outstanding at that time ranking on a parity with our Class A common stock with respect to such distribution, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights of and the payment of liquidation preferences, if any, on any outstanding shares of our Series A Preferred Stock, Series B Preferred Stock and any other outstanding shares of preferred stock. The Class B Stockholder and the holder of our Class C common stock do not have any rights to receive distributions upon our dissolution, liquidation or winding up.

Voting Rights

Our certificate of incorporation provides for holders of our Class A common stock and our Class C common stock, voting together as a single class, to have the right to vote on the following matters:

- any increase in the number of authorized shares of Class B common stock;

- a sale of all or substantially all of our and our subsidiaries' assets, taken as a whole, in a single transaction or series of related transactions (except (i) for the sole purpose of changing our legal form into another limited liability entity and where the governing instruments of the new entity provide our stockholders with substantially the same rights and obligations and (ii) mortgages, pledges, hypothecations or grants of a security interest by the Class B Stockholder in all or substantially all of our assets (including for the benefit of affiliates of the Class B Stockholder));

- merger, consolidation or other business combination (except for the sole purpose of changing our legal form into another limited liability entity and where the governing instruments of the new entity provide our stockholders with substantially the same rights and obligations); and

- any amendment to our certificate of incorporation that would have a material adverse effect on the rights or preferences of our Class A common stock relative to the other classes of our stock.

In addition, holders of our Class C common stock will be entitled to vote separately as a class on any amendment to our certificate of incorporation that changes certain terms of the Class C common stock or is inconsistent with such terms, changes the par value of the shares of Class C common stock or adversely affects the rights or preferences of the Class C common stock.

In addition, Delaware law would permit holders of our Class A common stock to vote as a separate class on an amendment to our certificate of incorporation that would:

- change the par value of our Class A common stock; or

- alter or change the powers, preferences, or special rights of the Class A common stock in a way that would adversely affect the holders of our Class A common stock.

The Class B common stock is entitled to vote on any matter that is submitted to a vote of our stockholders generally.

Our certificate of incorporation provides that the number of authorized shares of any class of stock, including our Class A common stock, may be increased or decreased (but not below the number of shares of such class then outstanding) solely with the approval of the Class B Stockholder and, in the case of any increase in the number of authorized shares of our Class B common stock, the holders of a majority in voting power of the Class A common stock and Class C common stock, voting together as a single class. As a result, the Class B Stockholder can approve an increase or decrease in the number of authorized shares of Class A common stock and Class C common stock without a separate vote of the holders of the applicable class of common stock. This could allow us to increase and issue additional shares of Class A common stock and/or Class C common stock beyond what is currently authorized in our certificate of incorporation without the consent of the holders of the applicable class of common stock.

Except as described below under "Anti-Takeover Provisions—Loss of voting rights," each record holder of Class A common stock will be entitled to a number of votes equal to the number of shares of Class A common stock held with respect to any matter on which the Class A common stock is entitled to vote. In addition, so long as the ratio at which KKR Group Partnership Units (as defined below) are exchangeable for our Class A common stock remains on a one-for-one basis, holders of our Class C common stock shall vote together with holders of our Class A common stock as a single class and on an equivalent basis. If the ratio at which KKR Group Partnership Units are exchangeable for our Class A common stock changes from a one-for-one basis, the number of votes to which the holders of the Class C common stock are entitled will be adjusted accordingly. Additional classes of common stock having special voting rights could also be issued.

No Preemptive or Similar Rights

Our 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 our redemption of such Class B common stock, are not subject to conversion, redemption or sinking fund provisions.

Transferability

The Class B Stockholder may transfer all or any part of the Class B common stock held by it with the written approval of our board of directors and a majority of the controlling interest of the Class B Stockholder without first obtaining approval of any other stockholder so long as the transferee assumes the rights and duties of the Class B Stockholder under our certificate of incorporation, agrees to be bound by the provisions of our certificate of incorporation and furnishes an opinion of counsel regarding limited liability matters. The foregoing limitations do not preclude the members of the Class B Stockholder from selling or transferring all or part of their limited liability company interests in the Class B Stockholder at any time.

Exchange

Units held by KKR Holdings L.P. (the "KKR Group Partnership Units") in KKR Group Partnership L.P. (the "KKR Group Partnership") are exchangeable for our Class A common stock on a one-for-one basis, subject to customary adjustments for splits, stock dividends and reclassifications and compliance with applicable lock-up, vesting and transfer restrictions. When a KKR Group Partnership Unit is exchanged for a share of Class A common stock, the corresponding share of Class C common stock shall automatically be cancelled and retired with no consideration being paid or issued with respect thereto.

Limited Call Right

If at any time:

(i) less than 10% of the then issued and outstanding shares of any class (other than Class B common stock, Class C common stock and preferred stock) are held by persons other than the Class B Stockholder and its affiliates; or

(ii) we are subjected to registration under the provisions of the U.S. Investment Company Act of 1940, as amended,

we will have the right, which we may assign in whole or in part to the Class B Stockholder or any of its affiliates, to acquire all, but not less than all, of the remaining shares of the class held by unaffiliated persons.

As a result of our right to purchase outstanding shares of common stock, a stockholder may have their shares purchased at an undesirable time or price.

Preferred Stock

Our 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 our stockholders (except as may be required by the terms of any preferred stock then outstanding). Our board of directors can also increase or decrease the number of shares of any series of preferred stock (other than the Series A Preferred Stock and Series B Preferred Stock or, so long as any shares of Series A Preferred Stock or Series B Preferred Stock remain outstanding, increases in the authorized number of shares of Series A senior stock or Series B senior stock (as each is defined below), respectively), but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the proportion of voting power held by, or other relative rights of, the holders of our Class A common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in our control of our company and might adversely affect the market

price of the Class A common stock or the proportion of voting power held by, or other relative rights of, the holders of the Class A common stock.

Series A Preferred Stock

In March 2016, KKR & Co. L.P. issued 13,800,000 6.75% Series A Preferred Units ("Series A Preferred Units"). In connection with our conversion on July 1, 2018 from a Delaware limited partnership named KKR & Co. L.P. into a Delaware corporation named KKR & Co. Inc. (the "Conversion"), each Series A Preferred Unit outstanding immediately prior to the Conversion converted into one issued and outstanding, fully paid and nonassessable share of Series A Preferred Stock.

Economic rights. Dividends on the Series A Preferred Stock are payable when, as and if declared by our board of directors out of funds legally available, at a rate per annum equal to 6.75% of the $25.00 liquidation preference per share. Dividends on the Series A Preferred Stock are payable quarterly on March 15, June 15, September 15 and December 15 of each year, when, as and if declared our board of directors.

Dividends on the Series A Preferred Stock are non-cumulative.

Ranking. Shares of the Series A Preferred Stock rank senior to our common stock and equally with shares of our Series B Preferred Stock and any of our other equity securities, including any other preferred stock, that we may issue in the future, whose terms provide that such securities will rank equally with the Series A Preferred Stock respect to payment of dividends and distribution of our assets upon our liquidation, dissolution or winding up ("Series A parity stock"). Shares of the Series A Preferred Stock include the same provisions with respect to restrictions on declaration and payment of dividends as the Series B Preferred Stock. Holders of the Series A Preferred Stock do not have preemptive or subscription rights.

Shares of the Series A Preferred Stock rank junior to (i) all of our existing and future indebtedness and (ii) any of our equity securities, including preferred stock, that we may issue in the future, whose terms provide that such securities will rank senior to the Series A Preferred Stock with respect to payment of dividends and distribution of our assets upon our liquidation, dissolution or winding up (such equity securities, "Series A senior stock"). We currently have no Series A senior stock outstanding. While any shares of Series A Preferred Stock are outstanding, we may not authorize or create any class or series of Series A senior stock without the approval of two-thirds of the votes entitled to be cast by the holders of outstanding Series A Preferred Stock and all other series of Series A voting preferred stock (defined below), acting as a single class. See "—Voting rights" below for a discussion of the voting rights applicable if we seek to create any class or series of Series A senior stock.

Maturity. The Series A Preferred Stock does not have a maturity date, and we are not required to redeem or repurchase the Series A Preferred Stock.

Optional redemption. We may not redeem the Series A Preferred Stock prior to June 15, 2021 except as provided below under "—Change of control redemption." At any time or from time to time on or after June 15, 2021, we may, at our option, redeem the Series A Preferred Stock, in whole or in part, at a price of $25.00 per share of Series A Preferred Stock plus declared and unpaid dividends, if any, to, but excluding, the redemption date, without payment of any undeclared dividends.

Holders of the Series A Preferred Stock will have no right to require the redemption of the Series A Preferred Stock.

Change of control redemption. If a change of control event occurs prior to June 15, 2021, we may, at our option, redeem the Series A Preferred Stock, in whole but not in part, at a price of $25.25 per share of Series A Preferred Stock, plus declared and unpaid dividends to, but excluding, the redemption date, without payment of any undeclared dividends.

If we do not give a redemption notice within the time periods specified in our certificate of incorporation following a change of control event (whether before, on or after June 15, 2021), the dividend rate per annum on the Series A Preferred Stock will increase by 5.00%.

A change of control event would occur if a change of control is accompanied by the lowering of the rating on certain series of our senior notes that are guaranteed by us and the KKR Group Partnership (or, if no such series of our senior notes are outstanding, our long-term issuer rating) in respect of such change of control and any series of such senior notes or our long-term issuer rating, as applicable, is rated below investment grade.

The change of control redemption feature of the Series A Preferred Stock may, in certain circumstances, make more difficult or discourage a sale or takeover of us or the KKR Group Partnership and, thus, the removal of incumbent management. We have no present intention to engage in a transaction involving a change of control, although it is possible that we could decide to do so in the future.

Voting rights. Except as indicated below, the holders of the Series A Preferred Stock will have no voting rights.

Whenever six quarterly dividends (whether or not consecutive) payable on the Series A Preferred Stock have not been declared and paid, the number of directors on our board of directors will be increased by two and the holders of the Series A Preferred Stock, voting together as a single class with the holders of the Series B Preferred Stock and any other series of Series A parity stock then outstanding upon which like voting rights have been conferred and are exercisable (any such other series, together with the Series B Preferred Stock, the "Series A voting preferred stock"), will have the right to elect these two additional directors at a meeting of the holders of the Series A Preferred Stock and such Series A voting preferred stock. These voting rights will continue until four consecutive quarterly dividends have been declared and paid on the Series A Preferred Stock.

The approval of two-thirds of the votes entitled to be cast by the holders of outstanding Series A Preferred Stock and all series of Series A voting preferred units, acting as a single class, either at a meeting of stockholders or by written consent, is required in order:

(i) to amend, alter or repeal any provision of our certificate of incorporation relating to the Series A Preferred Stock or series of Series A voting preferred stock so as to materially and adversely affect the voting powers, rights or preferences of the holders of the Series A Preferred Stock or series of Series A voting preferred stock, or

(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 distributions or amounts upon liquidation, dissolution or winding up,

provided that in the case of clause (i) above, if such amendment materially and adversely affects the rights, preferences, privileges or voting powers of one or more but not all of the classes or series of Series A voting preferred stock (including the Series A Preferred Stock for this purpose), only the consent of the holders of at least two-thirds of the outstanding shares of the classes or series so affected, voting as a class, is required in lieu of (or, if such consent is required by law, in addition to) the consent of the holders of two-thirds of the Series A voting preferred stock (including the Series A Preferred Stock for this purpose) as a class.

However, we may create additional series or classes of Series A parity stock and any equity securities that rank junior to our Series A Preferred Stock and issue additional series of such stock without the consent of any holder of the Series A Preferred Stock.

In addition, if at any time any person or group (other than the Class B Stockholder and its affiliates, or a direct or subsequently approved transferee of the Class B Stockholder or its affiliates) acquires, in the aggregate, beneficial ownership of 20% or more of the Series A Preferred Stock then outstanding, that person or group will lose voting rights on all of its stock and the stock may not be voted on any matter and will not be considered to be outstanding when calculating required votes or for other similar purposes. See "Anti-Takeover Provisions—Loss of voting rights."

Amount payable in liquidation. Upon any voluntary or involuntary liquidation, dissolution or winding up of us, each holder of the Series A Preferred Stock will be entitled to a payment equal to the sum of the $25.00

liquidation preference per share of Series A Preferred Stock and declared and unpaid dividends, if any, to, but excluding the date of the liquidation, dissolution or winding up. Such payment will be made out of our assets available for distribution (to the extent available) to the holders of the Series A Preferred Stock following the satisfaction of all claims ranking senior to the Series A Preferred Stock.

No conversion rights. The shares of Series A Preferred Stock are not convertible into any class of common stock or any other class or series of our capital stock or any other security.

Series A GP Mirror Units. In connection with the Series A Preferred Stock, we hold a series of preferred units issued by the KKR Group Partnership (the "Series A GP Mirror Units"), with economic terms designed to mirror those of the Series A Preferred Stock. The terms of the Series A GP Mirror Units provide that unless distributions have been declared and paid or declared and set apart for payment on all Series A GP Mirror Units issued by the KKR Group Partnership for the then-current quarterly dividend period, then during such quarterly dividend period only, the KKR Group Partnership may not repurchase its common units or any junior units and may not declare or pay or set apart payment for distributions on its junior units, other than distributions paid in junior units or options, warrants or rights to subscribe for or purchase junior units. The terms of the Series A GP Mirror Units also provide that, in the event that the KKR Group Partnership liquidates, dissolves or winds up, the KKR Group Partnership may not declare or pay or set apart payment on its common units or any other units ranking junior to the Series A GP Mirror Units unless the outstanding liquidation preference on all outstanding Series A GP Mirror Units have been repaid via redemption or otherwise. The foregoing is subject to certain exceptions, including, (i) in the case of a merger or consolidation of the KKR Group Partnerships in a transaction whereby the surviving person, if not the KKR Group Partnership immediately prior to such transaction, expressly assumes all of the obligations under the Series A GP Mirror Units and satisfies certain other conditions, (ii) the KKR Group Partnership being sold or disposed of does not constitute a "significant subsidiary" under Rule 1-02(w) of Regulation S-X promulgated by the Securities and Exchange Commission or (iii) the Series A Preferred Stock have been fully redeemed. The Series B GP Mirror Units (as defined below) rank equally with the Series A GP Mirror Units.

Series B Preferred Stock

In June 2016, KKR & Co. L.P. issued 6,200,000 6.50% Series B Preferred Units ("Series B Preferred Units"). In connection with the Conversion, each Series B Preferred Unit outstanding immediately prior to the Conversion converted into one issued and outstanding, fully paid and nonassessable share of Series B Preferred Stock.

Economic rights. Dividends on the Series B Preferred Stock are payable when, as and if declared by our board of directors out of funds legally available, at a rate per annum equal to 6.50% of the $25.00 liquidation preference per share. Dividends on the Series B Preferred Stock are payable quarterly on March 15, June 15, September 15 and December 15 of each year, when, as and if declared our board of directors.

Dividends on the Series B Preferred Stock are non-cumulative.

Ranking. Shares of the Series B Preferred Stock rank senior to our Class A common stock and equally with shares of our Series A Preferred Stock and any of our other equity securities, including any other preferred stock, that we may issue in the future, whose terms provide that such securities will rank equally with the Series B Preferred Stock respect to payment of dividends and distribution of our assets upon our liquidation, dissolution or winding up ("Series B parity stock"). Shares of the Series B Preferred Stock include the same provisions with respect to restrictions on declaration and payment of dividends as the Series A Preferred Stock. Holders of the Series B Preferred Stock do not have preemptive or subscription rights.

Shares of the Series B Preferred Stock rank junior to (i) all of our existing and future indebtedness and (ii) any of our equity securities, including preferred stock, that we may issue in the future, whose terms provide that such securities will rank senior to the Series B Preferred Stock with respect to payment of dividends and distribution of our assets upon our liquidation, dissolution or winding up (such equity securities, "Series B senior stock"). We currently have no Series B senior stock outstanding. While any shares of Series B Preferred Stock are outstanding, we may not authorize or create any class or series of Series B senior stock without the approval of two-thirds of the votes entitled to be cast by the holders of outstanding Series B Preferred Stock and all other series of Series B voting

preferred stock (defined below), acting as a single class. See "—Voting rights" below for a discussion of the voting rights applicable if we seek to create any class or series of Series B senior stock.

Maturity. The Series B Preferred Stock does not have a maturity date, and we are not required to redeem or repurchase the Series B Preferred Stock.

Optional redemption. We may not redeem the Series B Preferred Stock prior to September 15, 2021 except as provided below under "—Change of control redemption." At any time or from time to time on or after September 15, 2021, we may, at our option, redeem the Series B Preferred Stock, in whole or in part, at a price of $25.00 per share of Series B Preferred Stock plus declared and unpaid dividends, if any, to, but excluding, the redemption date, without payment of any undeclared dividends.

Holders of the Series B Preferred Stock will have no right to require the redemption of the Series B Preferred Stock.

Change of control redemption. If a change of control event occurs prior to September 15, 2021, we may, at our option, redeem the Series B Preferred Stock, in whole but not in part, at a price of $25.25 per share of Series B Preferred Stock, plus declared and unpaid dividends to, but excluding, the redemption date, without payment of any undeclared dividends.

If we do not give a redemption notice within the time periods specified in our certificate of incorporation following a change of control event (whether before, on or after September 15, 2021), the dividend rate per annum on the Series B Preferred Stock will increase by 5.00%.

A change of control event would occur if a change of control is accompanied by the lowering of the rating on certain series of our senior notes that are guaranteed by us and the KKR Group Partnership (or, if no such series of our senior notes are outstanding, our long-term issuer rating) in respect of such change of control and any series of such senior notes or our long-term issuer rating, as applicable, is rated below investment grade.

The change of control redemption feature of the Series B Preferred Stock may, in certain circumstances, make more difficult or discourage a sale or takeover of us or the KKR Group Partnership and, thus, the removal of incumbent management. We have no present intention to engage in a transaction involving a change of control, although it is possible that we could decide to do so in the future.

Voting rights. Except as indicated below, the holders of the Series B Preferred Stock will have no voting rights.

Whenever six quarterly dividends (whether or not consecutive) payable on the Series B Preferred Stock have not been declared and paid, the number of directors on our board of directors will be increased by two and the holders of the Series B Preferred Stock, voting together as a single class with the holders of the Series A Preferred Stock and any other series of Series B parity stock then outstanding upon which like voting rights have been conferred and are exercisable (any such other series, together with the Series A Preferred Stock, the "Series B voting preferred stock"), will have the right to elect these two additional directors at a meeting of the holders of the Series B Preferred Stock and such Series B voting preferred stock. These voting rights will continue until four consecutive quarterly dividends have been declared and paid on the Series B Preferred Stock.

The approval of two-thirds of the votes entitled to be cast by the holders of outstanding Series B Preferred Stock and all series of Series B voting preferred units, acting as a single class, either at a meeting of stockholders or by written consent, is required in order:

(i) to amend, alter or repeal any provision of our certificate of incorporation relating to the Series B Preferred Stock or series of Series B voting preferred stock so as to materially and adversely affect the voting powers, rights or preferences of the holders of the Series B Preferred Stock or series of Series B voting preferred stock, or

(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 distributions or amounts upon liquidation, dissolution or winding up,

provided that in the case of clause (i) above, if such amendment materially and adversely affects the rights, preferences, privileges or voting powers of one or more but not all of the classes or series of Series B voting preferred stock (including the Series B Preferred Stock for this purpose), only the consent of the holders of at least two-thirds of the outstanding shares of the classes or series so affected, voting as a class, is required in lieu of (or, if such consent is required by law, in addition to) the consent of the holders of two-thirds of the Series B voting preferred stock (including the Series B Preferred Stock for this purpose) as a class.

However, we may create additional series or classes of Series B parity stock and any equity securities that rank junior to our Series B Preferred Stock and issue additional series of such stock without the consent of any holder of the Series B Preferred Stock

In addition, if at any time any person or group (other than the Class B Stockholder and its affiliates, or a direct or subsequently approved transferee of the Class B Stockholder or its affiliates) acquires, in the aggregate, beneficial ownership of 20% or more of the Series B Preferred Stock then outstanding, that person or group will lose voting rights on all of its stock and the stock may not be voted on any matter and will not be considered to be outstanding when calculating required votes or for other similar purposes. See "Anti-Takeover Provisions—Loss of voting rights."

Amount payable in liquidation. Upon any voluntary or involuntary liquidation, dissolution or winding up of us, each holder of the Series B Preferred Stock will be entitled to a payment equal to the sum of the $25.00 liquidation preference per share of Series B Preferred Stock and declared and unpaid dividends, if any, to, but excluding the date of the liquidation, dissolution or winding up. Such payment will be made out of our assets available for distribution (to the extent available) to the holders of the Series B Preferred Stock following the satisfaction of all claims ranking senior to the Series B Preferred Stock.

No conversion rights. The shares of Series B Preferred Stock are not convertible into any class of common stock or any other class or series of our capital stock or any other security.

Series B GP Mirror Units. In connection with the Series B Preferred Stock, we hold a series of preferred units issued by the KKR Group Partnership (the "Series B GP Mirror Units"), with economic terms designed to mirror those of the Series B Preferred Stock. The terms of the Series B GP Mirror Units provide that unless distributions have been declared and paid or declared and set apart for payment on all Series B GP Mirror Units issued by the KKR Group Partnership for the then-current quarterly dividend period, then during such quarterly dividend period only, the KKR Group Partnership may not repurchase its common units or any junior units and may not declare or pay or set apart payment for distributions on its junior units, other than distributions paid in junior units or options, warrants or rights to subscribe for or purchase junior units. The terms of the Series B GP Mirror Units also provide that, in the event that the KKR Group Partnership liquidates, dissolves or winds up, KKR Group Partnership may not declare or pay or set apart payment on its common units or any other units ranking junior to the Series B GP Mirror Units unless the outstanding liquidation preference on all outstanding Series B GP Mirror Units have been repaid via redemption or otherwise. The foregoing is subject to certain exceptions, including, (i) in the case of a merger or consolidation of the KKR Group Partnerships in a transaction whereby the surviving person, if not the KKR Group Partnership immediately prior to such transaction, expressly assumes all of the obligations under the Series B GP Mirror Units and satisfies certain other conditions, (ii) the KKR Group Partnership being sold or disposed of does not constitute a "significant subsidiary" under Rule 1-02(w) of Regulation S-X promulgated by the Securities and Exchange Commission or (iii) the Series B Preferred Stock have been fully redeemed. The Series A GP Mirror Units rank equally with the Series B GP Mirror Units.

Forum selection. The federal district courts of the United States of America are the exclusive forums for resolving any complaint brought by any holder of Series B Preferred Stock (including any holder of beneficial interests in shares of Series B Preferred Stock) asserting a cause of action arising under the United States federal securities laws.

Conflicts of Interest

Delaware law permits corporations to adopt provisions renouncing any interest or expectancy in certain opportunities that are presented to the corporation or its officers, directors or stockholders. Our certificate of incorporation, to the maximum extent permitted from time to time by Delaware law, renounces any interest or expectancy that we have in any business ventures of the Class B Stockholder and its affiliates and any member, partner, Tax Matters Partner (as defined in U.S. Internal Revenue Code of 1986, as amended (the "Code"), in effect prior to 2018), Partnership Representative (as defined in the Code), officer, director, employee agent, fiduciary or trustee of any of KKR or its subsidiaries, the KKR Group Partnership, the Class B Stockholder or any of our or the Class B Stockholder's affiliates and certain other specified persons (collectively, the "Indemnitees"). Our certificate of incorporation provides that each Indemnitee has the right to engage in businesses of every type and description, including business interests and activities in direct competition with our business and activities. Our certificate of incorporation also waives and renounces any interest or expectancy that we may have in, or right to be offered an opportunity to participate in, business opportunities that are from time to time presented to the Indemnitees. Notwithstanding the foregoing, pursuant to our certificate of incorporation, the Class B Stockholder has agreed that its sole business will be to act as the Class B Stockholder and as a general partner or managing member of any partnership or limited liability company that we may hold an interest in and that it will not engage in any business or activity or incur any debts or liabilities except in connection therewith.

Anti-Takeover Provisions

Our certificate of incorporation and bylaws and Delaware General Corporation Law (the "DGCL") contain provisions, which are summarized in the following paragraphs, that are intended to enhance the likelihood of continuity and stability in the composition of our board of directors and to discourage certain types of transactions that may involve an actual or threatened acquisition of our company. These provisions are intended to avoid costly takeover battles, reduce our vulnerability to a hostile change in control or other unsolicited acquisition proposal, and enhance the ability of our board of directors to maximize stockholder value in connection with any unsolicited offer to acquire us. However, these provisions may have the effect of delaying, deterring or preventing a merger or acquisition of our company by means of a tender offer, a proxy contest or other takeover attempt that a stockholder might consider in its best interest, including attempts that might result in a premium over the prevailing market price for the shares of Class A common stock held by stockholders.

Class C common stock. Class A common stock is entitled to vote on matters provided by our certificate of incorporation and Delaware law. Our certificate of incorporation provides that generally, with respect to any matter on which the Class A common stock is entitled to vote, such vote shall require a majority or more of all the outstanding Class A common stock and Class C common stock voting together as a single class. As a result, with respect to any matter as to which Class A common stock may be entitled to vote, depending on the number of shares of outstanding shares of Class A common stock and Class C common stock actually voted, our senior employees have sufficient voting power to substantially influence matters subject to the vote.

Election of directors. Subject to the rights granted to one or more series of preferred stock then outstanding, the Class B Stockholder has the sole authority to elect directors.

Removal of directors. Subject to the rights granted to one or more series of preferred stock then outstanding, the Class B Stockholder has the sole authority to remove and replace any director, with or without cause, at any time.

Vacancies. In addition, our bylaws also provide that, subject to the rights granted to one or more series of preferred stock then outstanding, any newly created directorship on the board of directors that results from an increase in the number of directors and any vacancies on our board of directors will be filled by the Class B Stockholder.

Loss of voting rights. If at any time any person or group (other than the Class B Stockholder and its affiliates, or a direct or subsequently approved transferee of the Class B Stockholder or its affiliates) acquires, in the aggregate, beneficial ownership of 20% or more of any class of our stock then outstanding, that person or group will lose voting rights on all of its shares of stock and such shares of stock may not be voted on any matter as to which

such shares may be entitled to vote and will not be considered to be outstanding when sending notices of a meeting of stockholders, calculating required votes, determining the presence of a quorum or for other similar purposes, in each case, as applicable and to the extent such shares of stock are entitled to any vote.

Requirements for advance notification of stockholder proposals. Our bylaws establish advance notice procedures with respect to stockholder proposals relating to the limited matters on which our Class A common stock may be entitled to vote. Generally, to be timely, a stockholder's notice must be received at our principal executive offices not less than 90 days or more than 120 days prior to the first anniversary date of the immediately preceding annual meeting of stockholders. Our bylaws also specify requirements as to the form and content of a stockholder's notice. Our bylaws allow the chairman of the meeting at a meeting of the stockholders to adopt rules and regulations for the conduct of meetings, which may have the effect of precluding the conduct of certain business at a meeting if the rules and regulations are not followed. These provisions may deter, delay or discourage a potential acquirer from attempting to influence or obtain control of our company.

Special stockholder meetings. Our certificate of incorporation provides that special meetings of our stockholders may be called at any time only by or at the direction of our board of directors, the Class B Stockholder or, if at any time any stockholders other than the Class B Stockholder are entitled under applicable law or our certificate of incorporation to vote on specific matters proposed to be brought before a special meeting, stockholders representing 50% or more of the voting power of the outstanding stock of the class or classes of stock which are entitled to vote at such meeting. Class A common stock and Class C common stock are considered the same class of common stock for this purpose.

Stockholder action by written consent. Pursuant to Section 228 of the DGCL, any action required to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote if a consent or consents in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of our stock entitled to vote thereon were present and voted, unless the certificate of incorporation provides otherwise or it conflicts with the rules of the New York Stock Exchange. Our certificate of incorporation permits stockholder action by written consent by stockholders other than the Class B Stockholder only if consented to by the board of directors in writing.

Actions requiring Class B Stockholder approval. Certain actions require the prior approval of the Class B Stockholder, including, without limitation:

- entry into a debt financing arrangement in an amount in excess of 10% of our then existing long-term indebtedness (other than with respect to intercompany debt financing arrangements);
- issuances of securities that would (i) represent at least 5% of any class of equity securities or (ii) have designations, preferences, rights priorities or powers that are more favorable than the Class A common stock;
- adoption of a shareholder rights plan;
- amendment of our certificate of incorporation, certain provisions of our bylaws relating our board of directors and officers and the operating agreements of the KKR Group Partnership;
- the appointment or removal of our Chief Executive Officer or a Co-Chief Executive Officer;
- merger, sale or other dispositions of all or substantially all of the assets, taken as a whole, of us and our subsidiaries, and the liquidation or dissolution of us or the KKR Group Partnership; and
- the withdrawal, removal or substitution of any person as the general partner of the KKR Group Partnership or the transfer of beneficial ownership of all or any part of a general partner interest in the KKR Group Partnership to any person other than a wholly-owned subsidiary.

Amendments to our certificate of incorporation requiring Class B Stockholder approval. Except as otherwise expressly provided by applicable law, only the vote of the Class B Stockholder, together with the approval of our board of directors, shall be required in order to amend certain provisions of our certificate of incorporation and none of our other stockholders shall have the right to vote with respect to any such amendments, which include, without limitation:

(1) amendments to provisions relating to approvals of the transfer of the Class B units in the KKR Group Partnerships, Class B Stockholder approvals for certain actions and the appointment or removal of the Chief Executive Officer or Co-Chief Executive Officers;

(2) a change in our name, our registered agent or our registered office;

(3) an amendment that our board of directors determines to be necessary or appropriate to address certain changes in U.S. federal, state and local income tax regulations, legislation or interpretation;

(4) an amendment that is necessary, in the opinion of our counsel, to prevent us or our indemnitees from having a material risk of being in any manner subjected to 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, whether or not substantially similar to plan asset regulations currently applied or proposed by the U.S. Department of Labor;

(5) a change in our fiscal year or taxable year;

(6) an amendment that our board of directors has determined to be necessary or appropriate for the creation, authorization or issuance of any class or series of our capital stock or options, rights, warrants or appreciation rights relating to our capital stock;

(7) any amendment expressly permitted in our certificate of incorporation to be made by the Class B Stockholder acting alone;

(8) an amendment effected, necessitated or contemplated by an agreement of merger, consolidation or other business combination agreement that has been approved under the terms of our certificate of incorporation;

(9) an amendment effected, necessitated or contemplated by an amendment to the partnership agreement of the KKR Group Partnership that requires unitholders of the KKR Group Partnership to provide a statement, certification or other proof of evidence regarding whether such unitholder is subject to U.S. federal income taxation on the income generated by the KKR Group Partnership;

(10) any amendment that our board of directors has determined is necessary or appropriate to reflect and account for our formation of, or our investment in, any corporation, partnership, joint venture, limited liability company or other entity, as otherwise permitted by our certificate of incorporation;

(11) a merger into, or conveyance of all of our assets to, another limited liability entity that is newly formed and has no assets, liabilities or operations at the time of the merger or conveyance other than those it receives by way of the merger or conveyance consummated solely to effect a mere change in our legal form, the governing instruments of which provide the stockholders with substantially the same rights and obligations as provided by our certificate of incorporation;

(12) any amendment that our board of directors determines to be necessary or appropriate to cure any ambiguity, omission, mistake, defect or inconsistency; or

(13) any other amendments substantially similar to any of the matters described in (1) through (12) above.

In addition, except as otherwise provided by applicable law, the Class B Stockholder, together with the approval of our board of directors, can amend our certificate of incorporation without the approval of any other stockholder to adopt any amendments that our board of directors has determined:

(1) do not adversely affect the stockholders considered as a whole (or adversely affect any particular class or series of stock as compared to another class or series) in any material respect;

(2) are necessary or appropriate to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any federal, state, local or non-U.S. agency or judicial authority or contained in any federal, state, local or non-U.S. statute (including the DGCL);

(3) are necessary or appropriate to facilitate the trading of our stock or to comply with any rule, regulation, guideline or requirement of any securities exchange on which our stock are or will be listed for trading;

(4) are necessary or appropriate for any action taken by us relating to splits or combinations of shares of our capital stock under the provisions of our certificate of incorporation; or

(5) are required to effect the intent of or are otherwise contemplated by our certificate of incorporation.

Super-majority requirements for certain amendments to our certificate of incorporation. Except for amendments to our certificate of incorporation that require the sole approval of the Class B Stockholder, any amendments to our certificate of incorporation require the vote or consent of stockholders holding at least 90% in voting power of our Class A common stock and Class C common stock unless we obtain an opinion of counsel confirming that such amendment would not affect the limited liability of such stockholder under the DGCL. Any amendment of this provision of our certificate of incorporation also requires the vote or consent of stockholders holding at least 90% in voting power of our Class A common stock and Class C common stock.

Merger, sale or other disposition of assets. Our certificate of incorporation provides that we may, with the approval of the Class B Stockholder and with the approval of the holders of at least a majority in voting power of our Class A common stock and Class C common stock, sell, exchange or otherwise dispose of all or substantially all of our assets in a single transaction or a series of related transactions, or consummate any merger, consolidation or other similar combination, or approve the sale, exchange or other disposition of all or substantially all of the assets of our subsidiaries, except that no approval of our Class A common stock and Class C common stock shall be required in the case of certain limited transactions involving our reorganization into another limited liability entity. See "—Common Stock—Voting Rights." We may in our sole discretion mortgage, pledge, hypothecate or grant a security interest in all or substantially all of our assets (including for the benefit of persons other than us or our subsidiaries) without the prior approval of the holders of our Class A common stock and Class C common stock. We may also sell all or substantially all of our assets under any forced sale of any or all of our assets pursuant to the foreclosure or other realization upon those encumbrances without the prior approval of the holders of our Class A common stock and Class C common stock.

Preferred stock. The rights of holders of our Series A Preferred Stock and Series B Preferred Stock requiring us to redeem all or a portion of their series of preferred stock upon the occurrence of a change of control event could have the effect of discouraging third parties from pursuing certain transactions with us, which may otherwise be in the best interest of our stockholders. See "Preferred Stock" above.

Choice of forum. The Court of Chancery of the State of Delaware (or, solely to the extent that the Court of Chancery lacks subject matter jurisdiction, any other court in the State of Delaware with subject matter jurisdiction) is the exclusive forum for resolving any claims, suits, actions or proceedings arising out of or relating in any way to our certificate of incorporation (including any claims, suits or actions to interpret, apply or enforce (i) the provisions of our certificate of incorporation or our bylaws, (ii) our duties, obligations or liabilities to our stockholders, or of our stockholders to us, or among our stockholders, (iii) the rights or powers of, or restrictions on, us or any of our stockholders, (iv) any provision of the DGCL or (v) any other instrument, document, agreement or certificate contemplated by any provision of the DGCL relating to us (regardless of whether such claims, suits, actions or proceedings (x) sound in contract, tort, fraud or otherwise, (y) are based on common law, statutory, equitable, legal

or other grounds or (z) are derivative or direct claims)), except as otherwise provided in our certificate of incorporation for any series of our preferred stock.

Business Combinations

We have opted out of Section 203 of the DGCL, which provides that an "interested stockholder" (a person other than the corporation or any direct or indirect majority-owned subsidiary who, together with affiliates and associates, owns, or, if such person is an affiliate or associate of the corporation, within three years did own, 15% or more of the outstanding voting stock of a corporation) may not engage in "business combinations" (which is broadly defined to include a number of transactions, such as mergers, consolidations, asset sales and other transactions in which an interested stockholder receives or could receive a financial benefit on other than a pro rata basis with other stockholders) with the corporation for a period of three years after the date on which the person became an interested stockholder without certain statutorily mandated approvals.

Transfer Agent and Registrar

The transfer agent and registrar for our Class A common stock, Class A Preferred Stock and Class B Preferred Stock is American Stock Transfer & Trust Company, LLC. The transfer agent and registrar's address is 6201 15th Avenue, Brooklyn, New York 11219, and its telephone number is (718) 921-8300.

Listing

Our Class A common, Class A Preferred Stock and Class B Preferred Stock are listed on the New York Stock Exchange under the ticker symbols "KKR", "KKR PRA" and "KKR PRB," respectively.

EXHIBIT 10.26

RESTRICTED STOCK UNIT GRANT CERTIFICATE
UNDER THE KKR & CO. INC. 2019 EQUITY INCENTIVE PLAN
(DIRECTOR)

KKR & Co. Inc. (the "Corporation"), pursuant to its KKR & Co. Inc. 2019 Equity Incentive Plan (the "Plan"), hereby grants to the Grantee set forth below, who is a member of the board of directors of the Corporation, the number of Restricted Stock Units ("RSUs") set forth below. The RSUs are subject to all of the terms and conditions as set forth herein, in the Restricted Stock Unit Agreement (attached hereto), and in the Plan, all of which are incorporated herein in their entirety. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan.

Grantee:	**Participant Name**
Date of Grant:	**Grant Date**
Number of RSUs:	**Number of Awards Granted**
Vesting Schedule:	The following sets forth each applicable Service Vesting Date upon which the RSUs granted hereunder shall become vested, subject to the Grantee's continued Service through each such date and other terms and conditions contained in the attached Restricted Stock Unit Grant Agreement.

Percentage of RSUs Vesting:	**Applicable Service Vesting Date:**

* * *

THE UNDERSIGNED GRANTEE ACKNOWLEDGES RECEIPT OF THIS RESTRICTED STOCK UNIT GRANT CERTIFICATE, THE RESTRICTED STOCK UNIT AGREEMENT AND THE PLAN, AND, AS AN EXPRESS CONDITION TO THE GRANT OF RESTRICTED STOCK UNITS HEREUNDER, AGREES TO BE BOUND BY THE TERMS OF THIS RESTRICTED STOCK UNIT GRANT CERTIFICATE, THE RESTRICTED STOCK UNIT AGREEMENT AND THE PLAN.

KKR & CO. INC.

By:
Title:

GRANTEE

Electronic Signature

Name: **Participant Name**
Date: **Grant Date**

RESTRICTED STOCK UNIT AGREEMENT
UNDER THE KKR & CO. INC. 2019 EQUITY INCENTIVE PLAN
(DIRECTOR)

Pursuant to the Restricted Stock Unit Grant Certificate (the "**RSU Grant Certificate**") delivered to the Grantee (as defined in the RSU Grant Certificate), and subject to the terms of this Restricted Stock Unit Agreement (this "**Agreement**") and the KKR & Co. Inc. 2019 Equity Incentive Plan (the "**Plan**"), KKR & Co. Inc. (the "**Corporation**") and the Grantee agree as follows. The RSU Grant Certificate is incorporated into and deemed a part of this Agreement. Capitalized terms not otherwise defined herein or in Appendix A (attached hereto) shall have the meaning set forth in the Plan.

RECITALS

WHEREAS, the board of directors of the Corporation (the "**Board**") has determined it is in the best interests of the Corporation to provide the Grantee with this Agreement and the RSU Grant Certificate 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 RESTRICTED STOCK UNITS

Section 1.1. Grant of Restricted Stock Units. Subject to the terms and conditions set forth herein and in the Plan, the Corporation hereby grants to the Grantee the number of Restricted Stock Units ("**RSUs**") provided in the RSU Grant Certificate (with each RSU representing an unfunded, unsecured right to receive one share of Class A Common Stock upon vesting, subject to any adjustment pursuant to Section 9 of the Plan).

ARTICLE II
VESTING AND SETTLEMENT OF RESTRICTED STOCK UNITS

Section 2.1. Vesting of RSUs.

(a) Subject to the terms and conditions contained herein and in the Plan, the RSUs shall vest as provided in the RSU Grant Certificate and this Section 2.1.

(i) Subject to the Grantee's continued service as a director of the Corporation ("**Service**") through the Service Vesting Date(s) as specified in the RSU Grant Certificate, the RSUs shall become vested on such date(s) as to the percentage(s) of RSUs set forth in the RSU Grant Certificate.

(ii) If, prior to the date the RSUs are vested as provided in Section 2.1(a)(i) above or otherwise terminate pursuant to Section 2.1(b) below: (A) the Grantee dies or experiences a Disability or (B) there occurs a Change in Control, then all unvested RSUs shall be vested as a result thereof.

(iii) All RSUs that become vested under this Section 2.1(a) shall be Settled pursuant to Section 2.2 of this Agreement.

(b) If the Grantee's Service terminates for any reason other than due to the Grantee's death or Disability, all then unvested RSUs shall immediately terminate and be forfeited without consideration, and no shares of Class A Common Stock shall be delivered hereunder.

Section 2.2. Settlement of RSUs.

(a) To the extent that an RSU becomes vested and the applicable Service Vesting Date has occurred, the applicable percentage of RSUs shall be Settled as soon as administratively practicable on or following the applicable Service Vesting Date. The Settlement of RSUs that become vested upon a termination of Service due to Grantee's death or Disability or due to a Change in Control, as applicable, shall not be accelerated such that any such RSUs shall be Settled on the applicable Service Vesting Date as set forth on the RSU Grant Certificate that such RSUs would otherwise have become vested. The date on which any RSU is to be Settled hereunder is referred to as a "**Delivery Date.**"

(b) On any Delivery Date, each vested RSU being Settled shall be cancelled in exchange for the Corporation delivering to the Grantee the number of shares of Class A Common Stock equal to the number of RSUs that are to be Settled on such Delivery Date pursuant to Section 2.2(a). The foregoing deliveries shall in all instances be subject to Sections 4.4 and 4.6.

(c) Subject to the provisions of this Article II relating to the number of RSUs that are to be Settled on any applicable Delivery Date and solely to the extent permitted under Section 409A, if applicable, the Corporation may impose such other conditions and procedures in relation to the Settlement of RSUs as it may reasonably determine.

Section 2.3. No Dividend Payments. The RSUs granted to the Grantee hereunder do not include the right to receive any dividend payments.

ARTICLE III
RESTRICTIONS ON TRANSFERS

Section 3.1. Transfer Restrictions on RSUs.

(a) The Grantee may not Transfer all or any portion of the Grantee's RSUs to any Person (including to any Permitted Transferee) 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 Corporation may require) as determined by the Administrator.

(b) Prior to a Transfer of any RSUs to any Person that the Administrator consents to, such Person must consent in writing to be bound by this Agreement and deliver such consent to the Administrator.

(c) Any purported Transfer of RSUs that is not in accordance with this Section 3.1 is null and void.

ARTICLE IV
MISCELLANEOUS

Section 4.1. Governing Law. This Agreement and RSU Grant Certificate 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. Plan. The terms and provisions of the Plan are incorporated herein by reference. In the event of a conflict or inconsistency between the terms and provisions of the Plan and the provisions of this Agreement, the Plan shall govern and control.

Section 4.3. Arbitration. 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 4.3, OR ANY JUDICIAL PROCEEDING ANCILLARY TO AN ARBITRATION OR

CONTEMPLATED ARBITRATION ARISING OUT OF OR RELATING TO OR CONCERNING THIS AGREEMENT. Any controversy or claim arising out of or relating to this Agreement (or the breach thereof) shall be 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. Judgment on the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The arbitrators shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including, without limitation, the issuance of an injunction. However, either party may, without inconsistency with this arbitration provision, bring an action or special proceeding in any court of competent jurisdiction for the purpose of compelling the other party to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder, or enforcing an arbitration award. The Grantee irrevocably appoints the Secretary or General Counsel of the Corporation 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. Except as necessary in court proceedings to enforce this arbitration provision or an award rendered hereunder, to obtain interim relief or as otherwise required by law, neither a party nor an arbitrator may disclose the content or results of any arbitration hereunder without the prior written consent of the Corporation and the Grantee, other than general statements.

Section 4.4. 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, as applicable, 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 RSUs awarded hereunder and/or Class A Common Stock delivered to the Grantee in respect of RSUs awarded hereunder shall be subject to reduction, cancellation, forfeiture or recoupment.

(c) The Grantee further acknowledges and agrees that KKR Group shall have the right to clawback, forfeit, cancel, recoup, reduce or set-off any distribution or payment that is due or payable (or that the Administrator reasonably determines may become due or payable) to the Grantee pursuant to any agreement with the KKR Group (including but not limited to partnership agreements of KKR Holdings L.P., KKR Holdings II L.P. and KKR Associates Holdings L.P.) or otherwise for the purpose of fulfilling any present or future obligation or liability of whatever nature (whether matured or unmatured, absolute or contingent) that the Grantee has to make (or that the Administrator reasonably determines may become such an obligation or liability to make) any payment or contribution to the KKR Group, regardless of whether the payment or contribution is currently due or payable, or may be due or payable in the future, whether in advance of or without adjudication (provided that the Administrator must act in good faith when determining any contribution or payment that may become due or payable as a result of damage to the KKR Group arising from a breach by Grantee of any of Grantee's agreements with the KKR Group or other wrongdoing), and notwithstanding any other agreements between the Grantee and the KKR Group entered into prior to the date hereof.

Section 4.5. Amendments and Waivers.

(a) This Agreement (including the RSU Grant Certificate and Appendices A and B attached hereto, as applicable) may be amended, supplemented, waived or modified only in accordance with Section

4(b) 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 RSU 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 4.6. Withholding. The provisions of Section 4(d) of the Plan are incorporated herein by reference and made a part hereof. Regardless of any action the Corporation takes with respect to any or all income tax, social insurance, payroll tax, fringe benefit 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, if any, actually withheld by the Corporation. The Grantee further acknowledges that the Corporation (1) makes no representations or undertakings regarding the treatment of any Tax-Related Items and (2) is under no obligation to structure the terms of the RSUs to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result. Furthermore, if the Grantee is subject to tax in more than one jurisdiction, the Grantee acknowledges that the Corporation may be required to withhold or account for Tax-Related Items in more than one jurisdiction. The Corporation may refuse to issue or deliver Class A Common Stock or the proceeds of the sale of Class A Common Stock, if the Grantee fails to comply with the Grantee's obligations in connection with the Tax-Related Items as set forth in this Section 4.6.

Section 4.7. 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):

(a) If to the Corporation, to:

KKR & Co. Inc.
9 West 57th Street, Suite 4200
New York, New York 10019
U.S.A.

Attention: General Counsel and Secretary

(b) If to the Grantee, to the most recent address for the Grantee in the books and records of the Corporation.

Section 4.8. 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 RSUs provided for under this Agreement is in full satisfaction of any and all grants of equity or equity-based awards that representatives of the Corporation 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 Permitted Transferees cease to hold any of the RSUs that have been granted hereunder. Notwithstanding anything to the contrary herein, this Article IV shall survive any termination of this Agreement.

Section 4.9. 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 4.10. 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 4.11. Appendices. Appendices A and B constitute part of this Agreement.

Section 4.12. 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 4.13. Section 409A; Service.

(a) This Section 4.13(a) applies to Grantees who are U.S. tax residents (such as, a U.S. citizen, green card 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 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 Service 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 Class A Common Stock otherwise payable or provided hereunder as a result of such termination of Service is necessary in order to prevent any accelerated or additional tax under Section 409A, then, to the extent that Section 409A applies to the RSUs, the Corporation will defer the commencement of the payment of any such payments or delivery hereunder (without any reduction in such payments or delivery of Class A Common Stock ultimately paid or provided to the Grantee) until the date that is six months following the Grantee's termination of Service (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 Corporation shall use commercially reasonable efforts to implement the provisions of this Section 4.13(a) in good faith; provided that none of the Corporation, the Administrator nor any of the Corporation's or its affiliates' employees, directors or representatives shall have any liability to the Grantee with respect to this Section 4.13(a).

(b) Nothing in this Agreement shall be deemed to obligate the Corporation to employ the Grantee in any capacity whatsoever or to prohibit or restrict the Corporation from terminating the Grantee's Service at any time or for any reason whatsoever.

Section 4.14. 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 Corporation has executed this Agreement as of the date specified under the signature of the Grantee.

KKR & CO. INC.

By: _____
Name:
Title:

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 Plan, the following terms shall have the following meanings for purposes of the Agreement:

"**Disability**" means, as to any Person, such Person's inability to perform in all material respects such Person's duties and responsibilities to Corporation 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 its sole discretion.

"**Group Partnership**" means KKR Group Partnership L.P., a Cayman Island exempted limited partnership, along with its successor and any other legal entity designated in the future as a "Group Partnership" by the Corporation.

"**KKR Group**" means (i) the Corporation and KKR Management LLP (and its successors), (ii) any direct or indirect subsidiaries of the Corporation, including but not limited to the Group Partnership and its direct and indirect subsidiaries (not including Portfolio Companies), (iii) KKR Holdings L.P. and KKR Associates Holdings L.P., their respective general partners, and the direct or indirect subsidiaries of KKR Holdings L.P. and KKR Associates Holdings L.P., respectively, and (iv) any investment fund, account or vehicle that is managed, advised or sponsored by any member of the KKR Group.

"**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 Corporation or any Grantee, as the case may be.

"**Permitted Transferee**" means (A) any person who is a "family member" of the Grantee, as such term is used in the instructions to Form S-8 under the Securities Act of 1933, as amended, or any successor form of registration statement promulgated by the Securities and Exchange Commission (collectively, the "**Immediate Family Members**"); (B) a trust solely for the benefit of the Grantee and his or her Immediate Family Members; (C) a partnership or limited liability company whose only partners or stockholders are the Grantee and his or her Immediate Family Members; (D) a beneficiary to whom donations are eligible to be treated as "charitable contributions" for federal income tax purposes; or (E) any other Person the Administrator consents to.

"Person"

means any individual, corporation, partnership, limited liability company, trust, joint stock company, business trust, unincorporated association, joint venture, governmental authority or other entity of any nature whatsoever.

"**Portfolio Company**" means any portfolio companies, joint ventures or affiliated investments that are held as such by the KKR Group.

"**RSU Grant Certificate**" means the RSU Grant Certificate delivered to the Grantee and attached to this Agreement, as the same may be modified pursuant to Section 4.5(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 RSU, the date set forth in the RSU Grant Certificate as the "Service Vesting Date."

"**Settle**", "**Settled**" or "**Settlement**" means the discharge of the Corporation's obligations in respect of an RSU through the delivery to the Grantee of Class A Common Stock in accordance with Article II.

"**Transfer**" or "**Transferred**" means with respect to any RSU or Class A Common Stock, as applicable, 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.

APPENDIX B

ADDITIONAL TERMS AND CONDITIONS

EXHIBIT 10.27

RESTRICTED STOCK UNIT GRANT CERTIFICATE
UNDER THE KKR & CO. INC. 2019 EQUITY INCENTIVE PLAN
(EXECUTIVE)

KKR & Co. Inc. (the "Corporation"), pursuant to its KKR & Co. Inc. 2019 Equity Incentive Plan (the "Plan"), hereby grants to the Grantee set forth below the number of Restricted Stock Units ("RSUs") set forth below. The RSUs are subject to all of the terms and conditions as set forth herein, in the Restricted Stock Unit Agreement (attached hereto), and in the Plan, all of which are incorporated herein in their entirety. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan.

Grantee:	**Participant Name**
Date of Grant:	**Grant Date**
Number of RSUs:	**Number of Awards Granted**
Vesting Schedule:	The following sets forth each applicable Service Vesting Date upon which the RSUs granted hereunder shall become vested, subject to the Grantee's continued Employment through each such date and other terms and conditions contained in the attached Restricted Stock Unit Grant Agreement.

Percentage of RSUs Vesting:	**Applicable Service Vesting Date:**

Post-Settlement Transfer Restrictions under Section 3.3 of the Restricted Stock Unit Agreement:	☐ Applicable ☐ Inapplicable
Minimum Retained Ownership Percentage under Section 3.4 of the Restricted Stock Unit Agreement:	☐ Applicable ☐ Inapplicable Minimum Retained Ownership Percentage if applicable: 15%

* * *

THE UNDERSIGNED GRANTEE ACKNOWLEDGES RECEIPT OF THIS RESTRICTED STOCK UNIT GRANT CERTIFICATE, THE RESTRICTED STOCK UNIT AGREEMENT AND THE PLAN, AND, AS AN EXPRESS CONDITION TO THE GRANT OF RESTRICTED STOCK UNITS HEREUNDER, AGREES TO BE BOUND BY THE TERMS OF THIS RESTRICTED STOCK UNIT GRANT CERTIFICATE, THE RESTRICTED STOCK UNIT AGREEMENT AND THE PLAN.

KKR & CO. INC.

By:
Title:

GRANTEE

Electronic Signature

Name: **Participant Name**
Date: **Grant Date**

RESTRICTED STOCK UNIT AGREEMENT
UNDER THE KKR & CO. INC. 2019 EQUITY INCENTIVE PLAN
(EXECUTIVE)

Pursuant to the Restricted Stock Unit Grant Certificate (the "**RSU Grant Certificate**") delivered to the Grantee (as defined in the RSU Grant Certificate), and subject to the terms of this Restricted Stock Unit Agreement (this "**Agreement**") and the KKR & Co. Inc. 2019 Equity Incentive Plan (the "**Plan**"), KKR & Co. Inc. (the "**Corporation**") and the Grantee agree as follows. The RSU Grant Certificate is incorporated into and deemed a part of this Agreement. Capitalized terms not otherwise defined herein or in Appendix A (attached hereto) shall have the meaning set forth in the Plan.

RECITALS

WHEREAS, the board of directors of the Corporation (the "**Board**") has determined it is in the best interests of the Corporation to provide the Grantee with this Agreement and the RSU Grant Certificate 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 RESTRICTED STOCK UNITS

Section 1.1. Grant of Restricted Stock Units. Subject to the terms and conditions set forth herein and in the Plan, the Corporation hereby grants to the Grantee the number of Restricted Stock Units ("**RSUs**") provided in the RSU Grant Certificate (with each RSU representing an unfunded, unsecured right to receive one share of Class A Common Stock upon vesting, subject to any adjustment pursuant to Section 9 of the Plan). The grant of RSUs hereunder is conditioned upon the Grantee's agreement to and compliance with the covenants and obligations contained in the confidentiality and restrictive covenant obligations, attached hereto as Appendix C (the "Confidentiality and Restrictive Covenant Agreement") and incorporated herein by reference.

ARTICLE II
VESTING AND SETTLEMENT OF RESTRICTED STOCK UNITS

Section 2.1. Vesting of RSUs.

(a) Subject to the terms and conditions contained herein and in the Plan, the RSUs shall vest as provided in the RSU Grant Certificate and this Section 2.1.

(i) Subject to the Grantee's continued Employment through the Service Vesting Date(s) as specified in the RSU Grant Certificate, the RSUs shall become vested on such date(s) as to the percentage(s) of RSUs set forth in the RSU Grant Certificate.

(ii) If, prior to the date the RSUs are vested or such RSUs otherwise terminate and are forfeited: (A) the Grantee's Employment terminates due to the Grantee's Retirement, then all Retirement RSUs shall be vested; (B) the Grantee dies or experiences a Disability, then all unvested RSUs shall be vested; and (C) a Change in Control occurs prior to any termination of the Grantee's Employment, then all or any portion of any unvested RSUs may be vested, subject, in each case of clause (A), (B) or (C), to the discretion of the Administrator. Notwithstanding the foregoing, if the Corporation receives an opinion of counsel that there has been a legal judgment or legal development in the Grantee's jurisdiction that would likely result in the favorable treatment applicable to the Retirement RSUs pursuant to this Section 2.1(a)(ii) being deemed unlawful or discriminatory, then the Corporation 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 RSUs 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 RSUs that become vested under this Section 2.1(a) shall 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, all then unvested RSUs (including any RSUs that are not Retirement RSUs) shall immediately terminate and be forfeited without consideration, and no shares of Class A Common Stock shall be delivered hereunder.

(c) Unless otherwise agreed in writing between the Grantee and the Corporation or as otherwise determined by the Administrator at the time of grant or otherwise, the Grantee's right to vest in the RSUs 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 or the terms of the Grantee's Employment agreement or service contract, if any), and all unvested RSUs shall immediately be forfeited upon such date.

Section 2.2. Settlement of RSUs.

(a) To the extent that an RSU becomes vested and the applicable Service Vesting Date has occurred, the applicable percentage of RSUs shall be Settled as soon as administratively practicable on or following the applicable Service Vesting Date. The Settlement of RSUs that become vested upon a termination of Employment due to Grantee's Retirement, death or Disability or due to a Change in Control, as applicable, shall not be accelerated such that any such RSUs shall be Settled on the applicable Service Vesting Date as set forth on the RSU Grant Certificate that such RSUs would otherwise have become vested. The date on which any RSU is to be Settled hereunder is referred to as a "**Delivery Date.**"

(b) On any Delivery Date, each vested RSU being Settled shall be cancelled in exchange for the Corporation delivering, or causing to be delivered by the Designated Service Recipient, to the Grantee either (i) the number of shares of Class A Common Stock equal to the number of RSUs that are to be Settled on such Delivery Date pursuant to Section 2.2(a) or (ii) an amount of cash, denominated in U.S. dollars, equal to the Fair Market Value of the foregoing number of shares of Class A Common Stock (a "**Cash Payment**"). The Administrator may elect in its sole discretion whether to Settle the RSUs in Class A Common Stock or by a Cash Payment. Any of the foregoing payments or deliveries shall in all instances be subject to Sections 4.4 and 4.6.

(c) Subject to the provisions of this Article II relating to the number of RSUs that are to be Settled on any applicable Delivery Date and solely to the extent permitted under Section 409A, if applicable, the Corporation may impose such other conditions and procedures in relation to the Settlement of RSUs as it may reasonably determine.

Section 2.3. No Dividend Payments. The RSUs granted to the Grantee hereunder do not include the right to receive any dividend payments.

ARTICLE III
RESTRICTIONS ON TRANSFERS AND OTHER LIMITATIONS

Section 3.1. Transfer Restrictions on RSUs.

(a) The Grantee may not Transfer all or any portion of the Grantee's RSUs to any Person (including to any Permitted Transferee) 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 Corporation may require) as determined by the Administrator.

(b) Prior to a Transfer of any RSUs to any Person that the Administrator consents to, such Person must consent in writing to be bound by this Agreement and deliver such consent to the Administrator.

(c) Any purported Transfer of RSUs that is not in accordance with this Section 3.1 is null and void.

Section 3.2. Confidentiality and Restrictive Covenant Agreement. The Grantee acknowledges and agrees that the Grantee is bound by and will comply with the Confidentiality and Restrictive Covenant Agreement contained in Appendix C and any other similar agreements that the Grantee has entered into with the Designated Service Recipient, the Corporation, KKR Holdings L.P., KKR Holdings II, L.P., KKR Associates Holdings L.P., or any other member of the KKR Group, as applicable, as such agreements may be amended from time to time. If the Grantee is a limited partner of KKR Holdings L.P., KKR Holdings II, 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., KKR Holdings II L.P. and KKR Associates Holdings L.P. shall be deemed to include the Confidentiality and Restrictive Covenant Agreement contained in Appendix C hereto.

Section 3.3. Post-Settlement Transfer Restrictions on Class A Common Stock.

The provisions of this Section 3.3 and any references to a Transfer Restricted Class A Common Stock shall not be applicable to the RSUs granted to the Grantee hereunder if so indicated on the RSU Grant Certificate.

(a) The Grantee may not Transfer all or any portion of the Grantee's Transfer Restricted Class A Common Stock (as defined below) (including to any Permitted Transferee) 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 Corporation may require) as determined by the Administrator. Any permitted transfer pursuant to this Section 3.3(a) shall be made in accordance with Section 3.1.

(b) A "**Transfer Restricted Class A Common Stock**" refers to all Class A Common Stock or Cash Payment delivered upon Settlement of a vested RSU until (i) the first anniversary of the applicable Service Vesting Date, in the case of 50% of such Class A Common Stock or Cash Payment and (ii) the second anniversary of such Service Vesting Date, in the case of the remaining 50% of such Class A Common Stock or Cash Payment; provided that if the Grantee has given or been given notice of termination of Grantee's Employment, then the Administrator, in its sole discretion, may direct that any Class A Common Stock or Cash Payment that is then Transfer Restricted Class A Common Stock shall continue to be Transfer Restricted Class A Common Stock until the expiration of the later to occur of the Non-Compete Period (as defined in Appendix C) or the Non-Solicit Period (as defined in Appendix C) applicable to the Grantee, unless an earlier date is selected by the Administrator, in its sole discretion.

(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 in Appendix C, the Administrator, in its sole discretion, may direct that the Grantee forfeit all or a portion of the Transfer Restricted Class A Common Stock held by the Grantee. If the Grantee's Employment is terminated for Cause, as determined by the Administrator in its sole discretion, all Transfer Restricted Class A Common Stock held by the Grantee shall automatically be forfeited, unless otherwise determined by the Administrator, in its sole discretion. The Grantee hereby consents and agrees to immediately surrender and deliver such Transfer Restricted Class A Common Stock to the Corporation, without the payment of any consideration, receipt of any further notice or fulfillment of any other condition. Any forfeiture of Transfer Restricted Class A Common Stock pursuant to this Section 3.3(c) shall require no additional procedures on the part of the Corporation or its Affiliates.

(d) Any purported Transfer of Transfer Restricted Class A Common Stock that is not in accordance with this Section 3.3 is null and void. 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 RSUs and Transfer Restricted Class A Common Stock 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 3.4. Minimum Retained Ownership Requirement.

The provisions of this Section 3.4 shall not be applicable to the RSUs granted to the Grantee hereunder if so indicated on the RSU Grant Certificate.

(a) For so long as the Grantee retains his or her Employment, the Grantee (collectively with all Permitted Transferees, if applicable) must continuously hold an aggregate number of Class A Common Stock Equivalents (defined below) that is at least equal to the Minimum Retained Ownership Percentage of the cumulative amount of (x) all RSUs granted to the Grantee under this Agreement and (y) all other RSUs subject to a minimum retained ownership requirement that have been or are hereafter granted to the Grantee under the Plan, in each case, that have become vested pursuant to Section 2 (or similar provision in any other applicable grant agreement), prior to any net Settlement permitted by Section 4.6 (or similar provision in any other applicable grant agreement).

(b) "**Class A Common Stock Equivalents**" means any combination of: (i) RSUs that are or become vested pursuant to Section 2 of this Agreement and shares of Class A Common Stock delivered upon Settlement of any such RSUs (even if they are Transfer Restricted Class A Common Stock) and (ii) RSUs subject to a minimum retained ownership requirement granted to the Grantee under the Plan that are or become vested pursuant to a provision similar to Section 2 of this Agreement and shares of Class A Common Stock delivered upon Settlement of any such RSUs (even if a provision similar to the transfer restrictions on Transfer Restricted Class A Common Stock has not yet been satisfied).

(c) Any purported Transfer of any Class A Common Stock that would result in a violation of this Section 3.4 is null and void. Notwithstanding anything to the contrary contained in this Agreement (including, without limitation, Section 4.8) this Section 3.4 shall survive any termination of this Agreement.

Section 3.5. Waiver of Restrictions. The Administrator may, from time to time, waive the provisions of Section 3.3 or Section 3.4 of this Agreement, subject to the imposition of any conditions or further requirements, as determined by the Administrator in its sole discretion. Without limiting the foregoing, to the extent the Administrator waives the application of Section 3.3 or Section 3.4, (i) equivalent restrictions on the Grantee's other equity, if any, held in KKR Holdings L.P., KKR Holdings II L.P., the Corporation or any of their respective Affiliates (or any of their respective equity incentive plans) may be imposed and (ii) the Grantee hereby consents in advance to the imposition of such equivalent restrictions for purposes of the governing documents of Grantee's other equity, if any, held in KKR Holdings L.P., KKR Holdings II L.P., the Corporation or any of their respective Affiliates (or any of their respective equity incentive plans).

ARTICLE IV
MISCELLANEOUS

Section 4.1. Governing Law. This Agreement and RSU Grant Certificate 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. Plan. The terms and provisions of the Plan are incorporated herein by reference. In the event of a conflict or inconsistency between the terms and provisions of the Plan and the provisions of this Agreement, the Plan shall govern and control.

Section 4.3. Arbitration. 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 4.3, OR ANY JUDICIAL PROCEEDING ANCILLARY TO AN ARBITRATION OR CONTEMPLATED ARBITRATION ARISING OUT OF OR RELATING TO OR CONCERNING THIS AGREEMENT. Any controversy or claim arising out of or relating to this Agreement (or the breach thereof) shall be 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. Judgment on the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The arbitrators shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including, without limitation, the issuance of an injunction. However, either party may, without inconsistency with this arbitration provision, bring an action or special proceeding in any court of competent jurisdiction for the purpose of compelling the other party to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder, or enforcing an arbitration award. The Grantee irrevocably appoints the Secretary or General Counsel of the Corporation 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. Except as necessary in court proceedings to enforce this arbitration provision or an award rendered hereunder, to obtain interim relief or as otherwise required by law, neither a party nor an arbitrator may disclose the content or results of any arbitration hereunder without the prior written consent of the Corporation and the Grantee, other than general statements.

Section 4.4. 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, as applicable, 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 RSUs awarded hereunder and/or Class A Common Stock delivered to the Grantee in respect of RSUs awarded hereunder shall be subject to reduction, cancellation, forfeiture or recoupment.

(c) The Grantee further acknowledges and agrees that KKR Group shall have the right to clawback, forfeit, cancel, recoup, reduce or set-off any distribution or payment that is due or payable (or that the Administrator reasonably determines may become due or payable) to the Grantee pursuant to any agreement with the KKR Group (including but not limited to partnership agreements of KKR Holdings L.P., KKR Holdings II L.P. and KKR Associates Holdings L.P.) or otherwise for the purpose of fulfilling any present or future obligation or liability of whatever nature (whether matured or unmatured, absolute or contingent) that the Grantee has to make (or that the Administrator reasonably determines may become such an obligation or liability to make) any payment or contribution to the KKR Group, regardless of whether the payment or contribution is currently due or payable, or may be due or payable in the future, whether in advance of or without adjudication (provided that the Administrator must act in good faith when determining any contribution or payment that may become due or payable as a result of damage to the KKR Group arising from a breach by Grantee of any of Grantee's agreements with the KKR Group or other wrongdoing), and notwithstanding any other agreements between the Grantee and the KKR Group entered into prior to the date hereof.

Section 4.5. Amendments and Waivers.

(a) This Agreement (including the RSU Grant Certificate and Appendices A through D attached hereto, as applicable) may be amended, supplemented, waived or modified only in accordance with Section 4(b) 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 RSU 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 4.6. Withholding.

(a) The provisions of Section 4(d) of the Plan are incorporated herein by reference and made a part hereof. Regardless of any action the Corporation or the Designated Service Recipient takes with respect to any or all income tax, social insurance, payroll tax, fringe benefit 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, if any, actually withheld by the Corporation or the Designated Service Recipient. The Grantee further acknowledges that the Corporation and/or the Designated Service Recipient (1) make no representations or undertakings regarding the treatment of any Tax-Related Items and (2) are under no obligation to structure the terms of the RSUs to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result. Furthermore, if the Grantee is subject to tax in more than one jurisdiction, the Grantee acknowledges that the Corporation and the Designated Service Recipient (or former Designated Service Recipient) may be required to withhold or account for Tax-Related Items in more than one jurisdiction. The Corporation may refuse to issue or deliver Class A Common Stock, the Cash Payment or the proceeds of the sale of Class A Common Stock, if the Grantee fails to comply with the Grantee's obligations in connection with the Tax-Related Items as set forth in this Section 4.6.

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

(i) withholding from the Cash Payment, the Grantee's wages or other cash compensation paid to the Grantee by the Corporation and/or the Designated Service Recipient; or

(ii) withholding from proceeds of the sale of Class A Common Stock delivered upon Settlement of the RSUs either through a voluntary sale or through a mandatory sale arranged by the Corporation (on the Grantee's behalf pursuant to this authorization); or

(iii) withholding in Class A Common Stock to be delivered upon Settlement of the RSUs.

The Corporation may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates in the Grantee's jurisdiction(s), in which case the Grantee may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent in Class A Common Stock. If the obligation for Tax-Related Items is satisfied by withholding in Class A Common Stock, the Grantee is deemed to have been issued the full number of shares of Class A Common Stock subject to the Settled Class A Common Stock, notwithstanding that a number of shares of Class A Common Stock are held back solely for the purpose of paying the Tax-Related Items. Finally, the Grantee shall pay to the Corporation or the Designated Service Recipient any amount of Tax-Related Items that the Corporation 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.

Section 4.7. 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):

(a) If to the Corporation, to:

KKR & Co. Inc.
9 West 57th Street, Suite 4200
New York, New York 10019
U.S.A.
Attention: General Counsel and Secretary

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

Section 4.8. 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 RSUs provided for under this Agreement is in full satisfaction of any and all grants of equity or equity-based awards that representatives of the Corporation 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 Permitted Transferees cease to hold any of the RSUs or Transfer Restricted Class A Common Stock 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 4.9. 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 4.10. 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 4.11. 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 C shall govern solely with respect to, and shall be applicable only to the interpretation, administration and enforcement of the provisions of Appendix C, but not to any other provisions of this Agreement or any other Appendix.

Section 4.12. 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 4.13. Section 409A; Employment with Designated Service Recipient.

(a) This Section 4.13(a) applies to Grantees who are U.S. tax residents (such as, a U.S. citizen, green card 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 Class A Common Stock 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, to the extent that Section 409A applies to the RSUs, the Corporation will defer the commencement of the payment of any such payments or delivery hereunder (without any reduction in such payments or delivery of Class A Common Stock 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 Corporation shall use commercially reasonable efforts to implement the provisions of this Section 4.13(a) in good faith; provided that none of the Corporation, the Administrator nor any of the Corporation's or KKR Group's, as applicable, employees, directors or representatives shall have any liability to the Grantee with respect to this Section 4.13(a).

(b) Nothing in this Agreement shall be deemed to obligate the Corporation, Designated Service Recipient or any other member of the KKR Group, as applicable, to employ the Grantee in any capacity whatsoever or to prohibit or restrict the Corporation, Designated Service Recipient or any other member of the KKR Group, as applicable, from terminating the Grantee's Employment at any time or for any reason whatsoever, with or without Cause.

Section 4.14. 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 Corporation has executed this Agreement as of the date specified under the signature of the Grantee.

KKR & CO. INC.

By: _____
Name:
Title:

IN WITNESS WHEREOF, the undersigned Grantee has caused this counterpart signature page to this Agreement to be duly executed as ofthe 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 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 Corporation) or a Portfolio Company (as defined below), (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 & Agreements 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; and *provided further*, that 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.

"**Designated Service Recipient**" means any member of the KKR Group that employs the Grantee or with which the Grantee is similarly associated.

"**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 its sole discretion.

"**Employment**" means the Grantee's employment (including any similar association determined by the Administrator to constitute employment for purposes of this Agreement) with the Designated Service Recipient or any other member of the KKR Group.

"Group Partnership" means KKR Group Partnership L.P., a Cayman Island exempted limited partnership, along with its successor and any other legal entity designated in the future as a "Group Partnership" by the Corporation.

"**KKR Group**" means (i) the Corporation and KKR Management LLP (and its successors), (ii) any direct or indirect subsidiaries of the Corporation, including but not limited to the Group Partnership and its direct and indirect subsidiaries (not including Portfolio Companies), (iii) KKR Holdings L.P. and KKR Associates Holdings L.P., their respective general partners, and the direct or indirect subsidiaries of KKR Holdings L.P. and KKR Associates Holdings L.P., respectively, and (iv) any investment fund, account or vehicle that is managed, advised or sponsored by any member of the KKR Group (the "**Funds**").

"**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 Corporation or any Grantee, as the case may be.

"**Minimum Retained Ownership Percentage**" means the percentage set forth on the RSU Grant Certificate.

"**Permitted Transferee**" means (A) any person who is a "family member" of the Grantee, as such term is used in the instructions to Form S-8 under the Securities Act of 1933, as amended, or any successor form of registration statement promulgated by the Securities and Exchange Commission (collectively, the "**Immediate Family Members**"); (B) a trust solely for the benefit of the Grantee and his or her Immediate Family Members; (C) a partnership or limited

liability company whose only partners or stockholders are the Grantee and his or her Immediate Family Members; (D) a beneficiary to whom donations are eligible to be treated as "charitable contributions" for federal income tax purposes; or (E) any other Person the Administrator consents to.

"Person" means any individual, corporation, partnership, limited liability company, trust, joint stock company, business trust, unincorporated association, joint venture, governmental authority or other entity of any nature whatsoever.

"**Portfolio Company**" means any portfolio companies, joint ventures or affiliated investments that are held as such by the KKR Group.

"**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.

"**Retirement RSUs**" means, with respect to any Grantee whose Employment terminates due to Retirement, any RSUs 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.

"**RSU Grant Certificate**" means the RSU Grant Certificate delivered to the Grantee and attached to this Agreement, as the same may be modified pursuant to Section 4.5(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 RSU, the date set forth in the RSU Grant Certificate as the "Service Vesting Date."

"**Settle**", "**Settled**" or "**Settlement**" means the discharge of the Corporation's obligations in respect of an RSU through the delivery to the Grantee of (i) Class A Common Stock or (ii) a Cash Payment, in each case in accordance with Article II.

"**Transfer**" or "**Transferred**" means with respect to any RSU or Class A Common Stock, as applicable, 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 & Agreements**" 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 with the KKR Group, as applicable, and any agreements between the Grantee and a member of the KKR Group relating to the Grantee's Employment with the KKR Group, including but not limited to an employment agreement, if any, and the Confidentiality and Restrictive Covenant Agreement.

APPENDIX B

ADDITIONAL TERMS AND CONDITIONS

APPENDIX C

CONFIDENTIALITY AND RESTRICTIVE COVENANT OBLIGATIONS

APPENDIX D

GRANTEE CONSENT

EXHIBIT 10.28

RESTRICTED HOLDINGS UNIT GRANT CERTIFICATE
UNDER THE KKR & CO. INC. 2019 EQUITY INCENTIVE PLAN
(EXECUTIVE)

Pursuant to this Restricted Holdings Unit Grant Certificate (this "**Certificate**"), the Restricted Holdings Unit Agreement (as attached hereto) (the "**Restricted Holdings Unit Agreement**") and the KKR & Co. Inc. 2019 Equity Incentive Plan (as may be amended from time to time, the **Plan**"): (i) KKR Group Partnership L.P., a Cayman Islands exempted limited partnership ("**KKR Group Partnership**"), hereby issues the number of unvested profits interests in KKR Group Partnership, in the form of KKR Group Partnership Class P units ("**Class P Units**"), set forth below to KKR Holdings II L.P., a Cayman Islands exempted limited partnership ("**Holdings II**"); (ii) Holdings II hereby issues an equal number of unvested profits interests in Holdings II, in the form of Holdings II Class A units (" **Holdings II Units**" and, together with the related Class P Units (or Class A Units upon automatic conversion, as applicable), "**Restricted Units**"), to the Grantee; and (iii) KKR & Co. Inc. (the "**Corporation**") hereby grants an equal number of stock exchange rights ("**SERs**" and, together with the related Restricted Units, the "**Restricted Holdings Units**" or "**RHUs**") to the Grantee. The RHUs are subject to all of the terms and conditions set forth herein, and in the Limited Partnership Agreement of KKR Group Partnership, the Limited Partnership Agreement of Holdings II and the Restricted Holdings Unit Agreement, as applicable. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Restricted Holdings Unit Agreement (including Appendix A to the Restricted Holdings Unit Agreement) and the Plan.

Grantee:	**Participant Name**
Date of Grant:	**Grant Date**
Number of RHUs:	**Number of Units Granted**
Vesting Schedule:	The following sets forth each applicable Service Vesting Date upon which the Restricted Units granted hereunder shall become vested, subject to the Grantee's continued Employment through each such date and other terms and conditions contained in the attached Restricted Holdings Unit Agreement.

Percentage of Vesting:	**Applicable Service Vesting Date:**

Post-Vesting Transfer Restrictions under Section 3.3 of the Restricted Holdings Unit Agreement:	☐ Applicable ☐ Inapplicable
Minimum Retained Ownership Percentage under Section 3.4 of the Restricted Holdings Unit Agreement:	☐ Applicable ☐ Inapplicable Minimum Retained Ownership Percentage if applicable: %

* * *

THE UNDERSIGNED GRANTEE ACKNOWLEDGES RECEIPT OF THIS RESTRICTED HOLDINGS UNIT GRANT CERTIFICATE, THE RESTRICTED HOLDINGS UNIT AGREEMENT AND THE PLAN, AND, AS AN EXPRESS CONDITION TO THE GRANT OF RESTRICTED HOLDINGS UNITS HEREUNDER, AGREES TO BE BOUND BY THE TERMS OF THIS RESTRICTED HOLDINGS UNIT GRANT CERTIFICATE, THE RESTRICTED HOLDINGS UNIT AGREEMENT AND THE PLAN.

KKR GROUP PARTNERSHIP L.P.,
by KKR Group Holdings Corp, its general partner

By:
Title:

KKR HOLDINGS II L.P.,
by KKR Group Holdings Corp, its general partner

By:
Title:

KKR & CO. INC.

By:
Title:

GRANTEE

Electronic Signature
Name: **Participant Name**
Date: **Grant Date**

RESTRICTED HOLDINGS UNIT AGREEMENT
UNDER THE KKR & CO. INC. 2019 EQUITY INCENTIVE PLAN

Pursuant to the Restricted Holdings Unit Grant Certificate (the "**RHU Grant Certificate**") delivered to the Grantee (as defined in the RHU Grant Certificate), and subject to the terms of this Restricted Holdings Unit Agreement (this "**Agreement**"), the Limited Partnership Agreement of KKR Group Partnership (as defined below), the Limited Partnership Agreement of Holdings II (as defined below) and the KKR & Co. Inc. 2019 Equity Incentive Plan (as amended from time to time, the "**Plan**"), KKR & Co. Inc. (the "**Corporation**"), KKR Holdings II L.P. ("**Holdings II**"), KKR Group Partnership L.P. ("**KKR Group Partnership**") and the Grantee agree as follows. The RHU Grant Certificate is incorporated into and deemed a part of this Agreement.

This Agreement sets forth the terms and conditions of one or more tandem awards of (i) unvested profits interests in KKR Group Partnership, pursuant to the Limited Partnership Agreement of KKR Group Partnership, in the form of KKR Group Partnership Class P units ("**Class P Units**"), (ii) unvested profits interests in Holdings II, pursuant to the Limited Partnership Agreement of Holdings II, in the form of Holdings II Class A units ("**Holdings II Units**" and, together with the related Class P Units (or Class A Units upon automatic conversion, as applicable), "**Restricted Units**") and (iii) stock exchange rights ("**SERs**") issued by the Corporation pursuant to the Plan . Each tandem award of Class P Units, Holdings II Units and SERs is herein referred to as a "**Restricted Holdings Unit**" or an **"RHU**." The Limited Partnership Agreement of KKR Group Partnership and the Limited Partnership Agreement of Holdings II are herein referred to as the "**Operating Agreements**." Capitalized terms not otherwise defined herein or in Appendix A (attached hereto) shall have the meaning set forth in the Plan.

ARTICLE I
GRANT OF RESTRICTED HOLDINGS UNITS

Section 1.1. Grant of Restricted Holdings Units.

Subject to the terms and conditions set forth herein and in the Operating Agreements and the Plan, (i) KKR Group Partnership hereby grants to Holdings II the number of Class P Units set forth in the RHU Grant Certificate, (ii) Holdings II hereby grants to the Grantee the number of Holdings II Units set forth in the RHU Grant Certificate and (iii) the Corporation hereby grants to the Grantee the number of SERs set forth in the RHU Grant Certificate. The grant of RHUs hereunder is conditioned upon the Grantee's (a) agreement to and compliance with the covenants and obligations contained in the confidentiality and restrictive covenant obligations, attached hereto as Appendix B (the "**Confidentiality and Restrictive Covenant Agreement**") and incorporated herein by reference and (b) execution of a supplement to the Limited Partnership Agreement of Holdings II, attached hereto as Appendix C.

ARTICLE II
VESTING AND EXCHANGE OF RESTRICTED HOLDINGS UNITS

Section 2.1. Vesting of Restricted Units.

(a) Subject to the terms and conditions contained herein and in the Operating Agreements, the Restricted Units shall vest as provided in the RHU Grant Certificate and this Section 2.1.

(i) Subject to the Grantee's continued Employment through the Service Vesting Date(s) as specified in the RHU Grant Certificate, the Restricted Units shall become vested on such date(s) as to the percentage(s) set forth in the RHU Grant Certificate.

(ii) If, prior to the date the Restricted Units are vested or such Restricted Units otherwise terminate and are forfeited: (A) the Grantee's Employment terminates due to the Grantee's Retirement, then all Retirement Restricted Units shall be vested; (B) the Grantee dies or experiences a Disability, then all unvested Restricted Units shall be vested; and (C) a Change in Control occurs prior to any termination of the Grantee's Employment, then all or any portion of any unvested Restricted Units may be vested, subject, in each case of clause (A), (B) or (C), to the discretion of the Administrator. Notwithstanding the foregoing, if the Corporation receives an opinion of counsel that there has been a legal

judgment or legal development in the Grantee's jurisdiction that would likely result in the favorable treatment applicable to the Retirement Restricted Units pursuant to this Section 2.1(a)(ii) being deemed unlawful or discriminatory, then the Corporation 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 Restricted Units 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.

(b) If the Grantee's Employment terminates for any reason other than due to the Grantee's death, Disability or Retirement, all then unvested Restricted Units (including any Restricted Units that are not Retirement Restricted Units) and all corresponding SERs shall immediately terminate and be forfeited without consideration, and no exchange of such unvested Restricted Units for shares of Class A Common Stock pursuant to Section 2.2 shall occur.

(c) Unless otherwise agreed in writing between the Grantee and the Corporation or as otherwise determined by the Administrator at the time of grant or otherwise, the right to vest in the Restricted Units, 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) (a "**Service Termination**"), and all unvested Restricted Units and corresponding SERs shall immediately be forfeited upon such date.

(d) Once a Class P Unit is vested and becomes an Equitized Class P Series Unit (as defined in the Limited Partnership Agreement of KKR Group Partnership), it shall be automatically converted into a Class A Unit pursuant to the terms of the Limited Partnership Agreement of KKR Group Partnership.

Section 2.2. Exercise of SERs and Exchange of Restricted Units.

(a) To the extent that a Holdings II Unit becomes vested and the related Class P Unit has become a vested and Equitized Class P Unit (as defined in the Limited Partnership Agreement of KKR Group Partnership) and automatically converted to a Class A Unit pursuant to the terms of the Limited Partnership Agreement of KKR Group Partnership, the Grantee may elect to exercise the corresponding SER to (i) receive from Holdings II a Class A Unit underlying the Holdings II Unit in connection with the redemption thereof, and (ii) exchange such Class A Unit for a share of Class A Common Stock, in each case, on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications (the "**Exchange**"). Restricted Units may be exchanged on a quarterly basis, pursuant to the exchange procedures set forth in the Exchange Agreement, as such exchange procedures would apply to a "KKR Holdings Affiliated Person" (as defined therein), which exchange procedures shall apply to the Exchanges contemplated in this Section 2.2 as if directly incorporated into this Agreement. The Administrator shall have the sole discretion to impose policies and procedures for any Exchange and any sale of shares of Class A Common Stock received by the Grantee in the Exchange. The date on which any Restricted Unit is to be Exchanged hereunder is referred to as an "**Exchange Date**."

(b) On any Exchange Date, each vested Holdings II Unit subject to the Exchange shall be cancelled and each related Class A Unit shall be transferred to the Corporation or its designated subsidiary in exchange for the Corporation delivering, or causing to be delivered by the Designated Service Recipient, to the Grantee either (i) the number of shares of Class A Common Stock equal to the number of Restricted Units that are subject to the Exchange on such Exchange Date pursuant to Section 2.2(a), subject to customary conversion rate adjustments for splits, unit distributions and reclassifications or (ii) an amount of cash, denominated in U.S. dollars, equal to the Fair Market Value of the foregoing number of shares of Class A Common Stock (a "**Cash Payment**"). The Administrator may elect in its sole discretion whether to Exchange the Restricted Units for shares

of Class A Common Stock or for a Cash Payment. The delivery of shares of Class A Common Stock or Cash Payment to the Grantee shall be made as soon as administratively practicable on or following the applicable Exchange Date (or next permissible trading window of Class A Common Stock). Any of the foregoing payments or deliveries shall in all instances be subject to Sections 4.4 and 4.6.

(c) Subject to the provisions of this Article II relating to the number of shares of Class A Common Stock that are to be delivered or Cash Payment that is to be paid on any applicable delivery date and solely to the extent permitted under Section 409A, if applicable, the Corporation may impose such other conditions and procedures in relation to such delivery or payment as it may reasonably determine.

(d) To the extent (i) the Grantee's Employment terminates or the Grantee undergoes a Service Termination, in either case, for any reason, and (ii) any Holdings II Unit becomes, or has become, vested and the related Class P Unit becomes, or has become, a vested and Equitized Class P Series Unit (as defined in the Limited Partnership Agreement of KKR Group Partnership) and automatically converted to a Class A Unit pursuant to the terms of the Limited Partnership Agreement of KKR Group Partnership, the Administrator may, in its sole discretion, elect to exercise the corresponding SER and force an Exchange without any action on the part of the Grantee or the Grantee's consent (a "**Forced Exchange**"). In the event of a Forced Exchange, each vested Holdings II Unit subject to the Exchange shall be cancelled and each related Class A Unit shall be transferred to the Corporation or its designated subsidiary in exchange for the Corporation delivering, or causing to be delivered by the Designated Service Recipient, to the Grantee either (A) the number of shares of Class A Common Stock equal to the number of Restricted Units that are subject to the Exchange on such Exchange Date pursuant to this Section 2.2(d), subject to customary conversion rate adjustments for splits, unit distributions and reclassifications or (B) a Cash Payment, as determined by the Administrator, in its sole discretion. The delivery of shares of Class A Common Stock or Cash Payment to the Grantee shall be made as soon as administratively practicable on or following the applicable Exchange Date (or next permissible trading window of Class A Common Stock). Any of the foregoing payments or deliveries shall in all instances be subject to Sections 4.4 and 4.6.

Section 2.3. Dividend and Distribution Payments. The RHUs granted to the Grantee hereunder do not include the right to receive any dividend payments with respect to the Class A Common Stock. Any Distribution paid by KKR Group Partnership to Holdings II with respect to Class A Units held by Holdings II shall be allocated and payable by Holdings II to the Grantee of the Restricted Units corresponding to such Class A Units as provided in the Operating Agreements.

ARTICLE III
RESTRICTIONS ON TRANSFERS AND OTHER LIMITATIONS

Section 3.1. Transfer Restrictions on Holdings II Units and Stock Exchange Rights.

(a) The Grantee may not Transfer all or any portion of the Grantee's Holdings II Units or SERs to any Person (including to any Permitted Transferee) 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 Corporation may require) as determined by the Administrator.

(b) Prior to a Transfer of any Holdings II Units or SERs to any Person that the Administrator consents to, such Person must consent in writing to be bound by this Agreement and deliver such consent to the Administrator.

(c) Any purported Transfer of Holdings II Units or SERs that is not in accordance with this Section 3.1 or which would cause Holdings II or the KKR Group Partnership to be treated as a "publicly traded

partnership", as defined in Section 7704 of the U.S. Internal Revenue Code of 1986, as amended, is null and void.

(d) Transfers of Holdings II Units shall be subject to further conditions and/or restrictions, if any, set forth in the Limited Partnership Agreement of Holdings II.

Section 3.2. Confidentiality and Restrictive Covenant Agreement. The Grantee acknowledges and agrees that the Grantee is bound by and will comply with the Confidentiality and Restrictive Covenant Agreement contained in Appendix B and any other similar agreements that the Grantee has entered into with the Designated Service Recipient, the Corporation, KKR Holdings L.P., KKR Associates Holdings L.P., or any other member of the KKR Group, as applicable, 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 the Confidentiality and Restrictive Covenant Agreement contained in Appendix B hereto.

Section 3.3. Post-Vesting Transfer Restrictions.

The provisions of this Section 3.3 and any references to a Transfer-Restricted Unit shall not be applicable to the Holdings II Units or SERs granted to the Grantee hereunder if so indicated on the RHU Grant Certificate.

(a) The Grantee may not Transfer or Exchange all or any portion of the Grantee's Transfer-Restricted Units (as defined below) (including to any Permitted Transferee) 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 Corporation may require) as determined by the Administrator. Any permitted transfer pursuant to this Section 3.3(a) shall be made in accordance with Section 3.1. No Class A Unit or Class P Unit corresponding to a Transfer-Restricted Unit may be exchanged for a share of Class A Common Stock pursuant to the Exchange.

(b) A "**Transfer-Restricted Unit**" refers to all Holdings II Units and corresponding SERs held by the Grantee until [(i) the first anniversary of the applicable Service Vesting Date, in the case of [ ]% of such Holdings II Units and corresponding SERs and (ii) the second anniversary of such Service Vesting Date, in the case of the remaining [ ]% of such Holdings II Units and corresponding SERs]; provided that if the Grantee has given or been given notice of termination of Grantee's Employment, then the Administrator, in its sole discretion, may direct that any Holdings II Units and corresponding SERs that is then Transfer Restricted Units shall continue to be Transfer Restricted Units until the expiration of the later to occur of the Non-Compete Period (as defined in Appendix B) or the Non-Solicit Period (as defined in Appendix B) applicable to the Grantee, unless an earlier date is selected by the Administrator, in its sole discretion.

(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 in Appendix B, the Administrator, in its sole discretion, may direct that the Grantee forfeit all or a portion of the Transfer-Restricted Units held by the Grantee, in which case all related Class P Units (or Class A Units upon automatic conversion) held by Holdings II shall also be forfeited. If the Grantee's Employment is terminated for Cause, as determined by the Administrator in its sole discretion, all Transfer-Restricted Units held by the Grantee shall automatically be forfeited together with all related Class P Units (or Class A Units upon automatic conversion) held by Holdings II, unless otherwise determined by the Administrator, in its sole discretion. The Grantee hereby consents and agrees to immediately surrender and deliver such Transfer-Restricted Units to the Corporation, or its designee, without the payment of any consideration, receipt of any further notice or fulfillment of any other condition. Any forfeiture of Transfer-Restricted Units pursuant to this Section 3.3(c) shall require no additional procedures on the part of the Corporation, Holdings II, KKR Group Partnership or any of their Affiliates.

(d) Any purported Transfer or Exchange of Transfer-Restricted Units that is not in accordance with this Section 3.3 is null and void. 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 Holdings II Units and SERs 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 3.4. Minimum Retained Ownership Requirement.

The provisions of this Section 3.4 shall not be applicable to the Holdings II Units or SERs granted to the Grantee hereunder if so indicated on the RHU Grant Certificate.

(a) For so long as the Grantee retains his or her Employment, the Grantee (collectively with all Permitted Transferees, if applicable) must continuously hold an aggregate number of Class A Common Stock Equivalents (defined below) that is at least equal to the Minimum Retained Ownership Percentage of the cumulative amount of (x) all Holdings II Units granted to the Grantee under this Agreement and (y) all other Holdings II Units subject to a minimum retained ownership requirement that have been or are hereafter granted to the Grantee under the Operating Agreements and the Plan, in each case, that have become vested pursuant to Section 2 (or similar provision in any other applicable grant agreement), prior to any Exchange permitted by Section 2.2 (or similar provision in any other applicable grant agreement).

(b) "**Class A Common Stock Equivalents**" means any combination of: (i) Holdings II Units that are or become vested pursuant to Section 2 of this Agreement (even if they are Transfer-Restricted Units) but not exchanged and shares of Class A Common Stock delivered upon Exchange of such Holdings II Units and not designated for sale and (ii) Holdings II Units subject to a minimum retained ownership requirement granted to the Grantee under the Operating Agreements and the Plan that are or become vested pursuant to a provision similar to Section 2 to this Agreement (even if a provision similar to the transfer restrictions on the Transfer-Restricted Units has not yet been satisfied) but not exchanged and shares of Class A Common Stock delivered upon Exchange of such Holdings II Units and not designated for sale.

(c) Any purported Transfer or Exchange of any Holdings II Units or Class A Common Stock that would result in a violation of this Section 3.4 is null and void. Notwithstanding anything to the contrary contained in this Agreement (including, without limitation, Section 4.8) this Section 3.4 shall survive any termination of this Agreement.

Section 3.5. Waiver of Restrictions. The Administrator may, from time to time, waive the provisions of Section 3.3 or Section 3.4 of this Agreement, subject to the imposition of any conditions or further requirements, as determined by the Administrator in its sole discretion. Without limiting the foregoing, to the extent the Administrator waives the application of Section 3.3 or Section 3.4, (i) equivalent restrictions on the Grantee's other equity, if any, held in KKR Holdings L.P., the Corporation or any of their respective Affiliates (or any of their respective equity incentive plans) may be imposed and (ii) the Grantee hereby consents in advance to the imposition of such equivalent restrictions for purposes of the governing documents of Grantee's other equity, if any, held in KKR Holdings L.P., the Corporation or any of their respective Affiliates (or any of their respective equity incentive plans).

ARTICLE IV
MISCELLANEOUS

Section 4.1. Governing Law. This Agreement and RHU Grant Certificate 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. Operating Agreements and Plan. In the event of a conflict or inconsistency between the terms and provisions of the Operating Agreements or the Plan and the provisions of this Agreement, the Operating Agreements or the Plan, as applicable, shall govern and control.

Section 4.3. Arbitration. 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 4.3, OR ANY JUDICIAL PROCEEDING ANCILLARY TO AN ARBITRATION OR CONTEMPLATED ARBITRATION ARISING OUT OF OR RELATING TO OR CONCERNING THIS AGREEMENT. Any controversy or claim arising out of or relating to this Agreement (or the breach thereof) shall be 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. Judgment on the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The arbitrators shall have the authority to award any remedy or relief that a court of competent jurisdiction could order or grant, including, without limitation, the issuance of an injunction. However, either party may, without inconsistency with this arbitration provision, bring an action or special proceeding in any court of competent jurisdiction for the purpose of compelling the other party to arbitrate, seeking temporary or preliminary relief in aid of an arbitration hereunder, or enforcing an arbitration award. The Grantee irrevocably appoints the Secretary or General Counsel of the Corporation 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. Except as necessary in court proceedings to enforce this arbitration provision or an award rendered hereunder, to obtain interim relief or as otherwise required by law, neither a party nor an arbitrator may disclose the content or results of any arbitration hereunder without the prior written consent of the Corporation and the Grantee, other than general statements.

Section 4.4. 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, as applicable, 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 RHUs awarded hereunder and/or Class A Common Stock delivered to the Grantee in respect of RHUs awarded hereunder shall be subject to reduction, cancellation, forfeiture or recoupment.

(c) The Grantee further acknowledges and agrees that KKR Group shall have the right to clawback, forfeit, cancel, recoup, reduce or set-off any distribution or payment that is due or payable (or that the Administrator reasonably determines may become due or payable) to the Grantee pursuant to any agreement with the KKR Group (including but not limited to partnership agreements of KKR Holdings L.P., KKR Holdings II L.P. and KKR Associates Holdings L.P.) or otherwise for the purpose of fulfilling any present or future obligation or liability of whatever nature (whether matured or unmatured, absolute or contingent) that the Grantee has to make (or that the Administrator reasonably determines may become such an obligation or liability to make) any payment or contribution to the KKR Group, regardless of whether the payment or contribution is currently due or payable, or may become due or payable in the future, whether in advance of or without adjudication (provided that the Administrator must act in good faith when determining any contribution or payment that may become due or payable as a result of damage to the KKR Group arising from a breach by Grantee of any of Grantee's written agreements with the KKR Group or

other wrongdoing), and notwithstanding any other agreements between the Grantee and the KKR Group entered into prior to the date hereof.

Section 4.5. Amendments and Waivers.

(a) This Agreement (including the RHU Grant Certificate and Appendices A through D attached hereto, as applicable) may be amended, supplemented, waived or modified only in accordance with Section 4(b) 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 RHU Grant Certificate shall be deemed amended from time to time to reflect any adjustments provided for in the Operating Agreements or 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 4.6. Withholding.

(a) The provisions of Section 4(d) of the Plan are incorporated herein by reference and made a part hereof. Regardless of any action the Corporation 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, if any, actually withheld by the Corporation or the Designated Service Recipient. The Grantee further acknowledges that the Corporation and/or the Designated Service Recipient (1) make no representations or undertakings regarding the treatment of any Tax-Related Items and (2) are under no obligation to structure the terms of the RHUs to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result. The Corporation may refuse to issue or deliver Class A Common Stock, the Cash Payment or the proceeds of the sale of Class A Common Stock, if the Grantee fails to comply with the Grantee's obligations in connection with the Tax-Related Items as set forth in this Section 4.6.

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

(i) withholding from the Cash Payment, the Grantee's wages or other cash compensation paid to the Grantee by the Corporation and/or the Designated Service Recipient; or

(ii) withholding from proceeds of the sale of Class A Common Stock delivered upon the Exchange either through a voluntary sale or through a mandatory sale arranged by the Corporation (on the Grantee's behalf pursuant to this authorization); or

(iii) withholding in Class A Common Stock to be delivered upon the Exchange.

The Corporation may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates in the Grantee's jurisdiction(s), in which case the Grantee may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent in Class A Common Stock. If the obligation for Tax-Related Items is satisfied by withholding in Class A Common Stock, the Grantee is deemed to have been issued the full number of shares of Class A Common Stock subject to the Exchange, notwithstanding that a number of shares of Class A Common Stock are held back solely for the purpose of paying the Tax-Related Items. Finally, the Grantee shall pay to the Corporation or the Designated Service Recipient any amount of Tax-Related Items that the Corporation 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 Grantee's liability for Tax-Related items, if any, will survive the Grantee's withdrawal from Holdings II or Transfer of any RHUs.

Section 4.7. 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):

(a) If to the Corporation, to:

KKR & Co. Inc.
9 West 57th Street, Suite 4200
New York, New York 10019
U.S.A.
Attention: General Counsel and Secretary

(b) If to the KKR Group Partnership, to:

KKR Group Partnership L.P.
9 West 57th Street, Suite 4200
New York, New York 10019
U.S.A.
Attention: General Counsel and Secretary

(c) If to Holdings II, to:

KKR Holdings II L.P.
9 West 57th Street, Suite 4200
New York, New York 10019
U.S.A.
Attention: General Counsel and Secretary

(d) If to the Grantee, to the most recent address for the Grantee in the books and records of the Corporation or the Designated Service Recipient, as applicable.

Section 4.8. 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 RHUs provided for under this Agreement is in full satisfaction of any and all grants of equity or equity-based awards that representatives of the Corporation 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 Permitted Transferees cease to hold any of the RHUs that have been granted hereunder. Notwithstanding anything to the contrary herein, this Article IV shall survive any termination of this Agreement.

Section 4.9. 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 4.10. 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 4.11. 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 B shall govern solely with respect to, and shall be applicable only to the interpretation, administration and enforcement of the provisions of Appendix B, but not to any other provisions of this Agreement or any other Appendix.

Section 4.12. 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 4.13. Section 409A; Employment with Designated Service Recipient.

(a) This Section 4.13(a) applies to Grantees who are U.S. tax residents (such as, a U.S. citizen, green card 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 Class A Common Stock 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, to the extent that Section 409A applies to the RHUs, the Corporation will defer the commencement of the payment of any such payments or delivery hereunder (without any reduction in such payments or delivery of Class A Common Stock 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 Corporation shall use commercially reasonable efforts to implement the provisions of this Section 4.13(a) in good faith; provided that none of the Corporation, the Administrator nor any of the Corporation's or KKR Group's, as applicable, employees, directors or representatives shall have any liability to the Grantee with respect to this Section 4.13(a).

(b) Nothing in this Agreement shall be deemed to obligate the Corporation, Designated Service Recipient or any other member of the KKR Group, as applicable, to employ the Grantee in any capacity whatsoever or to prohibit or restrict the Corporation, Designated Service Recipient or any other member of the KKR Group, as applicable, from terminating the Grantee's Employment at any time or for any reason whatsoever, with or without Cause.

Section 4.14. 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 Corporation, KKR Group Partnership and Holdings II have executed this Agreement as of the date specified under the signature of the Grantee.

KKR & Co. Inc.

By: _____
Name:
Title:

KKR Group Partnership L.P.

By: KKR Group Holdings Corp.,
its general partner

By: _____
Name:
Title:

KKR Holdings II L.P.

By: KKR Group Holdings Corp.,
its general partner

By: _____
Name:
Title:

IN WITNESS WHEREOF, the undersigned Grantee has caused this counterpart signature page to this Agreement to be duly executed as ofthe 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 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 Corporation) or a Portfolio Company (as defined below), (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 & Agreements 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; and *provided further*, that 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.

"**Class A Units**" means the Class A Units of KKR Group Partnership under the Limited Partnership Agreement of KKR Group Partnership.

"**Designated Service Recipient**" means any member of the KKR Group that employs the Grantee or with which the Grantee is similarly associated.

"**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 its sole discretion.

"**Employment**" means the Grantee's employment (including any similar association determined by the Administrator to constitute employment for purposes of this Agreement) with the Designated Service Recipient or any other member of the KKR Group.

"Exchange Agreement" means the Third Amended and Restated Exchange Agreement, dated as of January 1, 2020, among KKR Group Partnership, KKR Holdings L.P., the Corporation, and KKR Group Holdings Corp., as amended from time to time, or such other exchange agreement entered into from time to time by the Corporation, or any successor thereto, and KKR Group Partnership.

"Group Partnership" means KKR Group Partnership, along with its successor and any other legal entity designated in the future as a "Group Partnership" by the Corporation.

"**KKR Group**" means (i) the Corporation and KKR Management LLP (and its successors), (ii) any direct or indirect subsidiaries of the Corporation, including but not limited to the Group Partnership and its direct and indirect subsidiaries (not including Portfolio Companies), (iii) KKR Holdings L.P. and KKR Associates Holdings L.P., their respective general partners, and the direct or indirect subsidiaries of KKR Holdings L.P. and KKR Associates Holdings L.P., respectively, and (iv) any investment fund, account or vehicle that is managed, advised or sponsored by any member of the KKR Group (the "**Funds**").

"**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 Corporation or any Grantee, as the case may be.

"**Limited Partnership Agreement of Holdings II**" means the Limited Partnership Agreement of Holdings II, dated as of January 1, 2020, as amended from time to time.

"**Limited Partnership Agreement of KKR Group Partnership**" means the Third Amended and Restated Limited Partnership Agreement of KKR Group Partnership, dated as of January 1, 2020, as amended.

"**Minimum Retained Ownership Percentage**" means the percentage set forth on the RHU Grant Certificate.

"**Permitted Transferee**" means (A) any person who is a "family member" of the Grantee, as such term is used in the instructions to Form S-8 under the Securities Act of 1933, as amended, or any successor form of registration statement promulgated by the Securities and Exchange Commission (collectively, the "**Immediate Family Members**"); (B) a trust solely for the benefit of the Grantee and his or her Immediate Family Members; (C) a partnership or limited liability company whose only partners or stockholders are the Grantee and his or her Immediate Family Members; (D) a beneficiary to whom donations are eligible to be treated as "charitable contributions" for federal income tax purposes; or (E) any other Person the Administrator consents to.

"Person" means any individual, corporation, partnership, limited liability company, trust, joint stock company, business trust, unincorporated association, joint venture, governmental authority or other entity of any nature whatsoever.

"**Portfolio Company**" means any portfolio companies, joint ventures or affiliated investments that are held as such by the KKR Group.

"**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.

"**Retirement Restricted Units**" means, with respect to any Grantee whose Employment terminates due to Retirement, any Class P Units and Holdings II Units 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.

"**RHU Grant Certificate**" means the RHU Grant Certificate delivered to the Grantee and attached to this Agreement, as the same may be modified pursuant to Section 4.5(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 Restricted Unit, the date set forth in the RHU Grant Certificate as the "Service Vesting Date."

"**Transfer**" or "**Transferred**" means with respect to any RHUs or Class A Common Stock, as applicable, any (i) sale, assignment, transfer or other disposition thereof or any interests therein or rights attached thereto, whether voluntarily

or by operation of Law, including but not limited to an Exchange, 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 & Agreements**" 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 with the KKR Group, as applicable, and any agreements between the Grantee and a member of the KKR Group relating to the Grantee's Employment with the KKR Group, including but not limited to an employment agreement, if any, and the Confidentiality and Restrictive Covenant Agreement.

APPENDIX B

CONFIDENTIALITY AND RESTRICTIVE COVENANT OBLIGATIONS

APPENDIX C

SUPPLEMENT TO THE LIMITED PARTNERSHIP AGREEMENT OF HOLDINGS II

APPENDIX D

GRANTEE CONSENT

Exhibit 10.29

December 19, 2019

Kohlberg Kravis Roberts & Co. L.P. ("KKR") is pleased to enter into this binding written agreement with you to pay, with respect to the year-ending December 31, 2019 only, an amount of cash equal to "Total Cash Compensation" as stated in your "2019 Total Value Statement" prepared by KKR and delivered to you earlier this month.

Nothing herein is intended to be construed as an employment agreement, and your employment at KKR remains at-will, which means the Firm may remove you as executive officer of the Firm or terminate your employment (or both), at any time with or without cause.

Please acknowledge your agreement with the foregoing, at which time this will become a binding agreement between you and KKR.

KOHLBERG KRAVIS ROBERTS & CO. L.P.

By: _____

Exhibit 21.1

The following is a list of the subsidiaries of KKR & Co. Inc. as of January 1, 2020.

Subsidiaries of the Registrant

Name	Jurisdiction
8 Sigma Capital Holdings Pte. Ltd.	Singapore
9W Halo Parent LLC	Delaware
Aerosmith Holdings LLC	Delaware
Alamo GP LLC	Delaware
Allstar Co-Invest GP LLC	Delaware
ASF Walter Co-Invest GP Limited	Cayman Islands
Avoca Capital Jersey Unlimited	Jersey
Avoca Capital Property Unlimited Company	Ireland
Avoca Capital Unlimited Company	Ireland
Avoca Securities Investments Unlimited Company	Ireland
Brunswick Asset Holdings (Overseas) LLC	Delaware
Brunswick Asset Holdings LLC	Delaware
Capstone Europe Limited	England & Wales
Capstone Limited	Jersey
Capstone Purchasing 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 Newark Acquisition GP I LLC	Delaware
EIGF TE GP Newark Acquisition I L.P.	Delaware
EIGF TE GP Newark Investors L.P.	Delaware
EIGF TE GP Resource Holdings GP I LLC	Delaware
EIGF TE GP Resource Holdings I L.P.	Delaware
EIGF TE GP Resource Investors GP LLC	Delaware
EIGF TE GP Resource Investors L.P.	Delaware
Electron IM Pte. Ltd.	Singapore
Electron Pte. Ltd.	Singapore
Energy Real Assets GP LLC	Delaware
Energy Real Assets L.P.	Delaware
Esoteric I Pte. Ltd.	Singapore
Fan Co-Invest GP Limited	Cayman Islands
Fan Investors GP Limited	Cayman Islands

Name	Jurisdiction
Fan Investors L.P.	Cayman Islands
Fan Investors Limited	Cayman Islands
Financiere Victor I S.à r.l.	Luxembourg
Financiere Victor III S.à r.l.	Luxembourg
Fortune Creek Co-Invest GP Limited	Cayman Islands
GDG Co-Invest GP LLC	Delaware
Helios Co-Invest GP Limited	Cayman Islands
Hoosier Asset Financing LLC	Delaware
Hoosier Asset Holdings LLC	Delaware
KAM Advisors LLC	Delaware
KAM Credit Advisors LLC	Delaware
KAM Fund Advisors LLC	Delaware
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 Bellemeade Feeder LLC	Delaware
KFN Birch 2 Feeder LLC	Delaware
KFN Broadway Feeder LLC	Delaware
KFN BTS 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 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 & Co. GP LLC	Delaware
KKR & Co. L.L.C.	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

Name	Jurisdiction
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 Fund XII (Enterprise) A GP LLC	Delaware
KKR Americas Fund XII (Enterprise) B GP LLC	Delaware
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 AP Infrastructure Holdings Limited	Cayman Islands
KKR AP Infrastructure S.à r.l.	Luxembourg
KKR Apollo Co-Invest GP Limited	Cayman Islands
KKR ARC India Private Limited	India
KKR Ark Holdings Pte. Ltd.	Singapore
KKR Ascend Co-Invest GP Limited	Cayman Islands
KKR Ascent Co-Invest GP LLC	Delaware
KKR ASF Walter PE Limited	Cayman Islands
KKR Asia Credit Opportunities Holdings Limited	Cayman Islands
KKR Asia Credit Opportunities S.à r.l.	Luxembourg
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 Limited	Hong Kong
KKR Asia III S.à r.l.	Luxembourg
KKR Asia IV Holdings Limited	Cayman Islands
KKR Asia IV 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 AP Infrastructure SCSp	Luxembourg
KKR Associates ASF Walter PE L.P.	Cayman Islands

Name	Jurisdiction
KKR Associates Asia Credit Opportunities SCSp	Luxembourg
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 Cardinal Credit Opportunities GP L.P.	Delaware
KKR Associates Cardinal Credit Opportunities LLC	Delaware
KKR Associates CDP PE L.P.	Cayman Islands
KKR Associates China Growth L.P.	Cayman Islands
KKR Associates CIP SCSp	Luxembourg
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 II LLC	Delaware
KKR Associates EIGF 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 V SCSp	Luxembourg
KKR Associates GCOF GP Ltd.	Cayman Islands
KKR Associates GFIP L.P.	Cayman Islands
KKR Associates Global Credit Opportunities GP L.P.	Cayman Islands
KKR Associates Global Impact SCSp	Luxembourg
KKR Associates HCRI 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 AIV SCSp	Luxembourg
KKR Associates Infrastructure III SCSp	Luxembourg
KKR Associates Infrastructure L.P.	Cayman Islands

Name	Jurisdiction
KKR Associates IUH L.P.	Delaware
KKR Associates Lending Europe II SCSp	Luxembourg
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 II SCSp	Luxembourg
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 Principal Opportunities II (Domestic) L.P.	Cayman Islands
KKR Associates Principal Opportunities II (Offshore) L.P.	Cayman Islands
KKR Associates RCP Europe SCSp	Luxembourg
KKR Associates RE Asia SCSp	Luxembourg
KKR Associates RE Income Americas SCSp	Luxembourg
KKR Associates RECOI L.P.	Cayman Islands
KKR Associates RECOP (AIV) Ltd.	Cayman Islands
KKR Associates RECOP II 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 II SCSp	Luxembourg
KKR Associates REPE L.P.	Cayman Islands
KKR Associates RESTAC L.P.	Delaware
KKR Associates Revolving Credit Partners L.P.	Cayman Islands
KKR Associates RR-RW Credit LLC	Delaware

Name	Jurisdiction
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 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 Special Situations III SCSp	Luxembourg
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 Azure Co-Invest GP LLC	Delaware
KKR Banff Co-Invest GP LLC	Delaware
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 (Ireland) Limited	Ireland
KKR Capital Markets Asia Limited	Hong Kong
KKR Capital Markets Holdco Limited	Jersey
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 Capital Markets Partners LLP	England & Wales
KKR Capstone Americas LLC	Delaware
KKR Capstone Asia Limited	Hong Kong
KKR Capstone Australia Pty Limited	Australia
KKR Capstone EMEA (International) LLP	Delaware
KKR Capstone Holdings LLC	Delaware
KKR Capstone India Operations Advisory Private Limited	India
KKR Capstone Japan Limited	Japan

Name	Jurisdiction
KKR Capstone Korea Limited	Korea
KKR Capstone Operations Advisory (Beijing) Company Limited	China
KKR Capstone Operations Advisory (Shanghai) Company Limited	China
KKR Capstone Singapore Pte. Ltd.	Singapore
KKR Caribou Co-Invest GP Limited	Cayman Islands
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 CIP Holdings Limited	Cayman Islands
KKR CIP S.à r.l.	Luxembourg
KKR CIS Global Limited	Cayman Islands
KKR CK Co-Invest GP Limited	Cayman Islands
KKR Co-Invest GP Holdings L.P.	Delaware
KKR Co-Invest GP LLC	Delaware
KKR Colorado Co-Invest GP Limited	Cayman Islands
KKR Core Investors GP Limited	Cayman Islands
KKR Core Investors L.P.	Delaware
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 Count Co-Invest GP Limited	Cayman Islands
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

Name	Jurisdiction
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 Dragon Co-Invest GP LLC	Delaware
KKR E2 Limited	Cayman Islands
KKR Eagle Aggregator GP Limited	Cayman Islands
KKR Eagle Co-Invest GP Limited	Cayman Islands
KKR EIGF Feeder GP Limited	Cayman Islands
KKR EIGF II LLC	Delaware
KKR EIGF LLC	Delaware
KKR Element Co-Invest GP LLC	Delaware
KKR EnerGas Aggregator GP Limited	Cayman Islands
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 Enterprise Co-Invest AIV A GP LLC	Delaware
KKR Enterprise Co-Invest AIV B GP LLC	Delaware
KKR Enterprise Co-Invest GP LLC	Delaware
KKR Enterprise Debt Aggregator A GP LLC	Delaware
KKR Enterprise Debt Aggregator B 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 V Holdings Limited	Cayman Islands
KKR Europe V Holdings LLC	Delaware
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

Name	Jurisdiction
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 Holdings II LLC	Delaware
KKR Financial CLO Holdings, 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 Gaudi Investors LLC	Delaware
KKR Genetic Disorder GP LLC	Delaware
KKR GFIP Limited	Cayman Islands
KKR Global Credit Dislocation GP LLC	Delaware
KKR Global Credit Opportunities Access Fund GP Limited	Cayman Islands
KKR Global Credit Opportunities Access Fund GP Pte. Ltd.	Singapore
KKR Global Impact Fund Holdings Limited	Cayman Islands
KKR Global Impact S.à r.l.	Luxembourg
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 Goldfinch GP LLC	Delaware
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. V LLC	Delaware
KKR Group Finance Co. VI LLC	Delaware
KKR Group Finance Co. Holdings Limited	Cayman Islands
KKR Group Finance Co. LLC	Delaware
KKR Group Holdings Corp.	Delaware
KKR Group Partnership L.P.	Cayman Islands
KKR Gym GP Limited	Cayman Islands
KKR HALO I Limited	Cayman Islands
KKR Harbourview Holdings Pty Ltd	Australia
KKR HCRI Limited	Cayman Islands
KKR HCSG GP AIV LLC	Delaware

Name	Jurisdiction
KKR HCSG GP LLC	Delaware
KKR Heford AIV GP LLC	Delaware
KKR HF LP Limited	Cayman Islands
KKR Holdco LLC	Delaware
KKR Holdings Mauritius, Ltd.	Mauritius
KKR Husky Co-Invest GP LLC	Delaware
KKR HY Holdings LLC	Delaware
KKR HY LLC	Delaware
KKR HY Owner 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 AIV S.à r.l.	Luxembourg
KKR Infrastructure III Holdings AIV Limited	Cayman Islands
KKR Infrastructure III Holdings Limited	Cayman Islands
KKR Infrastructure III S.à r.l.	Luxembourg
KKR Infrastructure Limited	Cayman Islands
KKR Ingrid Co-Invest GP Limited	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
KKR KREF Feeder GP LLC	Delaware
KKR Landmark Partners GP AIV LLC	Delaware
KKR Landmark Partners GP Limited	Cayman Islands

Name	Jurisdiction
KKR Latin America LLC	Delaware
KKR Lending Europe GP Limited	Cayman Islands
KKR Lending Europe GP LLP	Guernsey
KKR Lending Europe II Holdings Limited	Cayman Islands
KKR Lending Europe II S.à r.l.	Luxembourg
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 Holdings Corp.	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 Maybach Co-Invest GP Limited	Cayman Islands
KKR MENA Holdings LLC	Delaware
KKR MENA Limited	Dubai International Financial Centre
KKR Meridian Co-Invest GP Limited	Cayman Islands
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 Nevada Ventures LLC	Cayman Islands
KKR Next Gen Tech Fund II Holdings 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 NGT II S.à r.l.	Luxembourg
KKR Nitro Holdings Limited	Cayman Islands
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

Name	Jurisdiction
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
KKR Omega 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 Parrot Co-Invest GP Limited	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 Peanut Aggregator GP LLC	Delaware
KKR Peanut Co-Invest GP LLC	Delaware
KKR PEI Associates L.P.	Cayman Islands
KKR PEI GP Limited	Cayman Islands
KKR PEI Investments, L.P.	Cayman Islands
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 Portfolio Services Holdings LLC	Delaware
KKR Precise 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) Limited	Cayman Islands
KKR Principal Opportunities II (Domestic) Limited	Cayman Islands
KKR Principal Opportunities II (Offshore) Limited	Cayman Islands
KKR Property Partners Americas Limited	Cayman Islands
KKR Property Partners Americas S.à r.l.	Luxembourg
KKR Radar LLC	Cayman Islands
KKR Ramky Co-Invest GP Limited	Cayman Islands
KKR Ranger Co-Invest GP Limited	Cayman Islands
KKR RCP Europe Limited	Cayman Islands
KKR RCP Europe S.à r.l.	Luxembourg
KKR RE Asia Limited	Cayman Islands

Name	Jurisdiction
KKR RE Asia S.à r.l.	Luxembourg
KKR Real Estate Finance Manager 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 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 RECOP II GP Limited	Cayman Islands
KKR RECOP II S.à r.l.	Luxembourg
KKR REFT Asset Holdings LLC	Delaware
KKR REFT Holdings GP LLC	Delaware
KKR REFT Holdings L.P.	Delaware
KKR REIGN Sponsor GP Limited	Cayman Islands
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
KKR REPA GP LLC	Delaware
KKR REPA II GP LLC	Delaware
KKR REPA II GP2 LLC	Delaware
KKR REPA III Holdings Limited	Cayman Islands
KKR REPE EEA Limited	Cayman Islands
KKR REPE EEA LLC	Delaware
KKR REPE GP Limited	Cayman Islands
KKR REPE II Limited	Cayman Islands
KKR REPE II S.à r.l.	Luxembourg
KKR RESTAC GP LLC	Delaware
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 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 Sigma Co-Invest GP Limited	Cayman Islands
KKR Singapore Pte. Ltd.	Singapore
KKR Sonar LLC	Delaware
KKR Spark Power Holdings I (Mauritius), Ltd.	Mauritius

Name	Jurisdiction
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 Special Situations III Limited	Cayman Islands
KKR Special Situations III S.à r.l.	Luxembourg
KKR SPN GP Limited	Cayman Islands
KKR Spur Co-Invest GP LLC	Delaware
KKR Square GP Limited	Cayman Islands
KKR Starlight Co-Invest 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 Summit Co-Invest GP LLC	Delaware
KKR Talk Co-Invest GP Limited	Cayman Islands
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 Traviata Co-Invest GP 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
KKR US CLO Equity Associates II Ltd.	Cayman Islands
KKR US CLO Equity Associates Ltd.	Cayman Islands
KKR Victoria GP Limited	Cayman Islands
KKR Vision Investors GP LLC	Delaware
KKR Wand 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-Barmenia EDL Associates SCSp	Luxembourg
KKR-Barmenia EDL Holdings Limited	Cayman Islands
KKR-Barmenia EDL S.à r.l.	Luxembourg
KKR-DUS EDL Associates SCSp	Luxembourg
KKR-DUS EDL Holdings Limited	Cayman Islands
KKR-DUS EDL S.à r.l.	Luxembourg

Name	Jurisdiction
KKR-Generali Associates SCSp	Luxembourg
KKR-Generali Holdings Limited	Cayman Islands
KKR-Generali S.à r.l.	Luxembourg
KKR-Jesselton HIF Credit Partners GP Limited	Cayman Islands
KKR-Keats Associates Pipeline (AIV) L.P.	Delaware
KKR-KEATS Associates Pipeline II L.P.	Cayman Islands
KKR-Keats Associates Pipeline L.P.	Delaware
KKR-Keats Pipeline (AIV) LLC	Delaware
KKR-KEATS Pipeline II Limited	Cayman Islands
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 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
LP III Warehouse 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
Pacova Limited	Jersey
Palo Verde Holdings GP LLC	Delaware
Rainier Co-Investments GP Limited	Cayman Islands
Ranger (NZ) Pte. Ltd.	Singapore
Raptor Investment Aggregator LLC	Cayman Islands
Raptor Investment Holdings GP LLC	Cayman Islands
Renee Holding GP LLC	Delaware
Royalty (GP) Pte. Ltd.	Singapore
Samson Co-Invest GP LLC	Delaware
Silverview Investments Pte. Ltd.	Singapore
Silverview SG Holdings Pte. Ltd.	Singapore
Spiral Holding GP S.à r.l.	Luxembourg

Name	Jurisdiction
TE Newark Agent Corp.	Delaware
TE Renee Agent Corp.	Delaware
TEA GP Limited	Cayman Islands
Uno Co-Invest GP LLC	Delaware
Venado EF Holdings GP LLC	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in (i) Registration Statement No. 333-228333 on Form S-3ASR, (ii) Registration Statement No. 333-210061 on Form S-3ASR, as amended by Post-Effective Amendment No.1 on Form S-3 dated July 2, 2018, (iii) Registration Statement No. 333-223202 on Form S-8, as amended by Post-Effective Amendment No. 1 on Form S-8 dated July 2, 2018, (iv) Registration Statement No. 333-194249 on Form S-3, as amended by Post-Effective Amendment No. 1 on Form S-3 dated July 2, 2018, and (v) Registration Statement No. 333-169433 on Form S-1, as amended by Post-Effective Amendment No. 3 on Form S-3 dated July 2, 2018, and (vi) Registration Statement No. 333-230627 on Form S-8 dated March 29, 2019, relating to the consolidated financial statements and financial statement schedule of KKR & Co. Inc. and it's 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, 2019.

/s/ Deloitte & Touche LLP

New York, New York

February 14, 2020

Exhibit 31.1

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 endedDecember 31, 2019 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: February 14, 2020

/s/ Henry R. Kravis

Henry R. Kravis

Co-Chief Executive Officer

Exhibit 31.2

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 endedDecember 31, 2019 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: February 14, 2020

/s/ George R. Roberts

George R. Roberts

Co-Chief Executive Officer

Exhibit 31.3

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Robert H. Lewin, certify that:

1. I have reviewed this Annual Report on Form 10-K for the period endedDecember 31, 2019 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: February 14, 2020

/s/ Robert H. Lewin

Robert H. Lewin

Chief Financial Officer

Exhibit 32.1

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. Inc. (the "Corporation") on Form 10-K for the period endedDecember 31, 2019 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: February 14, 2020

/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.

Exhibit 32.2

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. Inc. (the "Corporation") on Form 10-K for the period endedDecember 31, 2019 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: February 14, 2020

/s/ George R. Roberts

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.

Exhibit 32.3

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. Inc. (the "Corporation") on Form 10-K for the period endedDecember 31, 2019 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: February 14, 2020

/s/ Robert H. Lewin

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.

PROVIDENCEEQUITY

GP Balance Sheet

Company	LE41102 PEP VII-A International Ltd.
Period	2019 - Dec

	LE41102 PEP VII-A International Ltd.	
Ledger Account	**Current Year Balance**	**Prior Year Balance**
Assets		
Cash & Cash Equivalents	27,139.52	108.06
Portfolio Investments at Fair Value		
Unrealized Portfolio Gain/Loss	0.00	0.00
Marketable Securities Investments	0.00	0.00
Portfolio Investment (Costs)	0.00	0.00
Total Portfolio Value	**0.00**	**0.00**
Due From Affiliates	0.00	0.00
Other Receivables	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Notes Receivable - Related Party	0.00	0.00
A/R - Related Party	0.00	0.00
Other Assets	0.00	0.00
Total Assets	**$27,139.52**	**$108.06**
Liabilities and Partners' Capital		
Liabilities		
Accounts Payable	0.00	0.00
Intercompany Payables	21,042.80	17,445.14
Accrued Liabilities and Taxes	0.00	0.00
Due to Related Party	0.00	0.00
Total Liabilities	**21,042.80**	**17,445.14**
Partners' Capital		
Capital Contribution	60,000.00	30,000.00
Return of Capital	0.00	0.00
Distribution	0.00	0.00
Syndication Costs	(1,055.89)	(1,055.89)
Cumulative Income	(52,847.39)	(46,281.19)
Unrealized Foreign Currency Gain (Loss)	0.00	0.00
Unrealized Appreciation of Investments	0.00	0.00
Total Partners' Capital	**6,096.72**	**(17,337.08)**
Total Liabilities and Partners' Capital	**$27,139.52**	**$108.06**

PROVIDENCEEQUITY

GP Income Statement

Company	LE41102 PEP VII-A International Ltd.
Period	2019 - Dec
Time Period	Current Period YTD

Ledger Account	LE41102 PEP VII-A International Ltd. Activity
Investment Income	
Portfolio Dividend Income	0.00
Interest Income - Notes	0.00
Interest Income - Affiliate	0.00
Interest Income on Proceeds	0.00
Realized FX Gain (Loss) - Cash	0.00
Other Income - Fund	0.00
Total Investment Income	**0.00**
Investment Expenses	
Organization Costs	0.00
Interest Expense	0.00
Professional Fees	3,612.54
Tax Expense	0.00
Other Expenses	2,953.66
Total Investment Expenses	**6,566.20**
Net Investment Income (Loss)	**(6,566.20)**
Realized Gain (Loss)	0.00
Unrealized Gain (Loss)	0.00
Pass-Through Gain (Loss)	0.00
Total Income from Investments	**$6,566.20**

PROVIDENCEEQUITY

GP Balance Sheet

Company	LE41111 PEP VIII International Ltd.
Period	2019 - Dec

Ledger Account	LE41111 PEP VIII Current Year Balance	Prior Year Balance
Assets		
Cash & Cash Equivalents	0.00	0.00
Portfolio Investments at Fair Value		
Unrealized Portfolio Gain/Loss	0.00	0.00
Marketable Securities Investments	0.00	0.00
Portfolio Investment (Costs)	0.00	0.00
Total Portfolio Value	**0.00**	**0.00**
Due From Affiliates	0.00	0.00
Other Receivables	0.00	0.00
Accrued Interest Receivable	0.00	0.00
Notes Receivable - Related Party	0.00	0.00
A/R - Related Party	0.00	0.00
Other Assets	0.00	0.00
Total Assets	**$0.00**	**$0.00**
Liabilities and Partners' Capital		
Liabilities		
Accounts Payable	0.00	0.00
Intercompany Payables	19,814.43	500.00
22000:Intercompany Payables	19,814.43	500.00
LE30099 Providence Equity Partners Central Pay L.L.C.	4,366.00	500.00
LE41110 Providence Equity GP VIII L.P.	15,448.43	0.00
(Blank)	15,448.43	0.00
Accrued Liabilities and Taxes	0.00	0.00
Due to Related Party	0.00	0.00
Total Liabilities	**19,814.43**	**500.00**
Partners' Capital		
Capital Contribution	0.00	0.00
Return of Capital	0.00	0.00
Distribution	0.00	0.00
Syndication Costs	0.00	0.00
Cumulative Income	(19,814.43)	(500.00)
39100:Retained Earnings - Prior Periods	(500.00)	0.00
(Blank)	(500.00)	0.00
Unrealized Foreign Currency Gain (Loss)	**0.00**	**0.00**
Unrealized Appreciation of Investments	0.00	0.00
Total Partners' Capital	**($19,814.43)**	**($500.00)**
Total Liabilities and Partners' Capital	**$0.00**	**$0.00**

PROVIDENCEEQUITY

GP Income Statement

Company	LE41111 PEP VIII International Ltd.
Period	2019 - Dec
Time Period	Current Period YTD

Ledger Account	LE41111 PEP VIII International Ltd. Activity
Investment Income	
Portfolio Dividend Income	0.00
Interest Income - Notes	0.00
Interest Income - Affiliate	0.00
Interest Income on Proceeds	0.00
Realized FX Gain (Loss) - Cash	0.00
Other Income - Fund	0.00
Total Investment Income	**0.00**
Investment Expenses	
Organization Costs	0.00
Interest Expense	0.00
Professional Fees	12,507.46
Tax Expense	0.00
Other Expenses	6,806.97
Total Investment Expenses	**19,314.43**
Net Investment Income (Loss)	**(19,314.43)**
Realized Gain (Loss)	0.00
Unrealized Gain (Loss)	0.00
Pass-Through Gain (Loss)	0.00
Total Income from Investments	**$19,314.43**

ANEXO 12.bis

Copia de los estados financieros auditados de KKR & Co. Inc. cerrados a 31 de marzo de 2020.

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	**26-0426107**
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

9 West 57th 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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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.

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 holdings 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
Assets		
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
Total Assets	$ 55,601,075	$ 60,899,319
Liabilities and Equity		
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
Total Liabilities	29,011,045	30,396,945
Commitments and Contingencies		
Stockholders' Equity		
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)
Total KKR & Co. Inc. Stockholders' Equity	9,325,962	10,807,490
Noncontrolling Interests	17,264,068	19,694,884
Total Equity	26,590,030	30,502,374
Total Liabilities and Equity	$ 55,601,075	$ 60,899,319

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.

	March 31, 2020		
	Consolidated CFEs	Consolidated KKR Funds and Other Entities	Total
Assets			
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
Total Assets	$ 14,020,785	$ 18,978,129	$ 32,998,914
Liabilities			
Debt Obligations	$ 13,130,703	$ 2,078,750	$ 15,209,453
Accounts Payable, Accrued Expenses and Other Liabilities	629,381	132,553	761,934
Total Liabilities	$ 13,760,084	$ 2,211,303	$ 15,971,387

	December 31, 2019		
	Consolidated CFEs	Consolidated KKR Funds and Other Entities	Total
Assets			
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
Total Assets	$ 15,682,487	$ 21,187,128	$ 36,869,615
Liabilities			
Debt Obligations	$ 14,658,137	$ 2,481,937	$ 17,140,074
Accounts Payable, Accrued Expenses and Other Liabilities	513,057	109,575	622,632
Total Liabilities	$ 15,171,194	$ 2,591,512	$ 17,762,706

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**
Revenues		
Fees and Other	$ 380,572	$ 372,548
Capital Allocation-Based Income (Loss)	(1,382,077)	814,932
Total Revenues	(1,001,505)	1,187,480
Expenses		
Compensation and Benefits	(262,137)	544,562
Occupancy and Related Charges	16,322	14,690
General, Administrative and Other	149,123	169,515
Total Expenses	(96,692)	728,767
Investment Income (Loss)		
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)
Total Investment Income (Loss)	(3,683,819)	1,335,926
Income (Loss) Before Taxes	(4,588,632)	1,794,639
Income Tax Expense (Benefit)	(360,679)	167,593
Net Income (Loss)	(4,227,953)	1,627,046
Net Income (Loss) Attributable to Noncontrolling Interests	(2,947,429)	917,727
Net Income (Loss) Attributable to KKR & Co. Inc.	(1,280,524)	709,319
Series A Preferred Stock Dividends	5,822	5,822
Series B Preferred Stock Dividends	2,519	2,519
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	$ (1,288,865)	$ 700,978
Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock		
Basic	$ (2.31)	$ 1.31
Diluted	$ (2.31)	$ 1.27
Weighted Average Shares of Class A Common Stock Outstanding		
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**
Net Income (Loss)	$ (4,227,953)	$ 1,627,046
Other Comprehensive Income (Loss), Net of Tax:		
Foreign Currency Translation Adjustments	(26,732)	2,366
Comprehensive Income (Loss)	(4,254,685)	1,629,412
Comprehensive Income (Loss) Attributable to Noncontrolling Interests	(2,961,543)	920,359
Comprehensive Income (Loss) Attributable to KKR & Co. Inc.	$ (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
Preferred Stock				
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
Class A Common Stock				
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
Class B Common Stock				
Beginning of Period	—	1	—	1
End of Period	—	1	—	1
Class C Common Stock				
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
Additional Paid-In Capital				
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	
Retained Earnings				
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	
Accumulated Other Comprehensive Income (Loss) (net of tax)				
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)	
Total KKR & Co. Inc. Stockholders' Equity	9,325,962		9,322,371	
Noncontrolling Interests (See Note 15 "Equity")	17,264,068		16,885,470	
Total Equity	$ 26,590,030		$ 26,207,841	

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**
Operating Activities		
Net Income (Loss)	$ (4,227,953)	$ 1,627,046
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
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)
Cash Flows Due to Changes in Operating Assets and Liabilities:		
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
Investing Activities		
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)
Financing Activities		
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
Net Increase/(Decrease) in Cash, Cash Equivalents and Restricted Cash	32,627	145,256
Cash, Cash Equivalents and Restricted Cash, Beginning of Period	3,237,416	2,641,512
Cash, Cash Equivalents and Restricted Cash, End of Period	$ 3,270,043	$ 2,786,768

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**
Supplemental Disclosures of Cash Flow Information		
Payments for Interest	$ 288,916	$ 240,889
Payments for Income Taxes	$ 24,836	$ 8,901
Payments for Operating Lease Liabilities	$ 13,243	$ 12,291
Supplemental Disclosures of Non-Cash Investing and Financing Activities		
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	$ —
Change in Consolidation and Other		
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)

	March 31, 2020	**December 31, 2019**
Reconciliation to the Condensed Consolidated Statements of Financial Condition		
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	$ 3,270,043	$ 3,237,416

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.

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.

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

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

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.

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:

	Three Months Ended March 31,	
	2020	**2019**
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
Total Fees and Other	380,572	372,548
Carried Interest	(1,210,925)	694,383
General Partner Capital Interest	(171,152)	120,549
Total Capital Allocation-Based Income (Loss)	(1,382,077)	814,932
Total Revenues	**$ (1,001,505)**	**$ 1,187,480**

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.

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 [1]	Variable or Fixed Consideration	Payment Terms	Subject to Return Once Recognized	Classification of Uncollected Amounts [2]
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							
Recurring Fees	*Portfolio companies*	*Monitoring services*	*Over time as services are rendered*	*Variable consideration since varies based on fluctuations in the basis of the recurring fee*	*Typically quarterly in arrears*	*No*	*Due from Affiliates*
Termination Fees	*Portfolio companies*	*Monitoring services*	*Point in time when the termination is completed*	*Fixed consideration*	*Typically paid on or shortly after termination occurs*	*No*	*Due from Affiliates*
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.

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.

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 [1]	$ —	$ (1,282,404)	$ (1,282,404)	$ 68,568	$ 919,625	$ 988,193
Credit [1]	(40,697)	(905,607)	(946,304)	(17,876)	8,669	(9,207)
Investments of Consolidated CFEs [1]	(40,852)	(2,112,541)	(2,153,393)	(10,530)	233,357	222,827
Real Assets [1]	53,363	(851,015)	(797,652)	29,547	89,581	119,128
Equity Method - Other [1]	4,405	(445,023)	(440,618)	20,133	156,906	177,039
Other Investments [1]	(11,453)	(667,719)	(679,172)	1,450	(30,361)	(28,911)
Foreign Exchange Forward Contracts and Options [2]	83,239	331,051	414,290	25,454	54,789	80,243
Securities Sold Short [2]	14,655	21,523	36,178	14,426	(80,772)	(66,346)
Other Derivatives [2]	(226)	811	585	1,465	(13,405)	(11,940)
Debt Obligations and Other [3]	941	1,903,045	1,903,986	(2,856)	(264,292)	(267,148)
Net Gains (Losses) From Investment Activities	**$ 63,375**	**$ (4,007,879)**	**$ (3,944,504)**	**$ 129,781**	**$ 1,074,097**	**$ 1,203,878**

(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
Total Investments	**$ 48,601,127**	**$ 54,936,268**

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.

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
Total Investments	1,505,353	16,471,081	24,112,367	42,088,801
Foreign Exchange Contracts and Options	—	518,901	—	518,901
Other Derivatives	—	3,243	44,368 (1)	47,611
Total Assets	**$ 1,505,353**	**$ 16,993,225**	**$ 24,156,735**	**$ 42,655,313**

	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
Total Investments	2,053,737	18,172,584	26,468,185	46,694,506
Foreign Exchange Contracts and Options	—	188,572	—	188,572
Other Derivatives	—	1,333	21,806 (1)	23,139
Total Assets	**$ 2,053,737**	**$ 18,362,489**	**$ 26,489,991**	**$ 46,906,217**

(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.

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 (1)	70,597
Other Derivatives	—	60,460	—	60,460
Debt Obligations of Consolidated CFEs	—	13,130,703	—	13,130,703
Total Liabilities	**$ 115,984**	**$ 13,211,421**	**$ 70,597**	**$ 13,398,002**

	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 (1)	75,842
Other Derivatives	—	34,174	—	34,174
Debt Obligations of Consolidated CFEs	—	14,658,137	—	14,658,137
Total Liabilities	**$ 251,223**	**$ 14,731,675**	**$ 75,842**	**$ 15,058,740**

(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)
Balance, End of Period	**$ 9,349,448**	**$ 9,004,965**	**$ 2,727,991**	**$ 1,352,346**	**$ 1,677,617**	**$ 24,112,367**
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	**$ 6,831,546**	**$ 6,530,479**	**$ 2,083,735**	**$ 3,213,813**	**$ 1,650,179**	**$ 2,063,950**	**$ 22,373,702**	**$ 1,914,571**
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	$ 442,672	$ (31,282)	$ 39,485	$ 92,900	$ 49,140	$ (79,347)	$ 513,568	$ 40,519

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) [1]	Weighted Average [2]	Range	Impact to Valuation from an Increase in Input [3]
Private Equity	**$ 9,349,448**					
Private Equity	**$ 7,190,415**	Inputs to market comparables, discounted cash flow and transaction price	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)
		Market comparables	Enterprise Value/LTM EBITDA Multiple	12.6x	5.5x - 20.6x	Increase
			Enterprise Value/Forward EBITDA Multiple	13.8x	5.0x - 23.4x	Increase
		Discounted cash flow	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
Growth Equity	**$ 2,159,033**	Inputs to market comparables, discounted cash flow and milestones	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)
		Scenario Weighting	Base	60.6%	33.3% - 70.0%	Increase
			Downside	13.6%	5.0% - 45.0%	Decrease
			Upside	25.8%	5.0% - 45.0%	Increase
Credit	**$ 9,004,965**	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
Real Assets	**$ 2,727,991** [9]					
Energy	**$ 1,083,195**	Discounted cash flow	Weighted Average Cost of Capital	11.8%	9.3% - 15.3%	Decrease
			Average Price Per BOE (8)	$33.66	$21.08 - $37.51	Increase
Real Estate	**$ 1,477,470**	Inputs to direct income capitalization and 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)
		Direct income capitalization	Current Capitalization Rate	5.8%	4.3% - 7.9%	Decrease
		Discounted cash flow	Unlevered Discount Rate	7.6%	4.9% - 18.0%	Decrease
Equity Method - Other	**$ 1,352,346**	Inputs to market comparables, discounted cash flow and transaction price	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)
		Market comparables	Enterprise Value/LTM EBITDA Multiple	11.1x	5.5x - 18.8x	Increase
			Enterprise Value/Forward EBITDA Multiple	12.2x	5.0x - 23.4x	Increase
		Discounted cash flow	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
Other Investments	**$ 1,677,617** [10]	Inputs to market comparables, discounted cash flow and transaction price	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)
		Market comparables	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

(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.

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
Assets		
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
Total	**$ 22,375,249**	**$ 23,952,682**
Liabilities		
Debt Obligations of Consolidated CFEs	$ 13,130,703	$ 14,658,137
Total	**$ 13,130,703**	**$ 14,658,137**

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
Assets						
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
Total	**$ (72,641)**	**$ (2,765,382)**	**$ (2,838,023)**	**$ (19,560)**	**$ 278,000**	**$ 258,440**
Liabilities						
Debt Obligations of Consolidated CFEs	$ —	$ 1,904,492	$ 1,904,492	$ —	$ (252,281)	$ (252,281)
Total	**$ —**	**$ 1,904,492**	**$ 1,904,492**	**$ —**	**$ (252,281)**	**$ (252,281)**

7. NET INCOME (LOSS) ATTRIBUTABLE TO KKR & 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
Basic Net Income (Loss) Per Share of Class A Common Stock		
Weighted Average Shares of Class A Common Stock Outstanding - Basic	**559,149,821**	**533,892,474**
Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock - Basic	**$ (2.31)**	**$ 1.31**
Diluted Net Income (Loss) Per Share of Class A Common Stock		
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**
Net Income (Loss) Attributable to KKR & Co. Inc. Per Share of Class A Common Stock - Diluted	**$ (2.31)**	**$ 1.27**

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."

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 [1]	$ 116,886	$ 86,033
Receivables	38,820	26,893
Due from Broker [2]	97,863	65,154
Oil & Gas Assets, net [3]	210,542	215,243
Deferred Tax Assets, net	582,039	158,574
Interest Receivable	152,369	156,026
Fixed Assets, net [4]	670,641	633,025
Foreign Exchange Contracts and Options [5]	518,901	188,572
Goodwill [6]	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 [7]	110,438	121,101
Deferred Financing Costs	14,506	12,374
Other	158,884	139,544
Total	**$ 2,877,421**	**$ 2,008,236**

(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:

	March 31, 2020	December 31, 2019
Amounts Payable to Carry Pool [1]	$ 773,151	$ 1,448,879
Unsettled Investment Purchases [2]	659,361	481,337
Securities Sold Short [3]	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 [4]	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 [5]	113,680	125,086
Other Liabilities	57,681	58,922
Total	**$ 2,483,944**	**$ 3,097,563**

(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:

	March 31, 2020	December 31, 2019
Investments	$ 3,608,812	$ 5,329,368
Due from (to) Affiliates, net	615,316	439,374
Maximum Exposure to Loss	**$ 4,224,128**	**$ 5,768,742**

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
Revolving Credit Facilities:						
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	—	—
Notes Issued:						
KKR Issued 5.500% Notes Due 2043 (1)	—	492,259	547,315 (13)	—	492,175	613,415 (13)
KKR Issued 5.125% Notes Due 2044 (2)	—	991,197	1,062,850 (13)	—	991,106	1,186,670 (13)
KKR Issued 0.509% Notes Due 2023 (3)	—	230,856	230,765 (13)	—	228,280	228,026 (13)
KKR Issued 0.764% Notes Due 2025 (4)	—	45,783	46,467 (13)	—	45,255	45,856 (13)
KKR Issued 1.595% Notes Due 2038 (5)	—	94,371	101,174 (13)	—	93,325	98,524 (13)
KKR Issued 1.625% Notes Due 2029 (6)	—	709,563	684,035 (14)	—	718,478	758,903 (14)
KKR Issued 3.750% Notes Due 2029 (7)	—	494,121	507,705 (13)	—	493,962	533,505 (13)
KKR Issued 3.625% Notes Due 2050 (8)	—	491,921	414,935 (13)	—	—	—
KFN Issued 5.500% Notes Due 2032 (9)	—	494,175	489,490	—	494,054	504,807
KFN Issued 5.200% Notes Due 2033 (10)	—	118,442	114,100	—	118,411	117,834
KFN Issued 5.400% Notes Due 2033 (11)	—	68,797	67,791	—	68,774	70,059
KFN Issued Junior Subordinated Notes (12)	—	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
	$ 6,126,964	**$ 26,265,381**	**$ 26,181,795**	**$ 6,060,399**	**$ 27,013,284**	**$ 27,379,075**

(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").

(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.

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.

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
	$ 3,925,654	**$ 21,800,091**	**$ 21,765,582**		

(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
Total [1]	**$ 71,579**	**$ 78,551**

(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 [1]
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.

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
Total	**$ 246.7**

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	**22,548,603**	**$ 18.50**

The weighted average remaining vesting period over which unvested awards are expected to vest is 1.0 years.

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
	22,548,603

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.

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:

Year	Unrecognized Expense (in millions)
Remainder of 2020	$ 58.5
2021	45.1
2022	25.7
Total	**$ 129.3**

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:

	Units	Weighted Average Grant Date Fair Value
Balance, January 1, 2020	16,569,479	$ 14.43
Granted	—	—
Vested	—	—
Forfeitures	(360,000)	11.19
Balance, March 31, 2020	**16,209,479**	**$ 14.51**

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:

Vesting Date	Units
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
	16,209,479

13. RELATED PARTY TRANSACTIONS

Due from Affiliates consists of:

	March 31, 2020	December 31, 2019
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
Due from Affiliates	**$ 852,484**	**$ 717,399**

Due to Affiliates consists of:

	March 31, 2020	December 31, 2019
Amounts due to KKR Holdings - tax receivable agreement	$ 145,071	$ 131,288
Amounts due to unconsolidated investment funds	116,649	154,810
Due to Affiliates	**$ 261,720**	**$ 286,098**

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."

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:

	Three Months Ended March 31,	
	2020	**2019**
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.

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:

	Three Months Ended March 31, 2020		
	Noncontrolling Interests in Consolidated Entities	Noncontrolling Interests Held by KKR Holdings	Total Noncontrolling Interests
Balance at the beginning of the period	$ 13,966,250	$ 5,728,634	$ 19,694,884
Net income (loss) attributable to noncontrolling interests [1]	(2,095,235)	(852,194)	(2,947,429)
Other comprehensive income (loss), net of tax [2]	(6,602)	(7,512)	(14,114)
Exchange of KKR Holdings Units to Class A Common Stock [3]	—	(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 [4]	(21,830)	7,445	(14,385)
Balance at the end of the period	**$ 12,478,917**	**$ 4,785,151**	**$ 17,264,068**

	Three Months Ended March 31, 2019		
	Noncontrolling Interests in Consolidated Entities	Noncontrolling Interests Held by KKR Holdings	Total Noncontrolling Interests
Balance at the beginning of the period	$ 10,984,910	$ 4,625,448	$ 15,610,358
Net income (loss) attributable to noncontrolling interests [1]	436,359	481,368	917,727
Other comprehensive income (loss), net of tax [2]	2,511	121	2,632
Exchange of KKR Holdings Units to Class A Common Stock[3]	—	(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)
Balance at the end of the period	**$ 11,806,428**	**$ 5,079,042**	**$ 16,885,470**

(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.

The following table presents net income (loss) attributable to noncontrolling interests held by KKR Holdings:

	Three Months Ended March 31,	
	2020	2019
Net income (loss)	$ (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
Net income (loss) attributable to KKR & Co. Inc. Class A Common Stockholders and KKR Holdings	**$ (2,504,895)**	**$ 1,341,308**
Net income (loss) attributable to Noncontrolling Interests held by KKR Holdings	**$ (852,194)**	**$ 481,368**

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, unsupportable, 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.

	Investment Period [1]		Amount ($ in millions)							
	Start Date	End Date	Commitment [2]	Uncalled Commitments	Percentage Committed by General Partner	Invested	Realized	Remaining Cost [3]	Remaining Fair Value	Gross Accrued Carried Interest
Private Equity and Growth Equity Funds										
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 [4]	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 [4]	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 [4]	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 [4]	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 [4]	7/2007	4/2013	3,983.3	—	2.5%	3,945.9	8,535.4	173.5	190.4	4.5
China Growth Fund [4]	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	—
Private Equity and Growth Equity Funds			91,797.0	23,265.2		71,561.4	91,960.9	28,719.3	36,474.0	1,331.5
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
Total Private Equity and Growth Equity Funds			103,557.1	28,399.3		78,363.9	96,813.0	33,174.9	41,888.8	1,629.5
Core Investment Vehicles	Various	Various	9,745.0	5,045.1	35.9%	4,699.9	—	4,699.9	6,271.2	43.3
Real Assets										
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 [4]	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
Real Assets			29,152.5	13,359.9		16,107.6	6,139.6	12,202.0	13,410.0	242.8
Other										
Unallocated Commitments [6]			1,985.8	1,985.8	Various	—	—	—	—	—
Private Markets Total			$ 144,440.4	$ 48,790.1		$ 99,171.4	$ 102,952.6	$ 50,076.8	$ 61,570.0	$ 1,915.6

(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.

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.

	Amount		Fair Value of Investments					
Private Markets Investment Funds	**Commitment**	**Invested**	**Realized [4]**	**Unrealized**	**Total Value**	**Gross IRR [5]**	**Net IRR [5]**	**Gross Multiple of Invested Capital [5]**
	($ in millions)							
Legacy Funds [1]								
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
Included Funds								
European Fund (1999) [2]	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) [2]	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) [2]	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) [2]	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) [2]	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) [2]	3,039.8	3,117.7	847.1	3,979.6	4,826.7	18.3 %	15.6 %	1.5
European Fund IV (2015) [2]	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) [2]	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) [2][3]	7,148.7	2,623.4	—	2,501.7	2,501.7	—	—	—
European Fund V (2019) [2][3]	6,030.3	717.9	—	465.4	465.4	—	—	—
Energy Income and Growth Fund II (2019) [3]	994.2	416.3	—	356.1	356.1	—	—	—
Next Generation Technology Growth Fund II (2019) [3]	2,088.3	—	—	—	—	—	—	—
Global Impact Fund (2019) [3]	1,242.2	85.7	—	62.5	62.5	—	—	—
Asia Pacific Infrastructure Investors (2019) [3]	1,759.5	—	—	—	—	—	—	—
Property Partners Americas (2019) [3]	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
All Funds	$ 144,642.4	$ 109,998.4	$ 156,306.5	$ 54,122.6	$ 210,429.1	25.6 %	18.7 %	2.0

(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 [1]	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 [2]	4.74%
Opportunistic Credit [3]	May 2008	10.00%	8.15%	50% S&P/LSTA Loan Index, 50% BoAML HY Master II Index [3]	5.04%
Bank Loans	Apr 2011	3.50%	2.92%	S&P/LSTA Loan Index [4]	2.57%
High-Yield	Apr 2011	5.68%	5.10%	BoAML HY Master II Index [5]	4.57%
Bank Loans Conservative	Apr 2011	3.15%	2.57%	S&P/LSTA BB-B Loan Index [6]	2.63%
European Leveraged Loans [7]	Sep 2009	3.47%	2.96%	CS Inst West European Leveraged Loan Index [8]	2.82%
High-Yield Conservative	Apr 2011	5.32%	4.75%	BoAML HY BB-B Constrained [9]	4.62%
European Credit Opportunities [7]	Sept 2007	2.45%	1.53%	S&P European Leveraged Loans (All Loans) [10]	2.80%
Revolving Credit [11]	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

		Amount		Fair Value of Investments						
Public Markets Investment Funds	**Inception Date**	**Commitment**	**Invested (1)**	**Realized (1)**	**Unrealized**	**Total Value**	**Gross IRR (2)**	**Net IRR (2)**	**Multiple of Invested Capital (3)**	**Gross Accrued Carried Interest**
		($ 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 (4)	Various	285.6	—	—	—	—	N/A	N/A	N/A	—
All Funds		$ 24,065.2	$ 15,565.5	$ 8,462.9	$ 8,551.0	$ 17,013.9				$ 4.9

(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
Leveraged Credit:						
Leveraged Credit SMAs/Funds	$ 20,764	$ 19,576	0.10% - 1.10%	Various [1]	Various [1]	Subject to redemptions
CLOs	15,618	15,618	0.40% - 0.50%	Various [1]	Various [1]	10-14 Years [2]
Total Leveraged Credit	36,382	35,194				
Alternative Credit: [3]						
Special Situations	5,381	4,737	0.90% - 1.75% [4]	10.00 - 20.00%	7.00 - 12.00%	8-15 Years [2]
Private Credit	10,568	5,997	0.50% - 1.50%	10.00 - 20.00%	5.00 - 8.00%	8-15 Years [2]
Total Alternative Credit	15,949	10,734				
Hedge Funds [5]	25,347	20,276	0.50% - 2.00%	Various [1]	Various [1]	Subject to redemptions
BDCs [6]	15,286	15,286	0.60%	8.00%	7.00%	Indefinite
Total	$ 92,964	$ 81,490				

(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.

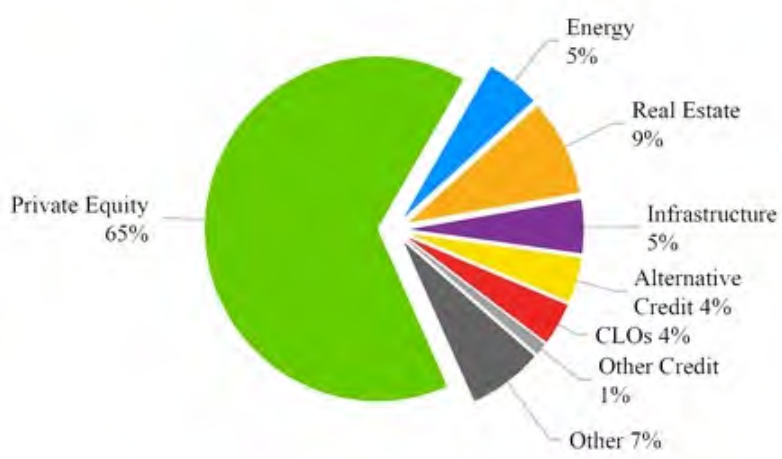
Our Principal Activities business line also provides the required capital to fund the various commitments of our Capital Markets business line when underwriting or syndicating securities, or when providing term loan commitments for transactions involving our portfolio companies and for third parties. 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 [(1)]



(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)	
Revenues			
Fees and Other	$ 380,572	$ 372,548	$ 8,024
Capital Allocation-Based Income (Loss)	(1,382,077)	814,932	(2,197,009)
Total Revenues	(1,001,505)	1,187,480	(2,188,985)
Expenses			
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)
Total Expenses	(96,692)	728,767	(825,459)
Investment Income (Loss)			
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)
Total Investment Income (Loss)	(3,683,819)	1,335,926	(5,019,745)
Income (Loss) Before Taxes	(4,588,632)	1,794,639	(6,383,271)
Income Tax Expense (Benefit)	(360,679)	167,593	(528,272)
Net Income (Loss)	(4,227,953)	1,627,046	(5,854,999)
Net Income (Loss) Attributable to Noncontrolling Interests	(2,947,429)	917,727	(3,865,156)
Net Income (Loss) Attributable to KKR & Co. Inc.	(1,280,524)	709,319	(1,989,843)
Series A Preferred Stock Dividends	5,822	5,822	—
Series B Preferred Stock Dividends	2,519	2,519	—
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	$ (1,288,865)	$ 700,978	$ (1,989,843)

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
Total Fees and Other	380,572	372,548	8,024
Carried Interest	(1,210,925)	694,383	(1,905,308)
General Partner Capital Interest	(171,152)	120,549	(291,701)
Total Capital Allocation-Based Income (Loss)	(1,382,077)	814,932	(2,197,009)
Total Revenues	$ (1,001,505)	$ 1,187,480	$ (2,188,985)

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
Net Gains (Losses) from Investment Activities	$ (3,944,504)	$ 1,203,878

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
Assets		
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
Total Assets	**$ 55,601,075**	**$ 60,899,319**
Liabilities and Equity		
Debt Obligations	$ 26,265,381	$ 27,013,284
Other Liabilities	2,745,664	3,383,661
Total Liabilities	**29,011,045**	**30,396,945**
Stockholders' Equity		
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
Total Equity	**26,590,030**	**30,502,374**
Total Liabilities and Equity	**$ 55,601,075**	**$ 60,899,319**
KKR & Co. Inc. Stockholders' Equity - Common Stock Per Outstanding Share of Class A Common Stock	**$ 15.97**	**$ 18.44**

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)		
Operating Revenues			
Fees and Other, Net			
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
Total Fees and Other, Net	**425,713**	**397,258**	**28,455**
Realized Performance Income (Loss)			
Carried Interest	361,331	330,345	30,986
Incentive Fees	10,957	19,537	(8,580)
Total Realized Performance Income (Loss)	**372,288**	**349,882**	**22,406**
Realized Investment Income (Loss)			
Net Realized Gains (Losses)	6,670	44,712	(38,042)
Interest Income and Dividends	138,494	58,207	80,287
Total Realized Investment Income (Loss)	**145,164**	**102,919**	**42,245**
Total Operating Revenues	**$ 943,165**	**$ 850,059**	**$ 93,106**

OPERATING EXPENSES

	Three Months Ended		
	March 31, 2020	March 31, 2019	Change
	($ in thousands)		
Operating Expenses			
Compensation and Benefits [1]	$ 377,230	$ 340,286	$ 36,944
Occupancy and Related Charges	14,114	13,957	157
Other Operating Expenses	79,628	74,910	4,718
Total Operating Expenses	**$ 470,972**	**$ 429,153**	**$ 41,819**

AFTER-TAX DISTRIBUTABLE EARNINGS

	Three Months Ended		
	March 31, 2020	March 31, 2019	Change
	($ in thousands)		
After-tax Distributable Earnings			
(+) Total Operating Revenues	$ 943,165	$ 850,059	$ 93,106
(-) Total Operating Expenses	470,972	429,153	41,819
(=) Total Distributable Operating Earnings	**472,193**	**420,906**	**51,287**
(-) 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
After-tax Distributable Earnings	**$ 355,294**	**$ 314,083**	**$ 41,211**

(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)		
Fees and Other, Net			
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
Total Fees and Other, Net	**249,798**	**225,547**	**24,251**
Realized Performance Income (Loss)			
Carried Interest	325,691	330,345	(4,654)
Incentive Fees	1,137	675	462
Total Realized Performance Income (Loss)	**$ 326,828**	**$ 331,020**	**$ (4,192)**

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
Total Realized Carried Interest [1]	**$ 325,691**	**$ 330,345**

(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)		
Fees and Other, Net			
Management Fees	$ 114,498	$ 109,075	$ 5,423
Transaction Fees	21,369	27,456	(6,087)
Fee Credits	(20,135)	(25,074)	4,939
Total Fees and Other, Net	**115,732**	**111,457**	**4,275**
Realized Performance Income (Loss)			
Carried Interest	35,640	—	35,640
Incentive Fees	9,820	18,862	(9,042)
Total Realized Performance Income (Loss)	**$ 45,460**	**$ 18,862**	**$ 26,598**

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.

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)	
Transaction Fees	**$ 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)	
Realized Investment Income (Loss)			
Net Realized Gains (Losses)	$ 6,670	$ 44,712	$ (38,042)
Interest Income and Dividends	138,494	58,207	80,287
Total Realized Investment Income (Loss)	**$ 145,164**	**$ 102,919**	**$ 42,245**

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)		
Assets Under Management	$ 207,076,900	$ 218,355,100	$ (11,278,200)
Fee Paying Assets Under Management	$ 159,056,200	$ 161,209,800	$ (2,153,600)
Uncalled Commitments	$ 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)		
Capital Invested and Syndicated Capital	$ 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 Fiserv, 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)	
Operating Assets		
Cash and Short-term Investments	$ 2,502,331	$ 2,783,905
Investments	11,492,564	13,026,387
Net Unrealized Carried Interest (1)	1,026,256	1,982,251
Tax Assets	507,508	111,719
Other Assets (2)	4,192,643	3,716,189
Total Operating Assets	**$ 19,721,302**	**$ 21,620,451**

OPERATING LIABILITIES		
	As of	
	March 31, 2020	December 31, 2019
	($ in thousands)	
Operating Liabilities		
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
Total Operating Liabilities	**$ 5,312,176**	**$ 4,730,210**

BOOK VALUE		
	As of	
	March 31, 2020	December 31, 2019
	($ in thousands)	
Book Value		
(+) 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
Book Value	**$ 13,881,928**	**$ 16,363,950**
Book Value Per Adjusted Share	**$ 16.52**	**$ 19.24**
Adjusted Shares	**840,179,251**	**850,388,924**

(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
Total	**$ 1,026,256**	**$ 1,982,251**

(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.

	As of March 31, 2020		
Investments [1]	**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%
Private Equity Total	**5,811,709**	**7,478,683**	**65.1%**
Energy	776,320	517,594	4.5%
Real Estate	1,133,710	1,065,783	9.3%
Infrastructure	517,276	601,339	5.2%
Real Assets Total	**2,427,306**	**2,184,716**	**19.0%**
Special Situations	597,680	345,852	3.0%
Private Credit	183,917	121,809	1.1%
Alternative Credit Total	**781,597**	**467,661**	**4.1%**
CLOs	783,371	454,980	4.0%
Other Credit	166,716	139,127	1.2%
Credit Total	**1,731,684**	**1,061,768**	**9.3%**
Other	1,202,753	767,397	6.6%
Total Investments	**$ 11,173,452**	**$ 11,492,564**	**100.0%**

	March 31, 2020		
Significant Investments: [2]	**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%
Total Significant Investments	**1,916,367**	**3,422,638**	**29.8%**
Other Investments	9,257,085	8,069,926	70.2%
Total Investments	**$ 11,173,452**	**$ 11,492,564**	**100.0%**

(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)	
Total GAAP Revenues	**$ (1,001,505)**	**$ 1,187,480**
(+) 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
Total Operating Revenues	**$ 943,165**	**$ 850,059**

Expenses

	Three Months Ended	
	March 31, 2020	March 31, 2019
	($ in thousands)	
Total GAAP Expenses	**$ (96,692)**	**$ 728,767**
(-) 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)
Total Operating Expenses	**$ 470,972**	**$ 429,153**

Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders

	Three Months Ended	
	March 31, 2020	March 31, 2019
	($ in thousands)	
Net Income (Loss) Attributable to KKR & Co. Inc. Class A Common Stockholders	**$ (1,288,865)**	**$ 700,978**
(+) 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
After-tax Distributable Earnings	**$ 355,294**	**$ 314,083**

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
Total GAAP Assets	**$ 55,601,075**	**$ 60,899,319**
(-) 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
Total Operating Assets	**$ 19,721,302**	**$ 21,620,451**

Liabilities

	As of	
	March 31, 2020	December 31, 2019
Total GAAP Liabilities	**$ 29,011,045**	**$ 30,396,945**
(-) 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
Total Operating Liabilities	**$ 5,312,176**	**$ 4,730,210**

KKR & Co. Inc. Stockholders' Equity - Common Stock

	As of	
	March 31, 2020	December 31, 2019
KKR & Co. Inc. Stockholders' Equity - Common Stock	**$ 8,843,408**	**$ 10,324,936**
(+) 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
Book Value	**$ 13,881,928**	**$ 16,363,950**

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**
GAAP Shares of Class A Common Stock Outstanding	553,701,980	560,007,579
Adjustments:		
KKR Holdings Units [1]	286,477,271	290,381,345
Adjusted Shares [2]	**840,179,251**	**850,388,924**
Unvested Shares of Class A Common Stock [3]	**22,586,749**	**22,712,604**

(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:

	Uncalled Commitments
Private Markets	**($ in thousands)**
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
Total Private Markets Commitments	5,559,400
Public Markets	
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
Total Public Markets Commitments	676,100
Total Uncalled Commitments	$ 6,235,500

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)

	Total Number of Shares Purchased	Average Price Paid Per Share	Cumulative Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [1]
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
Total through March 31, 2020	**10,209,673**			

(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	Amended and Restated Certificate of Incorporation of KKR & Co. Inc.
3.2	Amended and Restated Bylaws of KKR & Co. Inc.

Exhibit No.	Description of Exhibit
4.1	Indenture dated as of February 25, 2020 among KKR Group Finance Co. VII LLC, KKR & 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 & Co. Inc. Current Report on Form 8-K filed on February 25, 2020).
4.2	First Supplemental Indenture dated as of February 25, 2020 among KKR Group Finance Co. VII LLC, KKR & 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 & Co. Inc. Current Report on Form 8-K filed on February 25, 2020).
4.3	Form of 3.625% Senior Note due 2050 (included in Exhibit 4.2 to the KKR & Co. Inc. Current Report on Form 8-K filed on February 25, 2020).
4.4	Second Supplemental Indenture dated as of April 21, 2020 among KKR Group Finance Co. VI LLC, KKR & 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 & Co. Inc. Current Report on Form 8-K filed on April 21, 2020).
4.5	Form of 3.750% Senior Note due 2029 (included in Exhibit 4.1 to the KKR & Co. Inc. Current Report on Form 8-K filed on April 21, 2020).
10.1	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 & Co. Inc. Current Report on Form 8-K filed on January 2, 2020).
10.2	Third Amended and Restated Exchange Agreement, dated as of January 1, 2020, among KKR Group Partnership L.P., KKR Holdings L.P. KKR & Co. Inc. and KKR Group Holdings Corp. (incorporated by reference to Exhibit 10.3 to the KKR & Co. Inc. Current Report on Form 8-K filed on January 2, 2020).
10.4 †	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.
10.5 †	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.
31.1	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.
31.2	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.
31.3	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.
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, 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.

SIGNATURES

Pursuant to requirements 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.

KKR & CO. INC.

By: /s/ ROBERT H. LEWIN

Robert H. Lewin

Chief Financial Officer

(principal financial and accounting officer)

DATE: May 11, 2020

Exhibit 3.1

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 Corporation 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 Indemnities*. 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 $0.000000001 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

Exhibit 3.2

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.

(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 of 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 of 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.

* * *

Exhibit 10.4

EXECUTION VERSION

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

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., MHCB 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 MHCB based upon various factors including MHCB'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 MHCB shall take effect at the opening of business on the day specified by MHCB 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 $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 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, 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 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) 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 Obligors 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 form 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

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 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 expect 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 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 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;

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(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;

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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

[**] = *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 MHCB 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 MHCB assigns all of its Commitment and Loans pursuant to Section 9.06(b), MHCB 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 MHCB as Issuing Lender. If MHCB 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 MHCB to effectively assume the obligations of MHCB 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]

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]

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]

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.*

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 [**].

Borrowing Category	Reference Date
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.*

EXHIBIT B: Form of Third Amended and Restated Guarantee and Security Agreement

EXECUTION VERSION

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

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.

"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); 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.

(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;

(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 contacts 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 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.

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;

(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

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

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 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 an 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. 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

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. 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.

[*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 (CA) LLC

By _____
Name:
Title:

KKR CORPORATE LENDING (TN) LLC

By _____
Name:
Title:

[Signature Page to Third A&R Guarantee and Security Agreement]

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]

MIZUHO BANK, LTD.,
as Administrative Agent

By _____
Name:
Title:

[Signature Page to Third A&R Guarantee and Security Agreement]

Exhibit 10.5

EXECUTION VERSION

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

MIZUHO BANK, LTD.,
as Sole Lead Arranger and Sole Bookrunner

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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 MHCB based upon various factors including MHCB'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 MHCB shall take effect at the opening of business on the day specified by MHCB 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 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 364-Day Revolving Credit Agreement dated June 27, 2019 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.

"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 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 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 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 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).

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"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 Obligors 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 form 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 [**] 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.

(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-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 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 expect 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;

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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 MHCB 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 MHCB assigns all of its Commitment and Loans pursuant to Section 9.06(b), MHCB 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 MHCB as Issuing Lender. If MHCB 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 MHCB to effectively assume the obligations of MHCB 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

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]

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]

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.*

Execution Version

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 contacts 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 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:

MIZUHO BANK, LTD.,
as Administrative Agent

By _____
Name:
Title:

[Signature Page to Guarantee and Security Agreement]

Exhibit 31.1

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

Henry R. Kravis

Co-Chief Executive Officer

Exhibit 31.2

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

George R. Roberts

Co-Chief Executive Officer

Exhibit 31.3

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

Robert H. Lewin

Chief Financial Officer

Exhibit 32.1

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

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.

Exhibit 32.2

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

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.

Exhibit 32.3

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

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.

ANEXO 13

Informe de Valoración emitido por PricewaterhouseCoopers Asesores de Negocio, S.L.

Informe de valoración independiente de las acciones de MásMóvil Ibercom, S.A.

Lorca Telecom BidCo, S.A.U.

24 julio 2020

pwc

Lorca Telecom BidCo, S.A.U.
Calle Maldonado 4, Bajo D
28006 Madrid

Carlos Fernández Landa
Socio
Torre PwC | Paseo de la Castellana 259B | 28046 | Madrid

Carlos Lara Castro
Socio
Avda. Diagonal 640 | 08017 | Barcelona

24 de julio de 2020

Informe de valoración independiente de las acciones de MásMóvil Ibercom, S.A., en el contexto de la OPA voluntaria formulada por Lorca Telecom BidCo, S.A.U.

Estimados señores:

Lorca Telecom Bidco, S.A.U., ("el Oferente" o "Ustedes"), sociedad participada por Cinven Capital Management (VII) General Partner Limited ("Cinven"), Kohlberg Kravis Roberts & Co. Partners LLP ("KKR") y PLT VII MAS S.a.r.l. ("Providence"), presentó el 1 de junio de 2020 a la Comisión Nacional del Mercado de Valores ("CNMV") la Solicitud de Autorización (la "Solicitud") de una Oferta Pública de Adquisición de carácter voluntario ("OPA" o "la Oferta") que se formula sobre la totalidad de las acciones representativas del capital social de MásMóvil Ibercom, S.A. ("MásMóvil", "la Compañía" o "el Grupo").

La contraprestación ofrecida a los accionistas de MásMóvil en efectivo es de EUR 22,50 por acción ("el Precio") para las 131.714.565 acciones ordinarias, representativas del 100% de su capital social.

Si bien la Oferta es voluntaria, el Oferente considera que la contraprestación ofrecida tiene la consideración de precio equitativo según lo previsto en el artículo 9 del RD 1066/2007 y cumple con los requisitos establecidos en el artículo 137.2 de la Ley del Mercado de Valores ("LMV").

El Oferente tiene intención de excluir de cotización las acciones de MásMóvil, ya sea mediante el ejercicio del derecho de venta forzosa si se alcanzan los umbrales establecidos a tal efecto, o, si no se cumplen tales requisitos y la Oferta tiene resultado positivo por haberse cumplido la condición de aceptación mínima contenida en el folleto informativo de la misma, promoviendo la exclusión de cotización de las acciones de MásMóvil acogiéndose a la excepción prevista en el artículo 11.d) del RD 1066/2007.

La oferta esta sujeta también a lo previsto en el Articulo 137.2 del texto refundido de la LMV.

Por ello, PricewaterhouseCoopers Asesores de Negocios, S.L. ("PwC" o "Nosotros") hemos sido contratados por Ustedes para la realización de un informe de experto independiente ("el Informe") sobre el valor de las acciones de MásMóvil, siguiendo las reglas y métodos de valoración del artículo 10 del RD 1066/2007, para su consideración a los efectos articulo 11.d del RD 1066/2007 y los métodos y criterios del Artículo 137.2 de la LMV para justificar el precio ofrecido.

Nuestro Informe ha sido preparado siguiendo las reglas y métodos de valoración contenidos en el artículo 10 del RD 1066/2007 y en el mencionado artículo 137.2 de la LMV, y podrá ser utilizado, única y exclusivamente, con los fines descritos anteriormente.

Asimismo, nuestro Informe deberá utilizarse considerando su contenido íntegro. Cabe recordarles que la utilización de extractos del mismo podría potencialmente inducir a interpretaciones parciales.

Nuestro Informe podrá ponerse a disposición de la CNMV, y una vez autorizada la OPA, se adjuntará como información complementaria al folleto que se ponga a disposición de los accionistas de MásMóvil siguiendo lo establecido legalmente.

Lorca Telecom BidCo, S.A.U.
Calle Maldonado 4, Bajo D
28006 Madrid

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Socio
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La información contenida y el trabajo realizado corresponden a los fines señalados anteriormente y nuestro Informe no podrá utilizarse ni considerarse adecuado por Ustedes, MásMóvil, ni terceras partes (incluido los accionistas) para propósitos diferentes a los descritos.

PwC y otras firmas de la red internacional de PwC no prestan servicios de auditoría a MásMóvil, ni las entidades relacionadas de Cinven, KKR, ni Providence que participan en la Oferta. No obstante, PwC ha prestado otros servicios de asesoramiento en contextos no relacionados con la Oferta a diferentes compañías de dichos grupos.

PwC, en la elaboración del presente Informe, no se ve afectado por ningún conflicto de interés, ni de independencia. Nuestros honorarios se han establecido con arreglo al equipo necesario y la experiencia de sus profesionales, la naturaleza del servicio y el tiempo necesario para la realización del mismo. Los honorarios son fijos e independientes del resultado de la Oferta.

Este informe no debe ser entendido en ningún caso como una recomendación a Ustedes, MásMóvil, sus accionistas, ni a otras terceras partes para que compren o vendan, ni constituye una recomendación sobre cualquier acción o decisión que pueda tomarse sobre la OPA.

Cualquier toma de decisiones será de su responsabilidad, teniendo en consideración, lógicamente, además de nuestro Informe, cualquier otro aspecto y/o consideración que estimen oportuno.

Nuestro trabajo se ha basado en información pública y no pública facilitada por MásMóvil y Ustedes u obtenida de otras fuentes. Asimismo, hemos mantenido discusiones con la Dirección de MásMóvil ("la Dirección") y con los responsables de inversión del Oferente.

Hemos mostrado el presente Informe a Ustedes, quienes nos han hecho los comentarios que han considerado oportunos y hemos recibido una carta de manifestaciones, en la cual nos confirman que, en los aspectos que sean de su conocimiento, no han identificado ningún error u omisión que pueda afectar significativamente a la conclusión de nuestro trabajo, así como que la información proporcionada por Ustedes es veraz y completa. Hemos incorporado algunos de sus comentarios a este Informe en los aspectos que hemos estimado adecuados.

El detalle del trabajo realizado para llegar a nuestra conclusión de valor se incluye en el Informe adjunto a esta carta. Esta carta, por tanto deberá ser analizada e interpretada conjuntamente con el citado Informe, el cual recoge el propósito y procedimientos de trabajo, la información utilizada y cualquier otra consideración sobre el trabajo realizado.

Nos encontramos a su disposición para cualquier duda o aclaración.

Atentamente,

Carlos Fernández Landa	Carlos Lara Castro
Socio	Socio

24 julio 2020

Contenidos

Objetivo y procedimientos

Objetivo

Objetivo de nuestro encargo

- De acuerdo con lo dispuesto en el RD 1066/2007, Ustedes presentaron el 1 de junio de 2020 a la CNMV la Solicitud de Autorización de una OPA de carácter voluntario sobre la totalidad de las acciones del capital social de MásMóvil, con una contraprestación de EUR 22,50 por acción en efectivo.
- Si bien la Oferta es voluntaria, el Oferente considera que la contraprestación ofrecida tiene la consideración de precio equitativo según lo previsto en el artículo 9 del RD 1066/2007 y cumple con los requisitos establecidos en el artículo 137.2 de la LMV. El Oferente tiene intención de excluir de cotización las acciones de MásMóvil, ya sea mediante el ejercicio del derecho de venta forzosa si se alcanzan los umbrales establecidos a tal efecto, o, si no se cumplen tales requisitos y la Oferta tiene resultado positivo por haberse cumplido la condición de aceptación mínima contenida en el folleto informativo de la misma, promoviendo la exclusión de cotización de las acciones de MásMóvil acogiéndose a la excepción prevista en el artículo 11.d) del RD 1066/2007.
- Adicionalmente, Ustedes han manifestado que la Oferta está sujeta a lo previsto en el Artículo 137.2 de la LMV, que exige un informe de experto independiente sobre los métodos y criterios de valoración aplicados para justificar el precio ofrecido.
- Por ello, PwC ha sido contratado por Ustedes para la realización del Informe de experto independiente sobre el valor de las acciones de MásMóvil siguiendo las reglas y métodos de valoración del artículo 10, para su consideración a los efectos del artículo 11.d del RD 1066/2007 y los del articulo 137.2 de la LMV.
- Los métodos empleados han sido los siguientes:
  - Descuento de Flujos de Caja (“DFC”);
  - Múltiplos de mercado de compañías cotizadas y transacciones comparables del sector;
  - Valor Teórico Contable (“VTC”) calculado en base a los últimos Estados Financieros (“EEFF”) consolidados no auditados disponibles de 31 de marzo de 2020 y las últimas Cuentas Anuales consolidadas (“CCAA”) de 31 de diciembre de 2019 (última información financiera disponible auditada);
  - Valor de liquidación del grupo MásMóvil, si bien no ha sido preciso su cálculo tras considerar que de su aplicación resultarían valores significativamente inferiores a aquellos obtenidos a partir de los demás métodos, circunstancia que hemos hecho constar en el Informe;
  - Valor en contraprestaciones ofrecidas en OPAs con anterioridad, en el año precedente a la fecha de la Solicitud, aunque no han existido;
  - Cotización media ponderada del semestre anterior a la fecha de la Solicitud (1 de junio de 2020) complementada con el análisis para otros periodos anteriores, y
  - Precios en operaciones previas con el capital de la Compañía, realizadas en 2018 y 2019, como metodología adicional complementaria.
- No hemos considerado necesaria ninguna otra metodología de valoración para alcanzar nuestras conclusiones y, en nuestra opinión, no hay ningún otro método de valoración que sea aplicable a MásMóvil.
- En la realización de nuestro trabajo nos hemos basado en información pública y no pública facilitada por MásMóvil, el Oferente, así como en fuentes sectoriales, macroeconómicas y de mercado y discusiones con Ustedes y la Dirección de MásMóvil.

Base y fecha de valoración

Valor de mercado

- A los efectos de nuestro trabajo, definimos valor de mercado como el precio de una acción sobre el que se podría razonablemente negociar, a una fecha predeterminada, entre un libre comprador y un libre vendedor, dispuestos a realizar una transacción, actuando sin compulsión alguna y en beneficio propio, ambos con una información adecuada sobre los negocios en los que opera la sociedad o grupo.

Fecha de Valoración y Fecha del Informe

- Los análisis de valoración se refieren a 31 de marzo de 2020 ("la Fecha de Valoración"), fecha de la última información financiera publicada (no auditada).
- Nuestra conclusión de valor de las acciones de MásMóvil es válida a 24 de julio de 2020 ("Fecha del Informe").
- Hemos tenido en cuenta en nuestra valoración las perspectivas macroeconómicas y de mercado a fecha reciente del informe. En concreto, hemos considerado las potenciales implicaciones de la crisis provocada por la pandemia global por Covid-19 en las perspectivas económicas, de mercado y de la Compañía. Además, hemos tenido en cuenta, tanto los hechos relevantes, comunicaciones de información privilegiada y de otra información relevante (todos ellos, en adelante, "Hechos Relevantes") comunicados por MásMóvil, como aspectos de negocio facilitados por la Compañía que deban considerarse a la Fecha del Informe.
- También hemos analizado un avance en borrador de los resultados del primer semestre a 30 de junio de 2020 facilitado por la Compañía. Hemos comprobado que los valores que se obtendrían de la consideración de dichos resultados están en línea con nuestra conclusión de valor.
- Hemos considerado en nuestras conclusiones el impacto estimado por la Compañía de los acuerdos firmados recientemente relacionados con la red fija y móvil (denominados como "Duero" y "Monterrei II" por MásMóvil), la oferta en firme del acuerdo "Uclés" y la adquisición de Lycamobile.
- En todo caso, cabe resaltar que cualquier cambio significativo o información nueva adicional sobre las condiciones económicas, cambios de mercado o de las operaciones y resultados de MásMóvil, que aparezcan con posterioridad y que puedan resultar sustancialmente diferentes a los conocidos a la Fecha del Informe, podría significar potencialmente un cambio en nuestras conclusiones.

Consideraciones generales (1/2)

- La información pública y no pública facilitada por la Dirección de MásMóvil y el Oferente, así como la obtenida de otras fuentes públicas, en la que hemos basado nuestro trabajo, se desglosa en el Anexo 1 de este Informe y la consideramos suficiente y adecuada para soportar nuestra conclusión.
- Nuestras conclusiones dependen de la exactitud y veracidad de la información utilizada. Cabe destacar que no hemos realizado ningún proceso de auditoría, ni hemos sometido la información financiera de este Informe a ningún proceso de verificación. Los procedimientos realizados no constituyen ni por su naturaleza, ni por su extensión, los necesariamente requeridos de acuerdo a la legislación vigente para la emisión de una opinión de auditoría.
- Nuestro trabajo tampoco ha consistido en la realización de una Due Diligence, ni trabajo similar que permita evaluar la situación contable, financiera, fiscal, comercial, legal, laboral, registral, medioambiental, técnica, operativa o de otro tipo.
- Las hipótesis sobre las que se basan las proyecciones consideradas en nuestro trabajo atienden a hechos futuros y están basadas en asunciones que podrían no ser válidas para la totalidad del periodo proyectado. Las hipótesis de futuro pueden no cumplirse y no pueden considerarse en la misma medida que la información derivada de los estados financieros auditados o no auditados para ejercicios históricos.
- En este sentido, cabe destacar que la pandemia causada por el Covid-19 ha generado mayor incertidumbre sobre sus potenciales efectos a largo plazo. En estas circunstancias, las diferencias futuras entre las estimaciones y los resultados reales podrían ser mayores de lo habitual.
- Durante la realización de nuestro trabajo hemos tenido acceso al presupuesto 2020 actualizado por MásMóvil en abril del presente año y aprobado por el Consejo de Administración el 18 de diciembre de 2019, así como al Guidance de EBITDA y Capex neto para el periodo 2019-2021 que fue aprobado por el Consejo de Administración el 1 de octubre de 2019 y que ha reiterado tanto en Hecho Relevante el 2 de julio de 2020 como en Junta General Ordinaria el 8 de julio de 2020 (en adelante, “Guidance 2019-2021”), que incluye el impacto de los acuerdos Duero, Monterrei II y Uclés, publicados recientemente.
- Asimismo, hemos tenido acceso a documentos de trabajo de la Compañía sobre potenciales escenarios ilustrativos a largo plazo (hasta 2025) con hipótesis de posible evolución futura, análisis preliminares de los impactos del Covid-19 y de los acuerdos recientes Duero, Monterrei II y Uclés, los cuales no han sido objeto de contraste ni aprobación por el Consejo de Administración de la Compañía. En concreto, hemos tenido acceso a un escenario base, como a otro escenario aspiracional.
- A efectos de estimar nuestras proyecciones financieras, hemos discutido con la Compañía sus hipótesis clave y objetivos subyacentes en las fuentes de información mencionadas anteriormente, las cuales hemos tenido en cuenta solamente en los aspectos que hemos considerado adecuados como un elemento adicional más a nuestros contrastes y análisis propios de fuentes externas realizados por nosotros para nuestro trabajo.
- Como resultado de nuestro análisis, hemos considerado dos escenarios de proyección financiera para sensibilizar hipótesis clave que tienen un alto grado de incertidumbre como son la evolución del números de suscriptores, los ingresos medios por suscriptor (en adelante “ARPU”, o “Average Revenue per User”), margen de EBITDA y la inversión (“Capex”), principalmente, definiendo así un Caso Bajo y Caso Alto, a efectos de la valoración por DFC. Nuestros casos están más en línea con el escenario base de la Compañía, que consideramos más razonable.
- Cabe destacar que la valoración se ha realizado en base a los flujos de caja sin considerar la norma contable NIIF 16, la cual impacta al EBITDA y la posición de deuda financiera neta. Sin embargo, dicha normativa tiene únicamente impacto contable y no en los citados flujos.

Consideraciones generales (2/2)

- La coherencia y razonabilidad de nuestras proyecciones financieras preparadas con arreglo a la información utilizada, nuestro análisis con fuentes disponibles y discusiones con las respectivas direcciones de MásMóvil, y el Oferente, se han realizado de forma global desde un punto de vista financiero, considerando la evolución histórica del negocio y las perspectivas del sector y económicas.
- El mencionado análisis de coherencia y razonabilidad global de las proyecciones financieras contempladas por PwC desde un punto de vista financiero, no debe interpretarse como una opinión sobre la certeza de su cumplimiento en el futuro.
- Aunque consideramos que nuestra valoración es razonable y defendible atendiendo a la información disponible, debemos indicar que las valoraciones de negocios no son una ciencia exacta, sino un ejercicio basado en la experiencia y en el empleo de hipótesis que contienen cierta dosis de subjetividad, por lo que terceras partes podrían no estar necesariamente de acuerdo con las mismas.
- Nuestro Informe ha sido preparado únicamente para los fines indicados. Por tanto, nuestro Informe no deberá considerarse adecuado para propósitos diferentes a los descritos.
- PwC, en la elaboración del presente Informe, no se ve afectado por ningún conflicto de interés ni de independencia.
- En el contexto de nuestro trabajo, hemos tomado en consideración todos los elementos disponibles de información, tanto públicos como no públicos, que hemos considerado suficientes a efectos de realizar nuestro análisis de valoración.
- La Compañía nos ha manifestado su intención de llevar a cabo un proceso de desinversión de una determinada unidad de negocio, enfocada a la prestación de servicios de consultoría e ingeniería personalizados, para Pequeñas y Medianas Empresas (“PYMES”) y de importe poco material (EUR 11M de ventas y EUR 1,6M de EBITDA en 2019) y que de acuerdo a las conversaciones mantenidas, entendemos que no se realizará a un precio sustancialmente diferente a su aportación al valor para el Grupo. A fecha del Informe, la venta de esta unidad de negocio no se ha producido.
- La Compañía nos ha confirmado que no existen activos no afectos a la explotación, ni activos o pasivos contingentes significativos distintos a los ya divulgados, adicionales a los considerados en el Informe y que deberían considerarse en el mismo.
- Así mismo, nos ha confirmado que no hay subvenciones que hayan sido solicitadas o estén previstas solicitar y/o que estén pendientes de desembolso a la Fecha del Informe, y que pueda tener un impacto significativo en nuestras conclusiones.
- La Dirección no tiene conocimiento de ningún acontecimiento, circunstancia u otra información relevante que no haya sido comunicada y pudiera afectar significativamente a las conclusiones de nuestro Informe.

Procedimientos (1/2)

Categoría	Procedimientos
La Oferta y evolución MásMóvil	▪ Análisis de la Oferta, de la Solicitud y conversaciones con Ustedes; ▪ Lectura y análisis de las últimas operaciones corporativas y con su capital realizadas por la Compañía; ▪ Análisis general de las características, situación actual, perspectivas del sector y del negocio de MásMóvil, así como de la situación macroeconómica, de los mercados en los que opera y las potenciales implicaciones de la crisis epidemiológica del Covid-19; ▪ Análisis de los estados financieros históricos consolidados anuales y trimestrales, memorias de las principales evoluciones del negocio de MásMóvil (2017-1T2020), sus presentaciones corporativas de 2019 y 2020, así como de webcasts y Hechos Relevantes hasta la Fecha del Informe; y ▪ Análisis de un avance en borrador de los resultados del primer semestre a 30 de junio de 2020 facilitado por la Compañía.
Proyección financiera y DFC	▪ Análisis de las hipótesis clave del presupuesto del 2020 y de documentos de trabajo de escenarios ilustrativos a largo plazo de la Compañía y contraste con sus cifras de Guidance 2019-2021. ▪ Discusiones con MásMóvil sobre sus expectativas de evolución del sector y del Grupo; ▪ Análisis de información de mercado, informes y consenso de analistas, noticias, notas de prensa y publicaciones de MásMóvil y de parámetros financieros y de negocio históricos y estimados de comparables cotizadas del sector; ▪ Análisis de información no pública de la Compañía entre la que se incluye, entre otras, detalles de datos históricos financieros y de otros parámetros del periodo 2017-1T2020 adicional a los desglosados en las CCAA consolidadas auditadas y detalle de los acuerdos, “Duero” y “Monterrei II“ recientemente firmados y la oferta en firme de “Uclés” y la adquisición de Lycamobile. Ustedes también nos han facilitado su due diligence financiera, legal, comercial y técnica e información de fuentes del mercado, que hemos discutido con su equipo; ▪ Análisis de la evolución de valoraciones objetivo del consenso e hipótesis de informes de determinados analistas disponibles; ▪ Análisis de evoluciones históricas y estimaciones macroeconómicas y sectoriales de los mercados donde opera MásMóvil y estimación de escenarios de evolución futura, contrastados con consenso de analistas; ▪ Preparación de unas proyecciones financieras bajo dos escenarios (Caso Alto y Caso Bajo) a los efectos de nuestro trabajo de valoración atendiendo a los procedimientos descritos anteriormente;

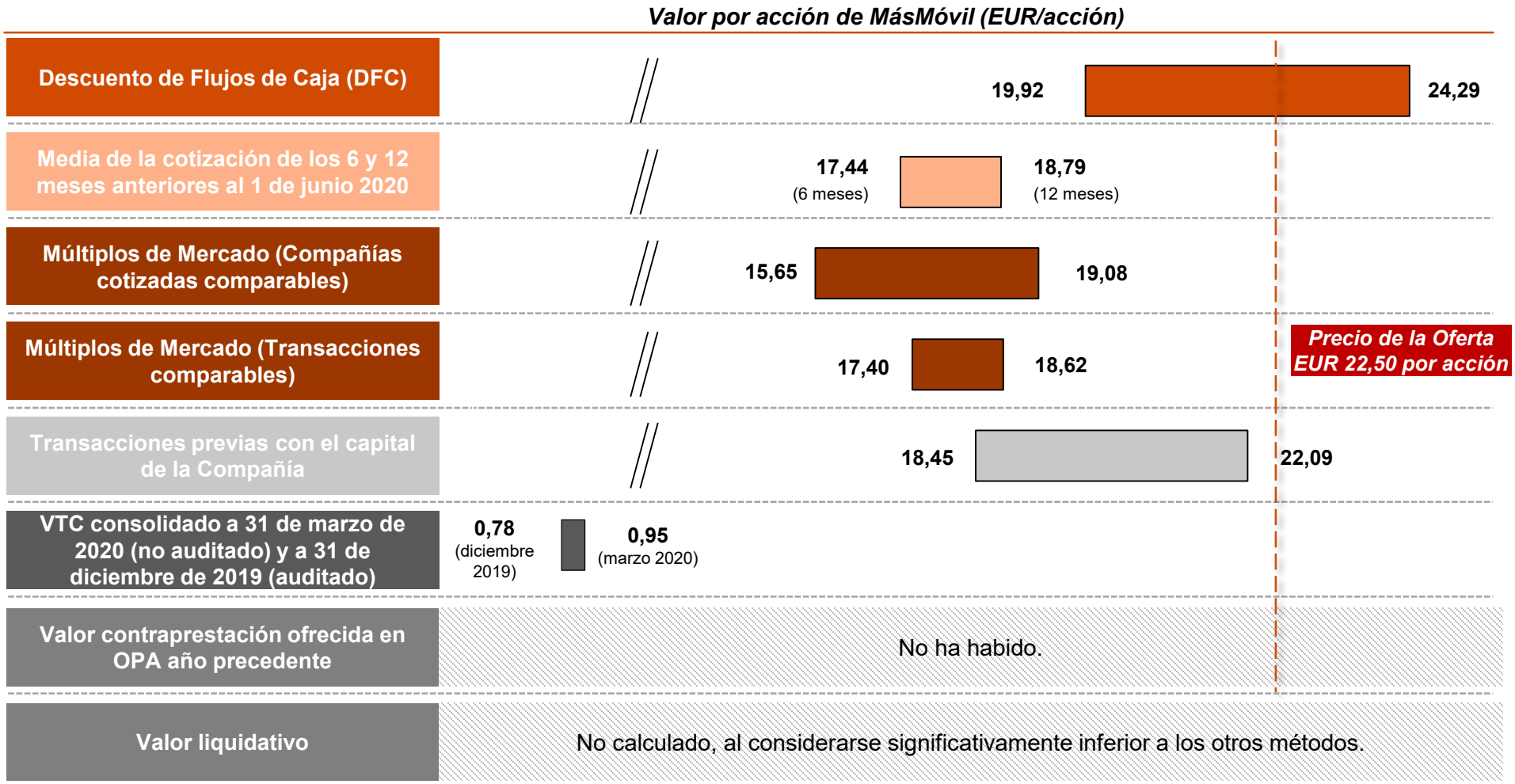
Procedimientos (2/2)

Categoría	Procedimientos
Proyección financiera y DFC (cont.)	▪ Estimación de la tasa de descuento aplicable al negocio de MásMóvil y de otros parámetros de mercado empleados para su valoración mediante el DFC.
Otros métodos y análisis	▪ Análisis de compañías cotizadas comparables y de información pública disponible de transacciones sobre otras compañías del sector, para determinar y aplicar, hasta donde ha sido posible, la valoración por múltiplos; ▪ Estimación y análisis del VTC según los últimos Estados Financieros consolidados de 1T2020 no auditados y las últimas CCAA auditadas de 2019 (última información financiera auditada disponible); ▪ Valor de liquidación: análisis de las características del negocio de MásMóvil y su relación con la justificación de la conveniencia o no de aplicar esta metodología; ▪ Análisis del valor medio del mercado de MásMóvil (media ponderada de la cotización) de los 6 meses previos a la Solicitud de la OPA, complementado con el mismo análisis de periodos anteriores y contraste con los precios objetivos del consenso de analistas; y ▪ Análisis de las operaciones recientes (2019) realizadas con el capital de la Compañía.

Resumen ejecutivo

Conclusión de resultados

Consideramos el DFC como el método más adecuado para nuestra valoración, y en base a éste, concluimos que el valor por acción de MásMóvil se sitúa entre EUR 19,92 y EUR 24,29. Consideramos también adecuado tanto el análisis de la media de cotización a 6 y 12 meses como el análisis de transacciones previas con el capital de la Compañía; y a efectos de contraste los métodos de múltiplos de mercado



Descripción del Grupo

Descripción del Grupo

MásMóvil es un grupo del sector de telecomunicaciones que opera principalmente en España y ofrece servicios de telefonía móvil de prepago y pospago, acceso a banda ancha fija y móvil y TV con un fuerte crecimiento en los últimos años

Negocio del Grupo MásMóvil

- MásMóvil es un grupo compuesto por varias compañías del sector de telecomunicaciones que ofrecen una amplia gama de productos principalmente diferenciadas entre telefonía móvil y banda ancha fija.

Principales magnitudes FY19

Líneas de suscriptores [3]	8,9 M líneas
Margen EBITDA ajustado % (post NIIF 16)	28%
Unidades inmobiliarias (fibra)	23,4 M

[3] Incluye tanto líneas móvil como banda ancha, excluyendo Lycamobile (1,5M de líneas)

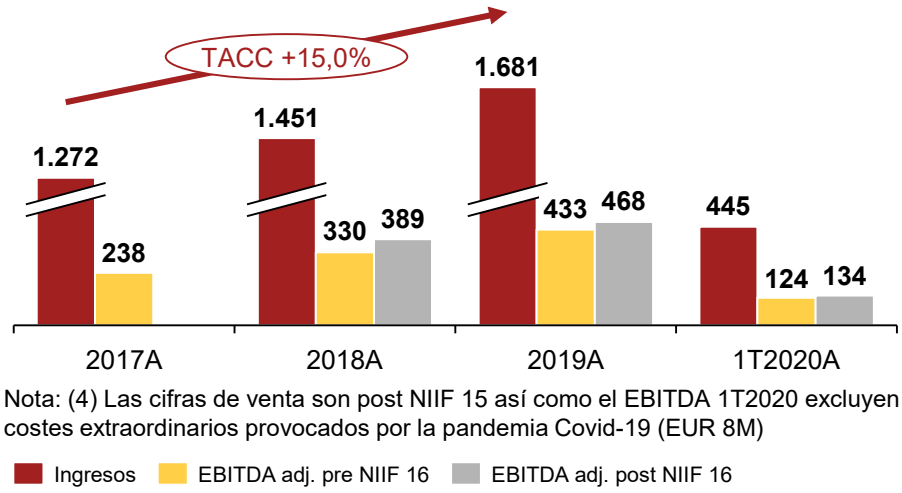
Portfolio de productos por marca y posicionamiento de precio

	4P[1]	Pospago	Prepago	Convergencia[2]	Posicionamiento
MÁSMÓVIL	✗	✓	✓	✓	Bajo - medio
yoigo	✓	✓	✓	✓	Medio
pepephone	✗	✓	✗	✓	Bajo - medio
llamaya	✗	✓	✓	✓	Bajo
LEBARA	✗	✗	✓	✗	Bajo

[1] 4P hace referencia a banda ancha, fijo, televisión y móvil

[2] Convergencia hace referencia a banda ancha y móvil

Evolución de los ingresos y EBITDA ajustado consolidado (EUR M) [4]



Nota: (4) Las cifras de venta son post NIIF 15 así como el EBITDA 1T2020 excluyen los costes extraordinarios provocados por la pandemia Covid-19 (EUR 8M)

Fuente: CCAA Consolidadas, Presentación de resultados del 1T2020, Web de la Compañía y Analysys Mason

Evolución corporativa

El Grupo se caracteriza por ser activo en adquisiciones de negocios, de varias compañías en los últimos años y acuerdos de co-inversión así como inversión en red propia, como factores relevantes para el crecimiento

1997	Origen de la Compañía	n.d.
2012	MásMóvil cotiza en el MAB	0,57
2014	Creación del **Grupo MásMóvil** Ampliación de capital de **25,5M**	2,42
2015	Adquisiciones y compra de fibra óptica a Jazztel: Ampliación de capital de **EUR 125,3M** y una emisión de bonos **EUR 27M**	4,41
2016	Adquisiciones de: Ampliación de capital de **EUR 160M**, emisión de bonos de **EUR 30M**, emisión de papel comercial **EUR 30M** y emisión de bonos convertibles de cerca **EUR 406M**	5,32
2017	Adquisición de: Empieza a cotizar en el Mercado Continuo de la Bolsa de Madrid Compra bonos convertibles de FCC **EUR 28,9M**, emisión de bonos **EUR 39,3M**, emisión de bonos senior de **EUR 386M** y oferta de bonos senior **EUR 113,8M**	17,58
2018	Adquisiciones: Ampliación de capital de **EUR 360M**, recompra de bonos convertibles de ACS **EUR 480M**, split de acciones (5 nuevas por 1 antigua), refinanciación de deuda **EUR 831M** y recompra de bonos senior de **EUR 386M**	19,50
2019	**Acuerdo de coinversión en red de fibra y acceso a cobertura 5G** con Orange y **contrato de venta y posterior alquiler** con Macquarie Ampliación de capital de **EUR 100M y 120M**, refinanciación de la deuda con préstamo a largo plazo de **EUR 1.450M** y recompra bonos convertibles **EUR 906M** de Providence Adquisiciones:	20,34
2020	Adquisiciones: y firma de acuerdos “Duero”, “Monterrei II” y “Uclés” (desglose más adelante)	18,72

Precio de cotización a cierre de ejercicio y a 29 de mayo de 2020 (EUR por acción)

Adquisición | Financiación | Otros

Fuente: Web de la compañía

Evolución financiera histórica (1 de 2)

El desempeño histórico del Grupo viene marcado por el crecimiento inorgánico, tras la adquisición de Yoigo (2016), Pepephone (2016), Llamayá (2017), Lebara (2018) y la captación de clientes (portabilidad neta) de otros players como Telefónica, Vodafone u Orange

EUR millones	2017A	2018A	2019A	1T 2020A	TACC 17-19
Móvil	841,5	815,2	798,1	n.d.	(2,6%)
Pospago	757,8	725,8	673,4	n.d.	(5,7%)
Prepago	83,7	89,4	124,7	n.d.	22,0%
Convergencia y banda ancha	129,4	373,6	641,8	n.d.	122,7%
Otros ingresos de explotación	330,1	311,9	299,2	n.d.	(4,8%)
Ventas Pre NIIF 15	**1.301,0**	**1.500,6**	**1.739,1**	**n.d.**	**15,6%**
% variación		*15,3%*	*15,9%*		
Impacto NIIF 15	n.d.	(49,8)	(58,4)	n.d.	n.a.
Ventas Post NIIF 15	**1.301,0**	**1.450,9**	**1.680,7**	**445,0**	**13,7%**
Coste de las ventas	(512,2)	(546,1)	(573,5)	(153,0)	5,8%
Margen bruto	**788,8**	**904,7**	**1.107,2**	**292,0**	**18,5%**
% margen (3)	*60,6%*	*62,4%*	*65,9%*	*65,6%*	*4,2%*
Otros gastos operativos	(550,7)	(574,8)	(674,3)	(168,0)	10,6%
EBITDA pre NIIF 16 *(2)*	**238,1**	**329,9**	**432,9**	**124,0**	**34,9%**
% margen (3)	*18,3%*	*22,7%*	*25,8%*	*27,9%*	*18,6%*
Impacto NIIF 16 *(1)*	n.d.	59,3	35,4	10,0	n.d.
EBITDA post NIIF 16 (reportado) *(2)*	**238,1**	**389,2**	**468,3**	**134,0**	**n.d.**
% margen (3)	*n.d.*	*26,8%*	*27,9%*	*30,1%*	*n.d.*
Amortización y depreciación (exc. NIIF 16)	(123,6)	(160,8)	(239,9)	(73,0)	39,3%
EBIT Pre NIIF 16 *(2)*	**114,5**	**169,2**	**193,0**	**61,0**	**29,8%**
% margen (3)	*8,8%*	*11,7%*	*11,5%*	*13,7%*	*14,2%*
Amortización y depreciación (inc. NIIF 16)	n.d.	(213,6)	(271,8)	(73,0)	n.d.
EBIT Post NIIF 16 *(2)*	**n.d.**	**175,6**	**196,5**	**61,0**	**n.d.**
% margen	*n.d.*	*12,1%*	*11,7%*	*13,7%*	*n.d.*

Fuente: Información de la Compañía y Presentaciones de resultados del 2017-2019 y 1T2020

(1) La nueva norma NIIF 16, con fecha efectiva a partir del 1 de enero de 2019, requiere que el arrendatario reconozca los arrendamientos en el balance, reflejando de esta forma el derecho a usar el activo por un periodo de tiempo, así como el pasivo asociado a los pagos contractuales. Se muestra la magnitud EBITDA previa a dicho impacto ("pre NIIF 16") para comparación con 2018.

(2) Ajustado por resultados no recurrentes según la Compañía.

(3) Calculado sobre las ventas post NIIF 15.

1. Los últimos años, los ingresos (Post NIIF 15) han crecido a una $TACC_{17-19}$ de +13,7%, impulsados por la conversión de clientes de pospago a contratos de convergencia, y la portabilidad neta positiva en detrimento de los principales players del mercado (Telefónica, Orange y Vodafone).
   - El segmento de prepago creció a un TACC de +22% principalmente impulsado por la adquisición de Lebara en 2018, que supuso la incorporación de una cartera de 420.000 clientes. Cabe mencionar que el ARPU de este segmento tuvo un descenso de un $TACC_{17-19}$ de -11,7%.
2. El incremento en margen bruto se explica principalmente por: (i) las economías de escala y (ii) el incremento de peso de convergencia en el mix de servicios, lo que contrarresta los decrecimientos de ARPU en móvil prepago y pospago.
3. Adicionalmente, se han registrado incrementos significativos en los niveles de amortización y depreciación, como resultado de los elevados niveles de inversión y las citadas adquisiciones (Purchase Price Allocation o PPA).
   - El primer trimestre de 2020 ha continuado con la senda de crecimiento, a pesar de las restricciones impuestas como consecuencia de las medidas de confinamiento contra la pandemia del Covid-19. En concreto, se han alcanzado 9,2M de líneas, un 16% más que las registradas en el mismo periodo de 2019.
4. El EBITDA trimestral ajustado post NIIF 16 ascendió a EUR 134M sin incluir gastos no recurrentes por importe de EUR 8M que hacen referencia a los costes para la migración de los contratos de *roaming* y las iniciativas sociales relacionadas con el Covid-19 (mascarillas y dispositivos entre otros). Dichos costes se espera que continúen en lo que resta de año y asciendan hasta EUR 20M en total para el año 2020.

Evolución financiera histórica (2 de 2)

La base total de activos no corrientes ha incrementado un 79% entre 2017 y 2019, resultado del citado esfuerzo en inversión de inmovilizado material e intangibles, financiado en gran medida con deuda financiera y proveedores de inmovilizado

	EUR millones	2017	2018	2019	1T 2020
1	Fondo de comercio	389,4	508,3	481,0	483,0
2	Activos intangibles	434,2	703,5	1.090,8	1.084,0
3	Inmovilizado material	462,9	610,1	647,8	698,0
4	Otros activos no corrientes	279,7	350,4	581,5	597,0
	Activos No Corrientes	**1.566,2**	**2.172,3**	**2.801,1**	**2.862,0**
	Existencias	0,4	1,2	12,2	12,0
	Deudores comerciales y otras cuentas a cobrar	198,4	237,7	218,7	226,0
	Efectivo y otros medios líquidos equivalentes	320,1	98,2	63,0	195,0
4	Otros activos corrientes	8,2	143,6	179,0	192,0
	Activos Corrientes	**527,2**	**480,7**	**472,9**	**625,0**
	Total Activo	**2.093,4**	**2.653,0**	**3.274,0**	**3.487,0**
	Patrimonio Neto	**303,1**	**475,9**	**103,9**	**125,0**
5	Deudas a largo plazo	534,4	769,0	1.545,6	1.748,0
	Otros pasivos financieros	298,3	177,5	16,2	16,0
	Pasivo por impuesto diferido	28,9	61,0	65,7	64,0
	Otros pasivos no corrientes	208,4	249,7	236,8	242,0
	Pasivos No Corrientes	**1.069,9**	**1.257,3**	**1.864,3**	**2.070,0**
	Deudas a corto plazo	30,5	86,3	49,8	107,0
	Acreedores comrciales y otras cuentas a pagar	609,4	553,6	503,7	496,0
6	Otros pasivos corrientes	80,5	280,1	752,4	689,0
	Pasivo Corriente	**720,4**	**919,9**	**1.305,9**	**1.292,0**
	Total Pasivo y Patrimonio Neto	**2.093,4**	**2.653,0**	**3.274,0**	**3.487,0**

Nota: Los cifras corresponden a las cuentas presentadas en sus respectivos años
Fuente: información considerada por la Compañía, CCAA consolidadas (2017, 2018 y 2019) y presentación de resultados para el 1T 2020.

1. Fondo de comercio resultante de la adquisiciones realizadas por la Compañía en los años previos.

2. Incluye, entre otros, activos resultantes de los PPAs y los derechos de uso sobre la red de otros operadores, bajo acuerdos de mutualización. Este concepto registra un crecimiento principalmente impulsado por el acuerdo con Orange.

3. El incremento del nivel de inmovilizado material es debido a las inversiones realizadas para el despliegue de la red de fibra y optimización de la red de telefonía propia. En el primer trimestre de 2020, esta inversión se ha financiado mediante la apertura de una nueva línea de Capex por valor de EUR 95M.

4. Incluye principalmente activos resultantes de la aplicación de la norma NIIF 15 (corriente y no corriente):

   – Costes de obtención de contratos con clientes, directamente atribuibles a la obtención y actividades de retención de contratos con clientes;

   – Activos contractuales relacionados con los descuentos y subvenciones ofrecidos en los terminales.

   Estos epígrafes han crecido significativamente ante el fuerte incremento del número de altas (nuevos clientes) conseguidos en estos años.

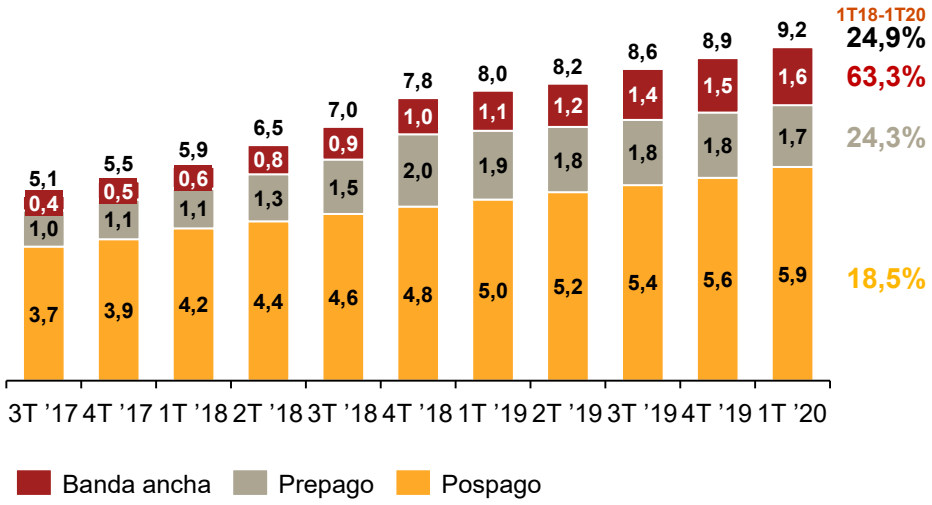
5. En mayo de 2019, el Grupo completó una refinanciación de su estructura de capital incluyendo la colocación de un préstamo a 7 años de EUR 1.450M, junto con las ampliaciones de capital que ha permitido: (a) la recompra del bono convertible por EUR 906M; (b) la cancelación de un préstamo sindicado cuyo importe ascendía a EUR 791M; y (c) la cancelación de un préstamo subordinado por importe de EUR 120M. Además, el primer trimestre de 2020, la Compañía ha solicitado un nuevo préstamo bancario a corto plazo por valor de EUR 41M.

6. Otros pasivos corrientes corresponde principalmente las cuentas a pagar a proveedores de inmovilizado (EUR 488M en 2019) con fuerte incremento por el despliegue de la red de telecomunicaciones. Durante el primer trimestre de 2020 se pagó a Orange EUR 109M correspondientes a esta partida.

Evolución de KPIs por línea de servicio

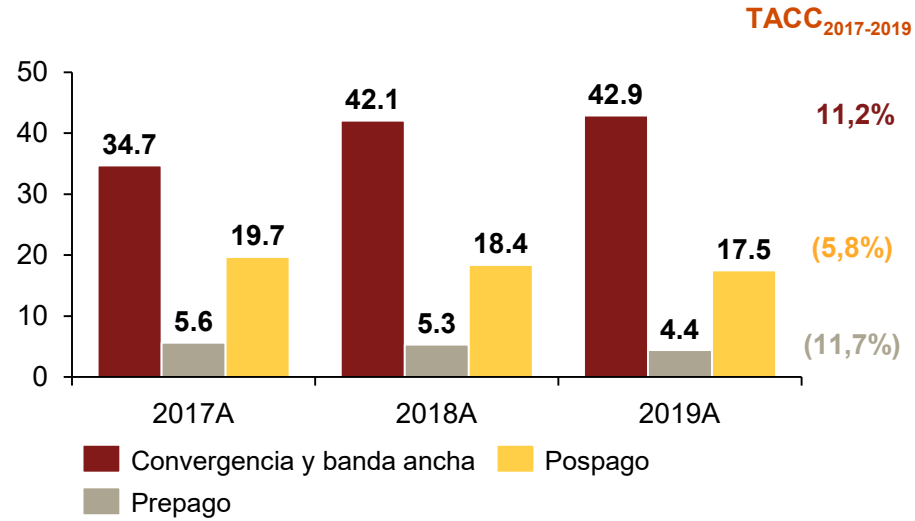
Los ingresos se han impulsado sobre todo por el crecimiento orgánico e inorgánico de suscriptores y el aumento del peso de banda ancha y convergencia (con ARPU superior) para contrarrestar el entorno de gran presión de precios/ARPU de móvil que se observa en el mercado históricamente

Evolución de las líneas activas por tipo de servicio (M líneas)



Fuente: Presentaciones de resultados y análisis PwC

Evolución del ARPU (EUR/mes)



Fuente: La Compañía y análisis PwC

- Las líneas activas crecieron a un TACC +24,9%:
  - Previo a 2017, estaba únicamente centrada en la oferta móvil. Tras el acuerdo de mutualización con Orange, ha incrementado notablemente su huella de fibra hasta el hogar, permitiendo mejorar su oferta de banda ancha.
  - Adicionalmente, ha habido un trasvase de clientes de líneas de pospago a productos de convergencia, en línea con la estrategia del Grupo.
  - El crecimiento de las líneas de prepago viene principalmente por las adquisiciones de Llamayá y Lebara en 2017 y 2018, respectivamente. Sin embargo, orgánicamente se viene produciendo una tendencia de desplazamiento hacia líneas de pospago.
  - Las líneas prepago y pospago muestran un ARPU muy decreciente ($TACC_{17\text{-}19}$ -11,7% y -5,8%, respectivamente) por la erosión de precios debido a la entrada de nuevos operadores móviles virtuales, y en general, la fuerte competencia de precios en el sector con el resto de operadores.
  - El ARPU de convergencia ha aumentado, principalmente debido a la inclusión de un mayor número de servicios bajo la misma oferta, el incremento de datos móviles ofrecidos, menor cantidad de descuentos, productos de mayor velocidad, y el incremento del número de clientes de fibra, en detrimento de ADSL.

Métodos de valoración

Métodos de valoración

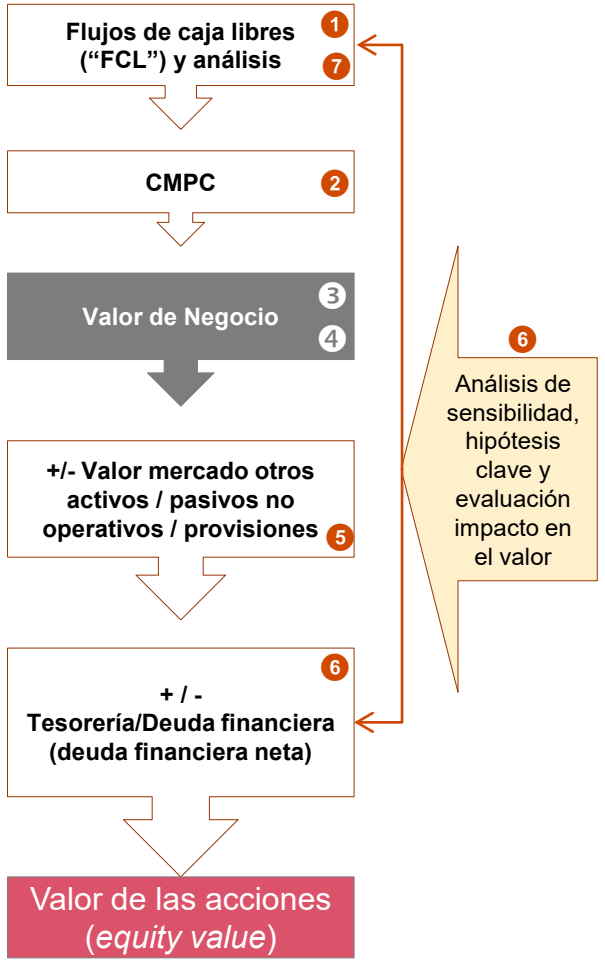
Hemos aplicado los diferentes métodos de valoración establecidos en el artículo 10 del RD 1066/2007 y Artículo 137.2 de la LMV

Métodos de valoración comúnmente aceptados	
Descuento de Flujos de Caja (DFC)	El método del DFC indica el valor de mercado de las acciones basándose en el valor actual de los flujos de caja libre ("FCL") futuros generados por el negocio de la compañía. Estos flujos de caja son descontados a una tasa de descuento calculada mediante una media ponderada del coste de los recursos propios y del coste de la deuda (o recursos ajenos), de forma que refleje una estructura óptima para un participante del sector. Además, se estima un valor residual tras el último año proyectado a partir de un FCL normalizado que se considere sostenible a perpetuidad y también descontado por la misma tasa.
Múltiplos de Mercado (Compañías comparables cotizadas y Transacciones del Sector)	El método de Múltiplos de Mercado se ha realizado sobre la base de las magnitudes financieras consolidadas y normalizadas de MásMóvil a 31 de diciembre de 2019 y también del primer trimestre de 2020 para múltiplos de cotizadas comparables.
Otros criterios establecidos por el RD 1066/2007 y Artículo 137.2 de la LMV	
Valor Teórico Contable ("VTC")	El método del VTC se ha aplicado sobre la base de las CCAA consolidadas del último ejercicio auditado, esto es, el 2019 así como las correspondientes al 1T2020 (no auditados, y sólo consolidadas). Este método es estático, pues se basa en el principio contable de coste de adquisición.
Valor liquidativo	Tal como se justifica más adelante en el presente Informe, no hemos calculado el método del valor liquidativo por considerar que el valor resultante en un proceso de liquidación sería significativamente inferior a los demás métodos.
Cotización media ponderada en diversos periodos	Hemos analizado la evolución de la cotización media ponderada de los 6 meses anteriores al 1 de junio de 2020 como exige el artículo 10 del RD 1066/2007, complementado con el análisis de la cotización a otros periodos (12 meses – artículo 137.2 de la LMV).
Contraprestaciones ofrecidas (OPAs año precedente)	No han existido contraprestaciones con anterioridad, en el año precedente a la fecha de acuerdo de la Solicitud.
Otros métodos considerados	
Precios en operaciones previas con el capital de la Compañía	Hemos analizado los precios implícitos en operaciones previas con el capital de la Compañía, realizadas en 2019 (ampliaciones de capital y recompra del bono convertible) como metodología adicional de contraste.

Descuento de Flujos de Caja

Descripción general del método

- El DFC es un método de valoración que estima el valor de un negocio conforme al valor presente de los flujos de caja que se espera que genere su actividad en el futuro, descontados a una tasa de descuento (CMPC). Ésta refleja el valor del dinero en el tiempo y los riesgos implícitos asociados a los flujos proyectados. El procedimiento de aplicación es el siguiente:
  1. Estimación de FCL proyectados por el negocio (caja disponible para atender a las obligaciones con los financiadores del capital: acreedores financieros, intereses y pagos a accionistas);
  2. Estimación del CMPC conforme al riesgo inherente de los flujos proyectados. Dicha tasa de descuento pondera el coste de los recursos propios (o rentabilidad exigida por los accionistas, estimada a partir del CAPM) y el coste de la deuda (o recursos ajenos) a partir de una media ponderada de ambos que refleje una estructura óptima para un participante del sector;
  3. Para los negocios con vida indefinida (*going* concern), se estima un valor residual terminal o valor terminal ("VT") tras el último año proyectado a partir de un FCL normalizado el cual es sostenible a perpetuidad (fórmula de renta perpetua).
  4. Descuento de los FCL y el valor residual para determinar el rango de valor del negocio. Se utiliza a tal efecto la tasa de descuento (CMPC) anteriormente calculada;
  5. Corrección del valor de mercado por cualquier activo o pasivo no operativos o provisiones cuya entrada o salida de caja futura no haya sido tenido en cuenta en los FCL proyectados. La valoración individual de su cuantía dependerá de la naturaleza e importancia del concepto;
  6. Suma o resta de la posición neta de tesorería/deuda (deuda financiera neta) para obtener el rango de valor de las acciones;
  7. Contraste de razonabilidad global del ejercicio desde un punto de vista financiero y análisis de sensibilidad de hipótesis críticas que impactan a los flujos de caja libres de las proyecciones financieras y su repercusión en el valor.



Consideraciones generales de las proyecciones (1/6)

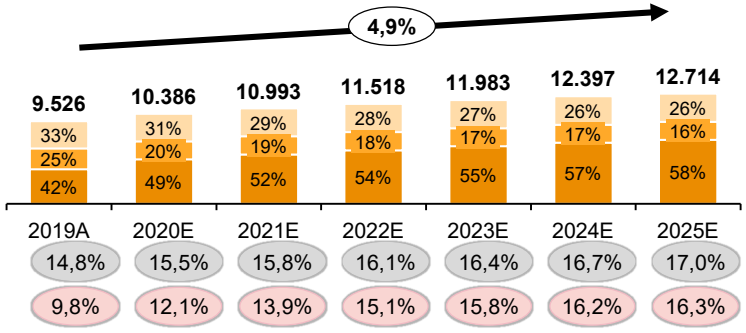
	Consideraciones
Perímetro de valoración y criterios	▪ Realizamos el análisis en base a las magnitudes históricas y proyectadas consolidadas. ▪ Las proyecciones de ventas se han analizado a nivel de línea de negocio, distinguiéndose entre i) línea de negocio móvil (prepago y pospago), y ii) convergencia y banda ancha y iii) Otros ingresos de explotación. Posteriormente, se han proyectado los costes de las ventas y otros gastos operativos, en línea con ratios históricos, así como la inversión en activo fijo y capital circulante necesarios para acometer las ventas proyectadas, llegando así al cálculo de FCL. ▪ A partir del 1 de enero de 2019, la Compañía reporta sus costes aplicando la NIIF 16, que entró en vigor en la misma fecha. Para el análisis de DFC hemos excluido el efecto de la NIIF 16, de manera que el DFC parte del EBITDA antes del impacto de dicha normativa contable, referente a los arrendamientos operativos, ya que representa más apropiadamente el impacto en caja de los mismos. En consistencia, la deuda financiera tampoco incluye este impacto contable. No obstante, el impacto de la normativa es meramente contable y no tiene impacto en valor. Se ofrecen ambas magnitudes para facilitar el contraste y la comparación con los valores histórico o con otras referencias de magnitudes tantos propias como de compañías comparables. ▪ El impacto en el valor y flujos de caja del acuerdo Uclés y la adquisición de Lycamobile se ha realizado por separado de las proyecciones financieras y DFC consolidados. ▪ Nuestros escenarios de proyección financiera (ver Página 43 y 45) reflejan nuestra visión de la evolución futura de Másmóvil en base a nuestro análisis de las perspectivas del mercado y macroeconómicas, los potenciales efectos del previsible deterioro económico causado por el Covid-19, nuestras discusiones con la Dirección de MásMóvil sobre sus perspectivas de evolución futura, el contraste con el Guidance 2019-2021 y el análisis del impacto de los recientes acuerdos “Duero”, “Monterrei II” y “Uclés” de red fija y móvil. ▪ **Coste Medio Ponderado de Capital (“CMPC”):** Los FCL se descuentan a una tasa de descuento que corresponde a una media ponderada del coste de los recursos propios, estimado con el método generalmente aceptado del Capital Assets Pricing Model (“CAPM”), y recursos ajenos, y calculado sin considerar el impacto de la norma contable NIIF 16, de cara a ser consistentes con las consideraciones realizadas en nuestro cálculo de DFC. Se ha estimado el CMPC aplicable para España, al ser el país donde opera la Compañía. ▪ **Periodo de descuento:** Hemos considerado la denominada *mid-year convention*, esto es, asumir que el FCL de un determinado periodo se obtiene de manera uniforme durante dicho periodo. ▪ Se ha estimado de forma separada el valor actual neto de los créditos fiscales (activados y no activados en balance), considerando para ello un calendario estimado de aplicación de los mismos en línea con las proyecciones. Este concepto se ha incluido dentro de los ajustes a Equity Value, como se detalla en la sección de “Detalle de ajustes a Equity Value”. La tasa de descuento utilizada ha sido el coste de los fondos propios.

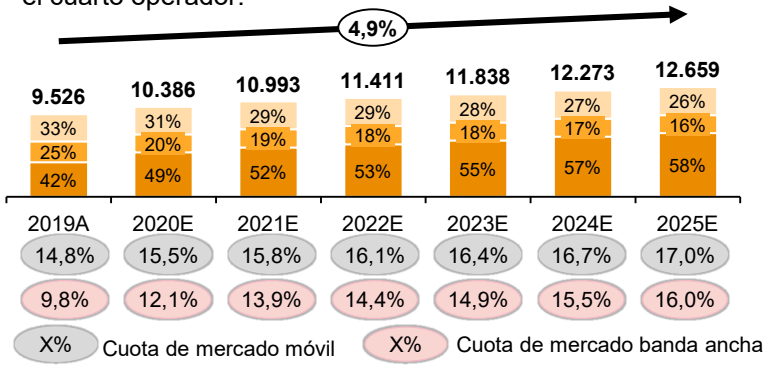
Consideraciones generales de las proyecciones (2/6)

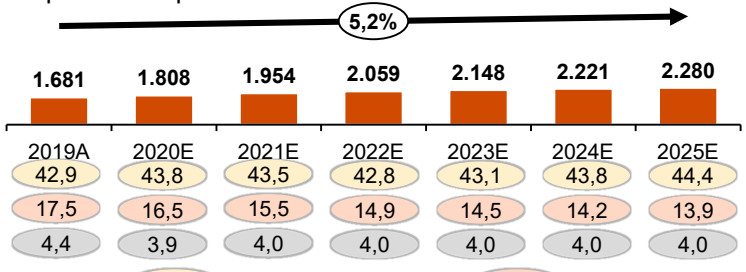
	Consideraciones
Perímetro de valoración y criterios (cont.)	▪ **Moneda y tipo de cambio:** nuestras proyecciones financieras se han elaborado en euros (moneda local). Por consistencia, la tasa de descuento se estima en esta misma moneda. ▪ **Horizonte de proyección:** el horizonte de proyección del Caso Alto y Caso Bajo se extiende hasta 2025. ▪ **Periodo de normalización**: única y exclusivamente a los efectos de calcular el VT con hipótesis sostenibles a perpetuidad, hemos extendido los componentes clave de los FCL por dos años adicionales (2026-2027) con el objetivo de reflejar las normalizaciones necesarias hasta obtener un FCL a perpetuidad que se considere sostenible, asumiendo unos niveles recurrentes de inversión necesaria (Capex de reposición y capital circulante normalizado) y consistentes con la tasa de crecimiento a perpetuidad ("g"). De esta manera, hemos asumido que los niveles de ventas y margen EBITDA del año 2025 se mantienen estables hasta el año 2027, mientras que la amortización y el Capex convergen al valor asignado en el VT 2028. ▪ **Crecimiento a perpetuidad**: en el VT 2028, hemos asumido un crecimiento del FCL sostenible en línea con la inflación a largo plazo de España (1,65%).
Escenarios	▪ Una vez analizadas las expectativas de evolución de suscriptores y ARPUs en el mercado, así como el margen EBITDA que presentan compañías comparables, y tras discusiones con MásMóvil, hemos realizado nuestros propios escenarios de proyecciones financieras, estableciendo dos escenarios diferentes: Caso Alto y Caso Bajo. ▪ Consideramos que se intensificará la presión en precios durante el 2021 y 2022 (algún especialista del sector estima que durará más tiempo), reduciendo el ARPU de convergencia / banda ancha debido a la crisis económica prevista por la pandemia Covid-19 (como ya ocurrió en la anterior crisis del 2008), la entrada de nuevos competidores en España (Digi), la expansión a nivel nacional de otros (Virgin/Euskaltel) y el auge de las segundas marcas "low cost" (Lowi, O2, Tuenti, etc.), ver página 35 para más detalle. También consideramos que dicho ARPU se recuperará de forma discreta entre el 2023-2025. ▪ En todo caso, nuestra estimación de ingresos a largo plazo está en línea con el escenario base de la Compañía, el cual está construido asumiendo una menor cuota del mercado a largo plazo en convergencia que se compensa con una estimación de ARPUs más favorable. Dicho escenario base de la Compañía estima un margen EBITDA a largo plazo en línea con el de nuestro Caso Alto. ▪ Nuestros niveles de Capex sobre ventas proyectados a partir del 2021 son superiores a los escenarios de objetivos a largo plazo discutidos con la Compañía debido a que asumimos un mayor Capex comercial (de adquisición de nuevos clientes y de retención de existentes ante el aumento del churn rate), y nuestra visión de mayor Capex de reposición como nivel necesario para mantener y no descapitalizar la base de activos actual y sostenible a largo plazo, muy contrastada con las comparables de mercado.

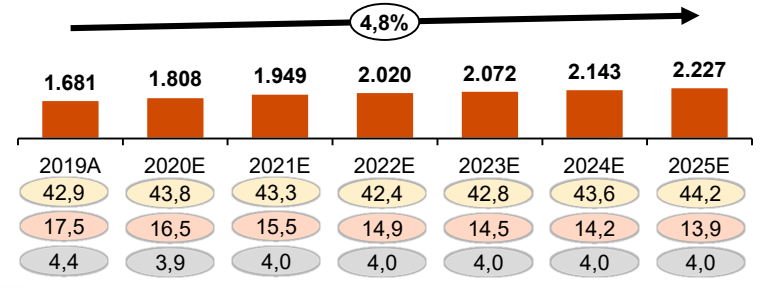
Consideraciones generales de las proyecciones (3/6)

	Caso Alto	Caso Bajo
Suscriptores (1) **(en miles)** (2)	▪ Hemos estimado una cuota de mercado móvil tendente a 17,0% en 2025. ▪ En el segmento de banda ancha, se estima una cuota de mercado de 16,3% en 2025.	▪ Hemos considerado la misma evolución de cuota de mercado móvil que la estimada en el Caso Alto, tendente a 17,0%. ▪ La cuota de mercado de banda ancha aumenta a un ritmo más suave hasta alcanzar un 16,0% en 2025, por encima de la alcanzada por Jazztel en 2015, cuando en dicho momento era el cuarto operador.
Ventas (EUR M) (2) **ARPU** (EUR mes)	▪ El ARPU de móvil pospago decrece en línea con la tendencia observada en el mercado históricamente, fuentes del sector y discusiones con la Compañía. ▪ Asumimos decrecimientos en el ARPU de convergencia en 2021 y 2022, principalmente motivados por la aplicación de descuentos a los nuevos clientes en 2021 y 2022, en un contexto de incremento de nivel de competitividad en precios que se recupera en 2023-2025.	▪ Se ha considerado la misma evolución de los ARPUs de móvil prepago y pospago que en el Caso Alto. ▪ El ARPU de convergencia es ligeramente inferior al Caso Alto debido a un mayor nivel de descuentos en los clientes nuevos en 2021-2022 ($TACC_{2019-2025}$ del 0,6% y 0,5% en el Caso Alto y Bajo, respectivamente).









Fuente: Análisis PwC

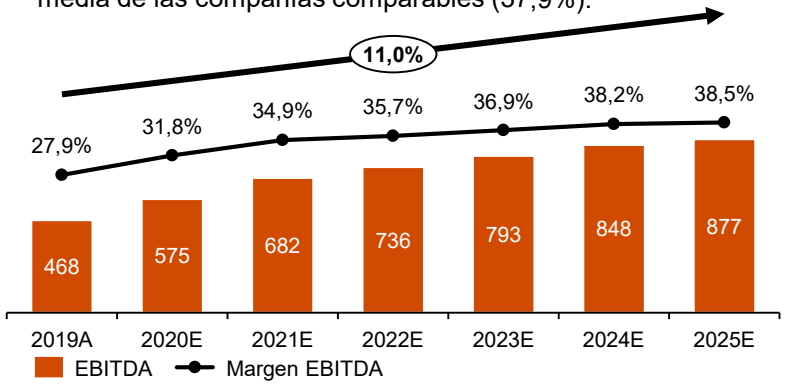
(1) Se incluyen el número de líneas prepago, pospago, convergencia y usuarios de banda ancha. (2) Nuestras proyecciones financieras excluyen Lycamobile y Uclés

Consideraciones generales de las proyecciones (4/6)

EBITDA post NIIF16
(EUR, %)(1)

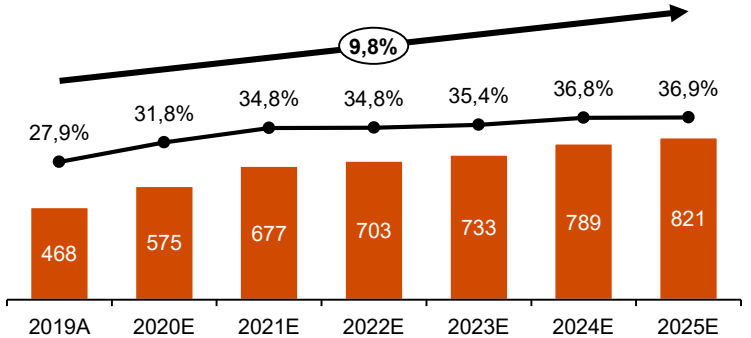
Caso Alto

- El EBITDA se ha estimado asumiendo los gastos de explotación en línea con costes unitarios o porcentuales sobre ventas, efecto de inflación, el impacto de los acuerdos recientes y el apalancamiento operativo del crecimiento, alcanzando un margen EBITDA de 38,5%, por encima de la media de las compañías comparables (37,9%).

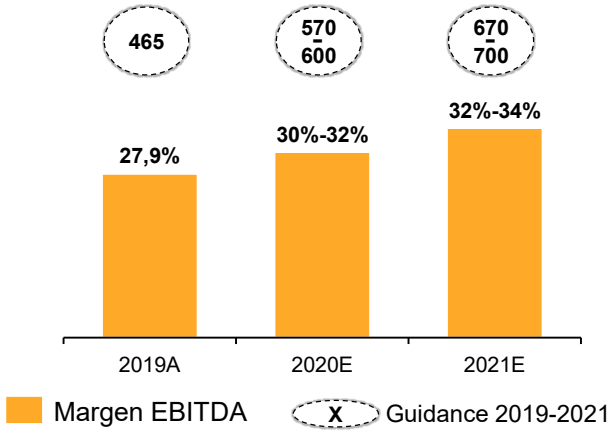


Caso Bajo

- Las diferencias con el Caso Alto se deben principalmente a una proyección de ventas inferior.
- El margen EBITDA se mantiene estable desde el año 2025 hasta el VT tanto en el Caso Alto como en el Caso Bajo (ver contraste de razonabilidad en pagina 38).



Escenarios de la Compañía



- Nuestro escenario se encuentra en línea con el Guidance 2019-2021 para el 2020 y 2021 en términos absolutos (excluyendo Lycamobile).
- El escenario base de la Compañía estima un margen EBITDA a largo plazo en línea con nuestro Caso Alto, mientras que el que recoge el escenario aspiracional se acerca al 40%, muy superior al observado por diferentes challengers e incumbents europeos, así como de sus competidores nacionales observado históricamente (ver página 38), principalmente por un escenario de crecimiento de ARPU de convergencia, lo cual impulsa significativamente la rentabilidad.

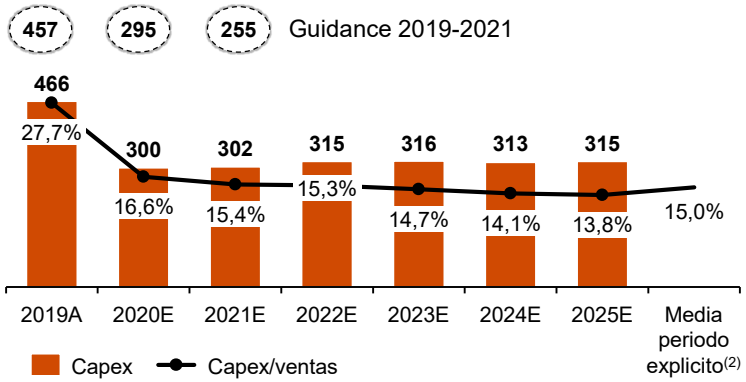
(1) Nuestras proyecciones financieras excluyen Lycamobile y Uclés; (2) Periodo comprendido entre el año 2020 y 2025
Fuente: Análisis PwC

Consideraciones generales de las proyecciones (5/6)

Capex (EUR M) (1)

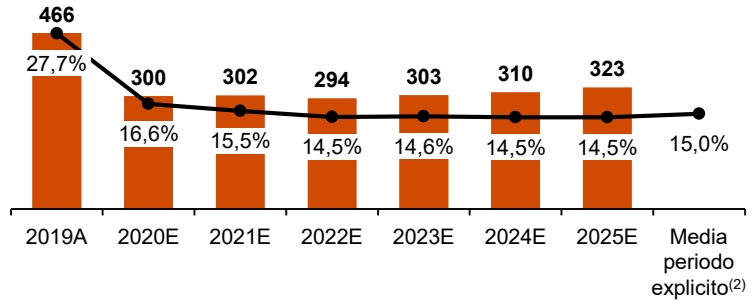
Caso Alto

- Hemos considerado como punto de partida las cifras del Guidance 2019-2021 para los años 2020 y 2021, si bien ajustamos al alza en 2021 en EUR 47M considerando un mayor Capex comercial, Capex de reposición y ciertos ajustes en función de nuestras conversaciones con la Compañía. A partir del 2022 nos basamos en la evolución histórica y nuestra visión de tendencia gradual del nivel de reposición necesario a largo plazo y perpetuidad (ver página 42).



Caso Bajo

- Las diferencias con Caso Alto se deben al número de suscriptores y adición bruta de nuevos clientes.



- Nuestro ratio de Capex/Ventas promedio del periodo 2020-2025 del 15% es superior al contemplado por los escenarios ilustrativos a largo plazo discutidos con la Compañía de c.12-13,5%. Dicho nivel es inferior al nivel de reposición de activos estimado por nosotros como necesario de reposición a largo plazo y el VT en nuestros Caso Alto y Bajo (14,5% y 14,7% respectivamente) y también inferior al mínimo del rango estimado para las compañías comparables de 13,6%-19,9% en 2024 (ver página 42 y 43).
- Adicionalmente, cabe resaltar que las estimaciones incluidas en los escenarios ilustrativos del la Compañía de márgenes de EBITDA y niveles de Capex a largo plazo, no están en línea con las proyecciones observadas en comparables (ver página 43) y representarían implícitamente unos niveles de ROIC significativamente superiores a los comparables y el coste de capital, los cuales consideramos muy difíciles de sostener a largo plazo.

(1) Nuestras proyecciones financieras excluyen Lycamobile y Uclés; (2) Periodo comprendido entre el año 2020 y 2025
Fuente: Bloomberg, S&P y análisis PwC

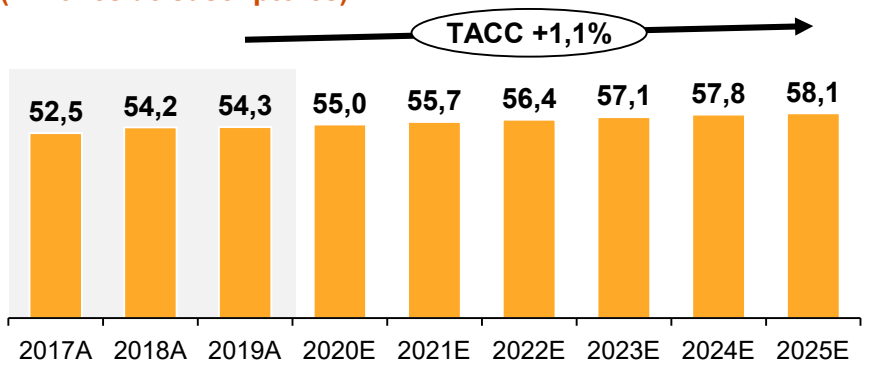
Consideraciones generales de las proyecciones (6/6)

	Consideraciones
Costes operativos	▪ Hemos analizado la estructura de costes operativos de la Compañía actual e histórica, y discutido con la Compañía la evolución futura de la estructura de costes operativos en relación a i) costes de las ventas; ii) personal (con incrementos en línea con inflación); y iii) otros gastos de explotación (comisiones, marketing, mantenimiento, pagos por el uso de datos roaming y por la utilización de la red de fibra de otros operadores y otros gastos de explotación). ▪ Además, hemos considerado el impacto dos contratos ("Duero" y "Monterrei II") que la Compañía ha acordado recientemente, recogiendo su impacto en el cálculo del EBITDA proyectado.
Capital circulante	▪ Se ha considerado el periodo medio de inventario y clientes observados en el ejercicio 2019; mientras que el periodo medio de pago a proveedores y proveedores de inmovilizado se ha ido reduciendo desde los niveles observados en 2019 hasta alcanzar un nivel sostenible de 75 y 65 días, respectivamente, según MásMóvil. En particular, el periodo de cobro e importe de proveedores de inmovilizado a diciembre 2019 (EUR 487,8M) y marzo 2020 (EUR 385M) se sitúan significativamente por encima al nivel normalizado al cual debe tender en el futuro.
Fiscalidad	▪ Se ha utilizado el tipo impositivo de España (25%). Históricamente, la Compañía ha generado ciertas deducciones fiscales ligadas a proyectos de I+D. Debido a que la Compañía tiene previsto seguir desarrollando dichos proyectos de I+D, hemos estimado los créditos fiscales que podrían surgir durante el periodo de proyección (EUR c.2M anuales). En el VT, no se han considerado deducciones fiscales en I+D que entendemos están relacionadas con el crecimiento del negocio, ya que el crecimiento proyectado está únicamente ligado a la inflación. ▪ Para la estimación del valor actual de las Bases Imponibles Negativas (tanto activadas como no activadas en balance), se han utilizado los límites de deducibilidad acorde con la Ley 27/2014, de 27 de noviembre, del Impuesto sobre Sociedades y el Real Decreto-ley 3/2016, de 2 de diciembre.
Valor terminal (VT) 2028	▪ Se ha considerado que el nivel de EBITDA de 2025 se mantiene estable hasta 2027 como motivo de que la presión en precios continúe y no pueda conseguir niveles en línea con la inflación hasta 2028, año en que se asume ya sea posible dicho crecimiento a perpetuidad ("g"). ▪ En el largo plazo se ha considerado Capex de reposición del 14,5% y 14,7% de las ventas en el Caso Alto y Bajo, respectivamente, basado en los niveles estimados de reposición de la base de activos actuales y proyectados. Para este nivel de Capex, la amortización debería mantenerse en un ratio (denominado "depreciation wedge") del 0,89 sobre Capex, en aras de considerar el efecto de la inflación y la vida útil promedio de los activos. ▪ La variación del capital circulante del terminal se ha calculado como la variación implícita resultante de un crecimiento de las partidas de activo y pasivo circulante a la g.
Estimaciones de IPC	▪ Se han considerado las estimaciones de IPC a largo plazo según las siguientes fuentes de mercado: Oxford Economics, EIU, IMF y Bloomberg (véase Anexo 6.4 "Estimaciones macroeconómicas y del sector").

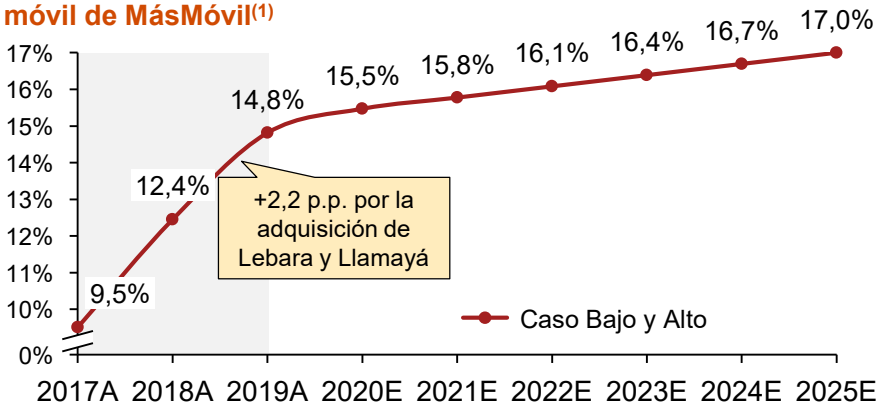
Cuota de mercado y número de suscriptores de móvil (1/2)

En un mercado con crecimiento continuo esperado de suscriptores, se estima que la Compañía continuará aumentando progresivamente su cuota de mercado hasta alcanzar una penetración similar a la máxima alcanzada por un cuarto operador en Europa

Evolución del número de suscriptores de móvil en España (millones de suscriptores)



Evolución histórica y proyectada de la cuota de mercado de móvil de MásMóvil(1)



Nota: En 2016 la Compañía adquirió Yoigo y Pepephone.

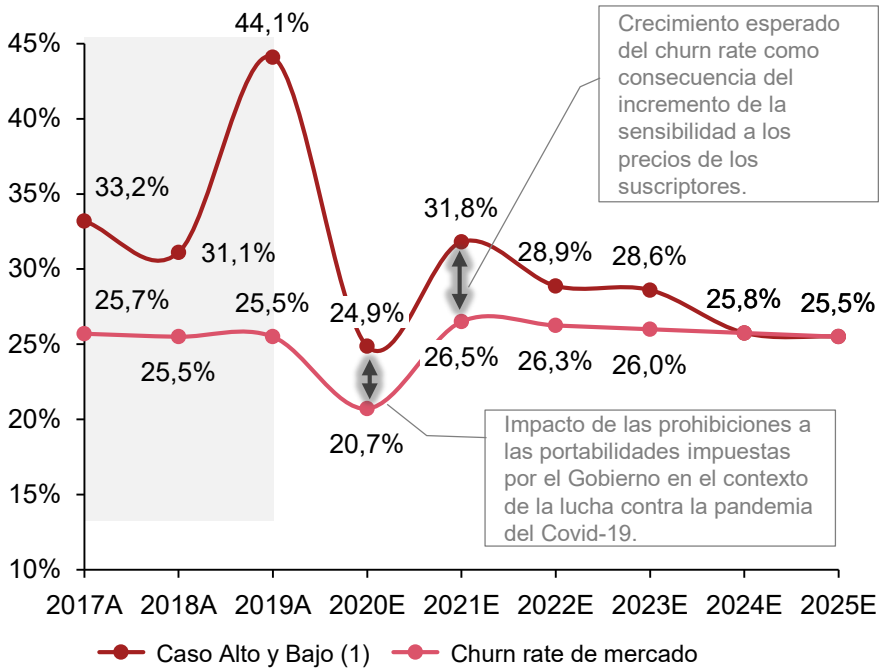
Fuente: Analysys Mason, Statista, Budde Communication y análisis PwC

- De acuerdo al análisis realizado por fuentes especializadas del sector, se espera que el número de suscriptores móviles en España se sitúe en un total de 58,1M de líneas en 2025, creciendo a una $TACC_{19-25}$ moderada. Esto se traduce en un crecimiento implícito de la penetración en España, pasando de 116,1 líneas móviles por cada 100 habitantes en 2019, a 120,3 líneas móviles por cada 100 habitantes en 2025, en línea con la media europea (120).
- Hemos analizado diferentes mercados europeos en los que existe un cuarto operador, desprendiéndose que la cuota máxima alcanzada se sitúa en el rango 16%-17%; por ejemplo, en línea con Free/Iliad en Francia o 3UK en Reino Unido pero superior a Tre en Suecia (14%).
- El auge de las segundas marcas low cost (Lowi, O2, Tuenti, etc.), la entrada de Digi en España y la futura expansión de Virgin/Euskaltel a nivel nacional, suponen una presión competitiva significativa en el sector que suavizarán el ritmo de crecimiento en cuota móvil de la Compañía, por lo que hemos asumido que MásMóvil alcanzará su estabilidad al llegar al máximo de cuota alcanzado por un cuarto operador en Europa (17%).
- En concreto, se considera un crecimiento de 2,2 p.p. en los niveles de cuota de mercado, tanto en el **Caso Alto** como en el **Caso Bajo**, en línea con las estimaciones de algún analista. También cabe destacar que la Compañía indica en sus CCAA 2019 (nota sobre test de deterioro) que asume que los niveles de crecimiento se mantienen hasta finales del ejercicio 2021, momento en el que espera se alcance su madurez de mercado.

Cuota de mercado y número de suscriptores de móvil (2/2)

Se espera un incremento de la tasa de rotación de clientes del segmento móvil en el corto plazo y una posterior vuelta a los niveles pre-crisis en el medio plazo

Evolución del churn rate de los clientes de móviles



Fuente: CNMC, Analysys Mason y análisis PwC.

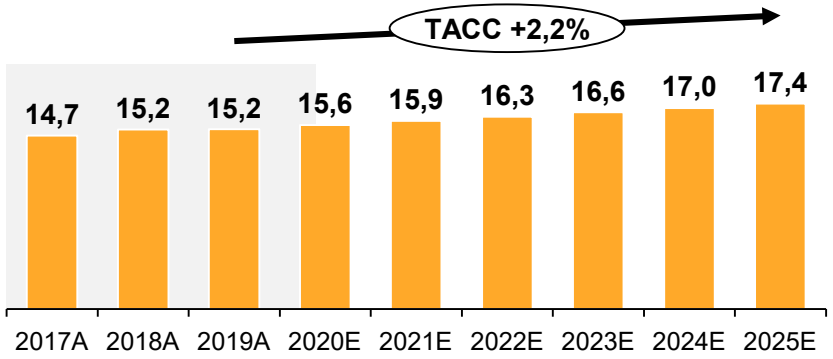
(1) Churn rate considerando líneas móviles de prepago y pospago. Los datos históricos de churn rate de Lorca están afectados por las adquisiciones de compañías, que generan un gran número de migraciones desde la compañía adquirida a la adquiriente en las líneas prepago.

- Hemos considerado que el deterioro macroeconómico por el Covid-19 tendrá implicaciones como las siguientes:
  - Una caída del churn rate en 2020 con respecto al año anterior, motivado por la prohibición de las portabilidades durante casi 3 meses del año;
  - En 2021, hemos estimado un crecimiento del churn rate en un 1% respecto a los niveles de 2017-2019, en línea con las estimaciones de fuentes sectoriales, analistas de la Compañía y comparables del sector y, reflejo de una mayor sensibilidad de los usuarios a los precios en un contexto económico adverso, favoreciendo la disponibilidad a cambiar de operador.
  - Durante el periodo 2020-2023, estimamos que la tasa de la Compañía se sitúará entre un 10% y 20% por encima de la media del mercado, en línea con los años anteriores. Esto se debe al contar principalmente con una base de clientes del segmento de gama baja y media-baja, con mayor propensión al cambio de operador y está en línea con los datos comparables históricos de MásMóvil.
  - Para el periodo 2024 y en adelante, hemos considerado que el churn rate se igualará a los niveles esperados para el mercado.

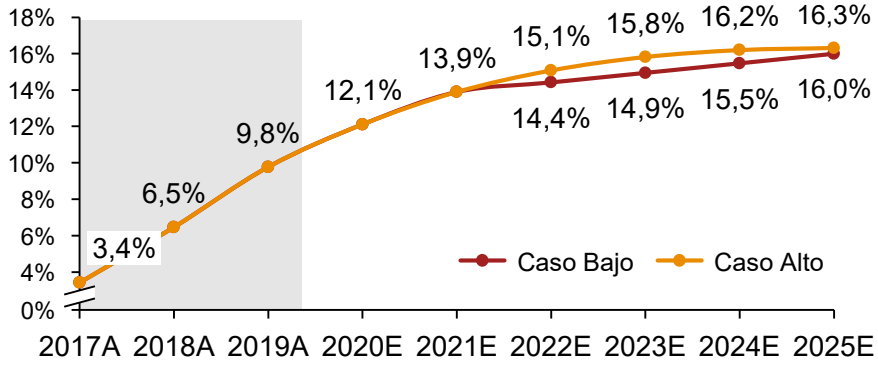
Cuota de mercado y número de suscriptores de banda ancha (1/2)

El crecimiento del número de suscriptores de banda ancha es superior al proyectado para el segmento móvil, debido al mayor crecimiento esperado del mercado en España, así como de cuota de la Compañía

Evolución del número de suscriptores de banda ancha en España (millones de suscriptores)



Evolución histórica y proyectada de la cuota de mercado de banda ancha de MásMóvil (1)



Fuente: Analysys Mason, Statista, Budde Communication, análisis PwC, Ampere and CNMC.

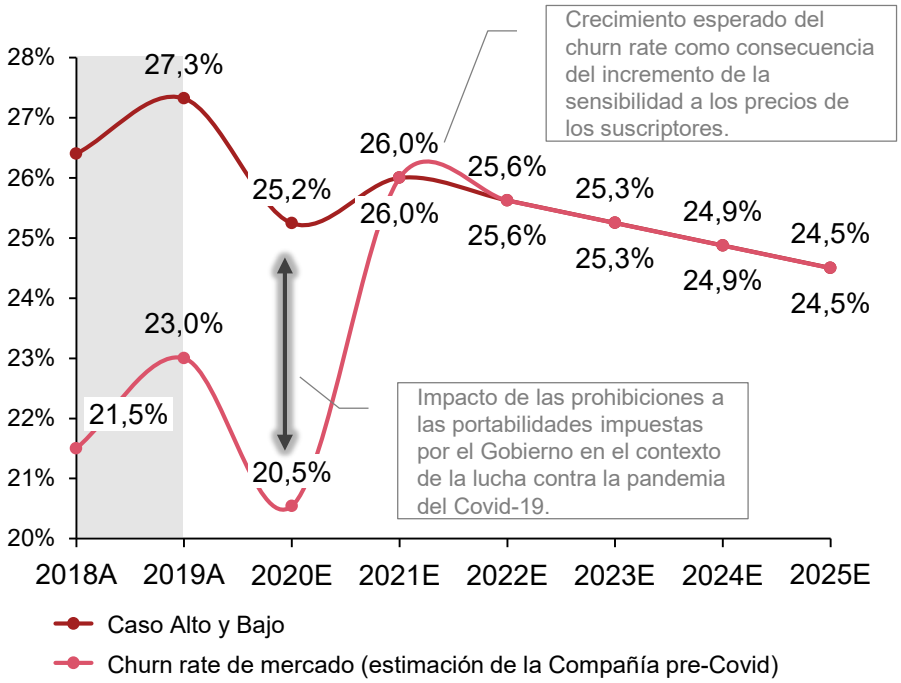
- De acuerdo al análisis de fuentes sectoriales, citadas en los gráficos anteriores, se espera que el número de suscriptores en España se sitúe en un total de 17,4M de líneas en 2025, creciendo a un $TACC_{19-25}$ de 2,2%. Esto se traduce en un crecimiento implícito de la penetración en España, pasando de 32,5% líneas de banda ancha por cada 100 habitantes en 2019, a 36,0% en 2025. Esta cifra que se encuentra en línea con la media de la de los países europeos con niveles de población y PIB per cápita similares (la penetración de esta tecnología en España se encuentra aún por dejado de países líderes como Suiza o Países Bajos).
- Por otro lado, asumimos que la cuota de mercado esperada de la Compañía para los próximos experimentará crecimientos de entre 6,2 y 6,5 puntos porcentuales ("p.p."), hipótesis coherente con (i) una evolución contenida del ARPU (ver página 34) en un mercado en el que se intensifica la presión competitiva (de acuerdo a informes sectoriales y analistas de las compañías comparables) y (ii) nuevos acuerdos de la Compañía, "Duero", "Monterrei II" y "Uclés", que permitirán aumentar la capacidad y llegar a más clientes.

(1) Los niveles de crecimiento se mantienen hasta finales del ejercicio 2021, momento en el que el Grupo estima que alcanzará la madurez en el mercado, CCAA 2019

Cuota de mercado y número de suscriptores de banda ancha (2/2)

Se espera un incremento de la tasa de rotación de clientes en el corto plazo y una posterior vuelta a los niveles pre-crisis en el medio plazo

Evolución del churn rate de los clientes de banda ancha



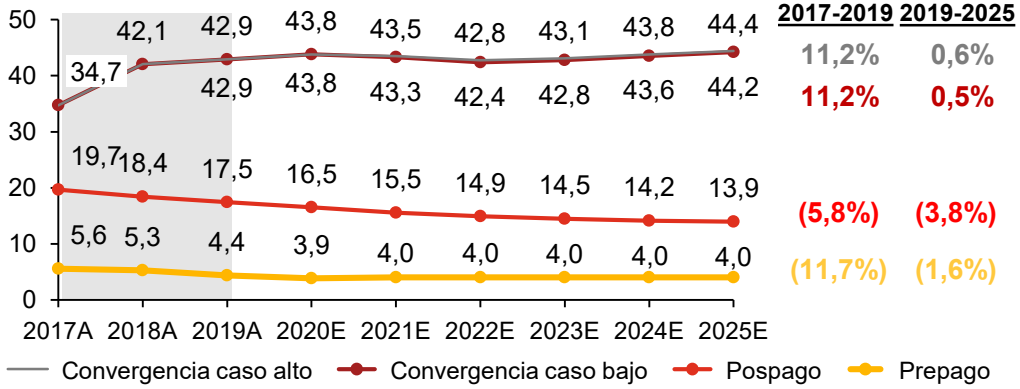
Fuente: Analysys Mason, presentaciones corporativas de la Compañía, informes de analistas (de MásMóvil y compañías comparables) y análisis PwC

- La tasa de rotación de clientes se basa en la estimación de MásMóvil de la tasa de rotación del mercado español en su presentación corporativa de febrero de 2020. Dicha tasa se encuentra históricamente por encima de mercado debido a un ARPU más bajo y a la inexistencia de la oferta de contenido real (televisión).
- No obstante, estas estimaciones no consideran las implicaciones de la previsible crisis económica por Covid-19, impactando, entre otros, a las operaciones de portabilidad en España. Por ello, nuestra proyección recoge los efectos de:
  - Una caída del churn rate en 2020 con respecto al año anterior, motivado por la prohibición de las portabilidades durante casi 3 meses del año y que acentuara la diferencia existente en años previos con el mercado.
  - De acuerdo a fuentes sectoriales y comparables del sector, un posterior crecimiento del churn rate, reflejando una mayor sensibilidad a los precios por los usuarios en un contexto económico adverso, favoreciendo la disponibilidad a cambiar de operador.
  - En adelante, tendencia al churn rate del mercado estimado por MásMóvil en presentaciones corporativas.

Análisis de ARPUs

De acuerdo a diferentes fuentes de mercado, se espera que el ARPU móvil continúe su senda de decrecimiento los próximos años acentuado como consecuencia del Covid-19. El efecto mix de cliente hacia convergencia con ARPU mayor compensará positivamente dicha erosión de precios en el ARPU individual de cada tipología de clientes

Evolución del ARPU por tipología de cliente (EUR/mes)(1)



	TACC 2017-2019	TACC 2019-2025
Convergencia caso alto	11,2%	0,6%
Convergencia caso bajo	11,2%	0,5%
Pospago	(5,8%)	(3,8%)
Prepago	(11,7%)	(1,6%)

Fuente: Ampere Analysis y análisis PwC

- La intensidad competitiva en el sector en España ha provocado un decrecimiento de ARPU móvil histórico. Dicha tendencia se espera que continúe, especialmente en el ARPU de móvil pospago, acentuada adicionalmente por el deterioro macroeconómico debido al Covid-19, como lo reflejan informes de telecomunicaciones de diversos países europeos y las comunicaciones de la propia Compañía, esperándose un incremento de la intensidad competitiva en el segmento medio y bajo donde opera la misma.
- A pesar de esperarse decrecimientos continuados en los niveles individuales de precios, el efecto mix de clientes hacia más convergencia compensa la erosión sufrida en ventas por los ARPUs individuales. En concreto, el incremento de clientes de convergencia, cuyo paquete de servicios atrae cada vez a más clientes (ya sea por migración de líneas pospago o nuevos clientes), así como un mayor peso de los clientes de fibra sobre los de ADSL.

– El **ARPU de prepago** se espera que se vea especialmente afectado por el periodo de cuarentena provocado por el Covid-19 en los primeros meses de 2020, como así lo reflejan una caída muy relevante en los ingresos de prepago (en torno al 20% en los primeros meses de 2020). Se espera una recuperación parcial de dicho ARPU en 2021 para después mantenerse estable en el resto del periodo proyectado.

– **Prepago y pospago**: El fin del roaming en la UE, el cual limitaba el número de llamadas en el extranjero, y las llamadas gratuitas por WiFi (nacionales e internacionales) a través de aplicaciones móviles como WhatsApp, han provocado que el precio actual por minuto decrezca significativamente, situándose por debajo de los EUR 0,05, frente a los EUR 0,85 en 2007. Además, los paquetes de convergencia ofrecen más servicios a precios inferiores a los ofertados individualmente. Esto ha causado un decrecimiento de ARPU móvil que estimamos continúe.

– **Convergencia y banda ancha**: El incremento del peso de FTTH frente a ADSL, la migración de los clientes a paquetes de servicios con precios superiores y la incorporación de líneas adicionales en los paquetes contratados, son las principales palancas de crecimiento del ARPU de convergencia, aunque moderadas (TACC 2019-2025 +0,5% y +0,6% para el Caso Bajo y Alto respectivamente). Dichos efectos son contrarrestados por la gran presión de precios comentada previamente, estimando que el ARPU de fibra decrezca entre 2021 y 2022, así como aplicando mayores descuentos para los nuevos clientes en ese mismo periodo. La recuperación en los siguientes años se considera gradual y lenta, y solamente en el 2025 se pueda superar el nivel del 2020.

(1) para más detalle de los gráficos ver anexos “Detalle de las proyecciones financieras”

Entorno macroeconómico y competitivo

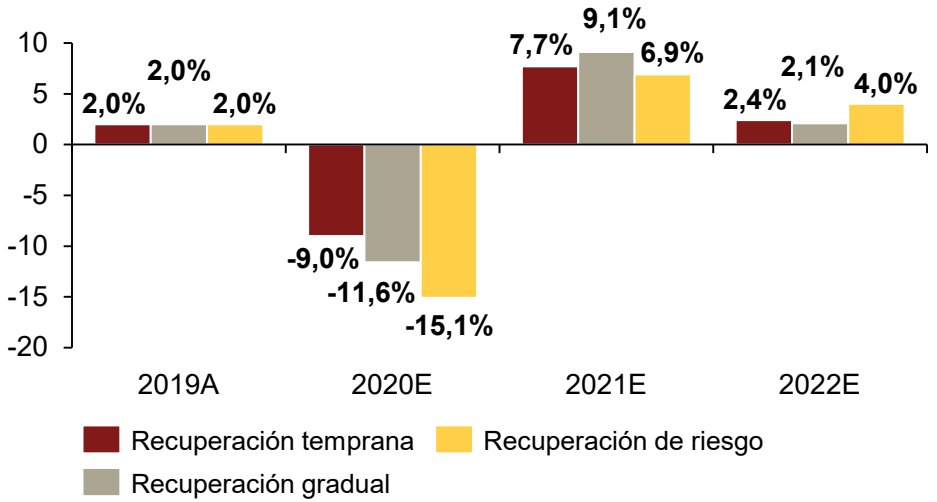
Existe una fuerte competencia en el mercado debido a (i) la entrada de nuevos competidores como Virgin, (ii) el auge de segundas marcas "low cost", (iii) las ofertas de telefonía móvil y (iv) la crisis sanitaria del covid-19, que conllevan a una fuerte presión en los niveles de ARPU

Situación macroeconómica y competencia en el sector

- La pandemia Covid-19 ha generado una situación de gran incertidumbre económica para España, que el Banco de España ha cuantificado se traducirá en una caída en el PIB de entre el 9% y el 15%, en función de diferentes escenarios, y un fuerte aumento del desempleo provocado por la caída en la actividad.
- Se espera que este entorno negativo impactará en el mercado provocando tanto un aumento de la presión competitiva y un impacto negativo en las estimaciones de ARPUs medios, con clientes moviéndose hacia productos más económicos, como la respuesta de las compañías ofreciendo los mismos productos a menor precio (incluyendo tarifas de uso ilimitado de datos) y aumentando los descuentos de captación.
- El aumento de la presión competitiva se está viendo agravado por la entrada de nuevos competidores, siendo relevante la entrada de Digi y la expansión de Euskaltel al mercado nacional con su marca Virgin.
- También impactará el posicionamiento de las marcas de los 3 grandes operadores hacia productos más económicos, así como declaraciones públicas indicando un mayor refuerzo de las segundas marcas (Lowi, O2, Tuenti, etc.), segmento clave para MásMóvil, y el incremento en la cartera de clientes por parte del operador "low cost" Digi.
- En la crisis de 2008 ya se vivió un fuerte impacto en los niveles de ARPU, registrándose caídas del -7,1% $TACC_{2008-2013}$ en el ARPU de pospago y -6,0% $TACC_{2008-2013}$ en los ingresos del sector(1).

Nota: (1) Detalle en el anexo "Estimaciones macroeconómicas y del sector"
Fuente: Ampere Analysys

Escenarios del PIB de España



Fuente: Banco de España e Instituto Nacional de Estadística.
Nota: Último dato publicado de la CNTR: primer trimestre de 2020

Proyecciones cuota de mercado de Euskaltel y Virgin

	Móviles			Broadband	
Líneas (Miles)	**2019**	**2025**	**Suscriptores (Miles)**	**2019**	**2025**
Euskaltel	1.167	1.575	Euskaltel	670	775
Virgin	-	1.575	Virgin	-	775
Total	**1.167**	**3.150**	**Total**	**670**	**1.550**
Euskaltel	2,2%	2,7%	Euskaltel	4,4%	4,5%
Virgin	-	2,7%	Virgin	-	4,5%
Total	**2,2%**	**5,4%**	**Total**	**4,4%**	**8,9%**

Fuente: Hechos Relevante publicado por Euskaltel el 10 de marzo de 2020

Monterrei II y Lycamobile

MásMóvil ha adquirido el OMV Lycamobile a cambio de EUR 361M y ha llegado a un acuerdo con Telefónica para la revisión de sus términos de itinerancia nacional móvil así como una extensión del acceso mayorista bitstream de FTTH ("Monterrei II").

	Lycamobile	Monterrei II – Telefónica
Descripción del acuerdo	▪ MásMóvil ha llegado al acuerdo de la adquisición del operador móvil virtual Lycamobile a cambio de EUR 361M, entre los que se incluyen EUR c.3M de deuda que asumirá MásMóvil.	▪ MásMóvil ha alcanzado un acuerdo con Telefónica que modifica los antiguos términos de la itinerancia nacional móvil así como la migración de parte de sus líneas móviles. ▪ Adicionalmente, el acuerdo incluye extender el acceso mayorista bitstream en la red FTTH de Telefónica con unos términos más favorecedores a cambios de unos volúmenes mínimos comprometidos.
Impacto comunicado	▪ El acuerdo implica la consecución de alrededor de 1,5M de líneas de prepago que seguirán manteniendo la marca de Lycamobile. ▪ La compañía espera conseguir unas sinergias anuales cercanas a los EUR 30M.	▪ Reducción de los gastos de COGS y Opex debido a: i) un inferior coste por GB, ii) cambios en el tamaño de los buckets de datos móviles y iii) ahorro en el coste unitario de Backhaul móvil y fija. A cambio, Telefónica se asegura un compromiso de volumen mínimo por parte de MásMóvil. ▪ La compañía espera unos ahorros (considerando la Base de Clientes actual) de EUR 28M anuales que se materializarán en los costes de acceso, trasmisión, circuitos y NRA y que incrementará a futuro conforme aumente la base de clientes.
Duración	▪ Ilimitada	▪ La duración del contrato será de 5 años más 5 años, tras los cuales, MásMóvil podrá adquirir un derecho de uso de largo plazo sobre un porcentaje de los hogares a cambio de un pago único.
Valoración	▪ Acuerdo valorado por separado, adicional a nuestras proyecciones financieras.	▪ Acuerdo incluido en nuestras proyecciones financieras de flujos de caja de MásMóvil (DFC).

Duero y Uclés

MásMóvil ha alcanzado un acuerdo con Orange para compartir más de 2,2M de Unidades Inmobiliarias ("Duero") de las cuales al menos 500 mil serán de su propiedad, a su vez constituirá una nueva compañía con un InfraFund a las que venderá dichas Unidades junto a otras 328 mil ("Uclés")

	Duero	Uclés
Descripción del acuerdo	▪ MásMóvil ha alcanzado un acuerdo de acceso mayorista con Orange para compartir un mínimo de 2,2M de Unidades Inmobiliarias ("BUs") de FTTH de nueva construcción. ▪ MásMóvil se ha comprometido a desplegar 500 mil BUs y la posibilidad de aumentar la cifra en 250 mil adicionales.	▪ MásMóvil tiene una oferta en firme (no vinculante) de un InfraFund para constituir conjuntamente una compañía de la cual tendrá una participación entre el 40% y el 49,99% a cambio de una aportación de capital de EUR 60M. ▪ La nueva compañía adquirirá de MásMóvil un total de 1.078k BUs (245k ya desplegadas y el resto a desplegar hasta 2023) por un importe entre EUR 385 y 414M y contratará a MásMóvil los servicios de operación y mantenimiento.
Impacto comunicado	▪ Dicho acuerdo supone una reducción de los costes unitarios de los clientes de fibra y un aumento en los gastos de mantenimiento de la red propia. ▪ La Compañía espera un ahorro de EUR 5M anuales una vez completado el despliegue total de las unidades comprometidas.	▪ MásMóvil obtendrá una entrada de caja promedio entorno a 400M entre 2020 y 2023 a cambio de pagar en los futuros años una renta derivada del arrendamiento de la red que cede. ▪ La Compañía espera generar unos flujos de caja netos de inversión y antes de impuestos de entre EUR 215M y EUR 245M.
Duración	▪ Tiene una duración de 20 años, tanto Orange como MásMóvil se comprometen al acceso mayorista bitstream de la red desplegada por cada uno.	▪ La duración del contrato con la nueva compañía constituida será de entre 20 y 25 años.
Valoración	▪ Acuerdo incluido en los flujos de caja proyectados de MásMóvil (DFC).	▪ Acuerdo valorado por separado de los flujos de caja proyectados de MásMóvil (DFC).

Contraste de margen EBITDA

El rango de margen EBITDA proyectado a largo plazo se encuentra en línea con el rango de las comparables del sector europeas, denominadas challengers y con la previsión de los analistas

Margen EBITDA (%) (1)

	Compañía	País	[illegible]	2020	2021	2022	2023	2024	2025
Tier 1	Digi Communications	Rumania	27,4%	31,2%	35,1%	33,8%	33,7%	n.d.	n.d.
	Vodafone Group Plc	R. Unido	33,7%	31,4%	33,4%	34,0%	34,3%	35,5%	n.d.
	NOS, S.G.P.S., S.A.	Portugal	39,0%	36,3%	42,7%	43,1%	40,9%	41,3%	n.d.
	iliad S.A.	Francia	32,9%	n.d.	33,8%	35,7%	36,7%	37,7%	n.d.
	Sunrise Communications	Suiza	31,1%	31,3%	36,2%	36,5%	37,2%	37,3%	n.d.
1	Euskaltel, S.A.	España	49,1%	48,8%	49,2%	48,1%	41,1%	38,5%	n.d.
2	Telenet Group Holding	Bélgica	51,2%	51,1%	53,6%	53,4%	53,6%	54,0%	n.d.
3	Tele2 AB (publ)	Suecia	31,4%	34,9%	38,7%	41,0%	41,9%	38,8%	n.d.
4	freenet AG	Alemania	13,9%	n.d.	16,8%	17,1%	20,2%	15,0%	n.d.
5	TalkTalk Telecom	R. Unido	12,2%	14,9%	18,8%	19,0%	19,1%	19,3%	n.d.
	Promedio total		**32,2%**	**35,0%**	**35,8%**	**36,2%**	**35,9%**	**35,3%**	**n.d.**
	Promedio Tier 1		**32,1%**	**32,5%**	**36,2%**	**36,6%**	**36,6%**	**37,9%**	**n.d.**
	Mínimo Tier 1		**27,4%**	**31,2%**	**33,4%**	**33,8%**	**33,7%**	**35,5%**	**n.d.**
	Máximo Tier 1		**39,0%**	**36,3%**	**42,7%**	**43,1%**	**40,9%**	**41,3%**	**n.d.**
	Caso Bajo - MásMóvil		27,9%	*31,8%*	*34,9%*	*35,7%*	*36,9%*	*38,2%*	*38,5%*
	Caso Alto - MásMóvil		27,9%	*31,8%*	*34,8%*	*34,8%*	*35,4%*	*36,8%*	*36,9%*

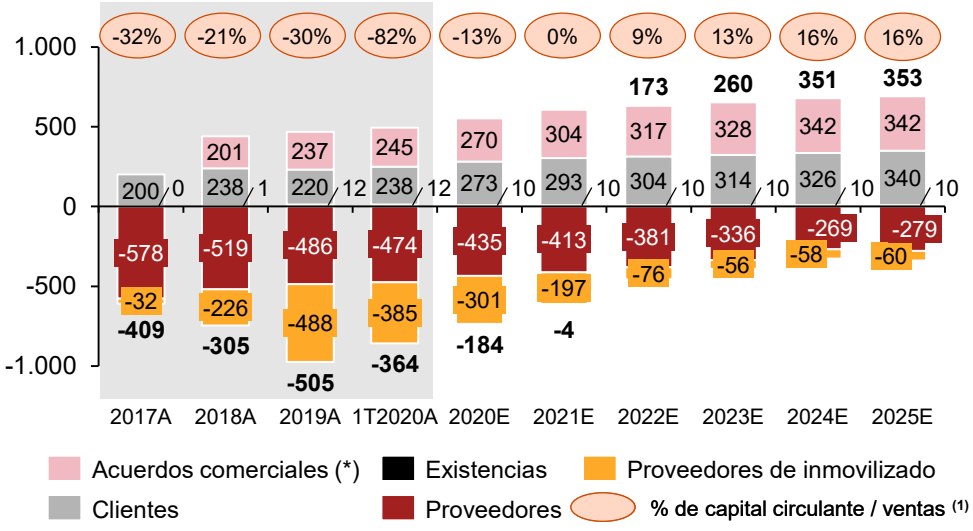
(1) Margen EBITDA post NIIF 16 sobre ventas (post impacto NIIF 15).
Fuente: Capital IQ, Análisis PwC

- Se ha considerado que las siguientes compañías europeas ("challenger", referencia en el glosario), debido a sus particularidades, presentan datos anómalos para un contraste de margen EBITDA:
  - 1 Euskaltel: cuenta con un nivel de cuota de mercado en las geografías en las que opera que superan el 30% (norte de España), posicionándose además en niveles de ARPU superiores a los de MásMóvil.
  - 2 Telenet Group: existen diferencias significativas con respecto al mercado belga, donde el nivel de competencia e intensidad de precios son claramente inferiores a España. 3 operadores ostentan c. 100% del mercado en móvil, mientras que solo dos se reparten todo el mercado de banda ancha, Telenet y Proximus (incumbent).
  - 3 – Tele2: la compra de Com Hem (negocio con su propia red de FTTH) ha provocado un cambio estructural con mejoras significativas en sus márgenes de proyección al contar en su mix con un segmento de negocio de márgenes muy superiores.
  - 4 5 – Freenet AG y TalkTalk son Operadores Móviles Virtuales ("OMV"), sin red propia o co-invertida, registrando márgenes muy distintos (inferiores) a los de la Compañía.
- La Compañía presenta una tendencia histórica y proyectada creciente del margen EBITDA por el aumento de escala impulsada por el traspaso de clientes a servicios de convergencia (mayores márgenes) y nuevos contrato de red fibra y móvil.
- La media de márgenes EBITDA estimados por los analistas de las compañías comparables challenger a más largo plazo (37,9%) se encuentra en el punto medio de los márgenes EBITDA a largo plazo considerados en el Caso Alto (38,5%) y Caso Bajo (36,9%).

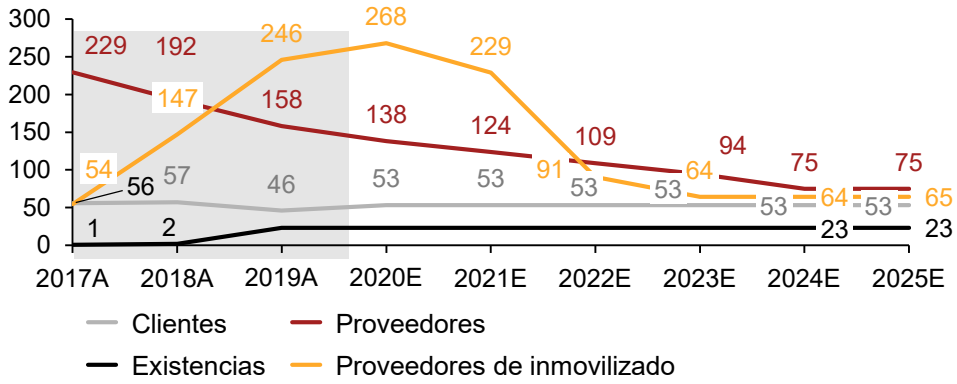
Capital circulante

La variación del capital circulante del año 2020 – 2022 se debe a la normalización del saldo de EUR 385M de proveedores de inmovilizado por las inversiones realizadas en la red de telecomunicaciones

Análisis del capital circulante Caso Bajo (EUR M)



Análisis de los días medios de cobro, pago e inventario (días)



(*) Acuerdos comerciales y costes de obtención de contratos con clientes

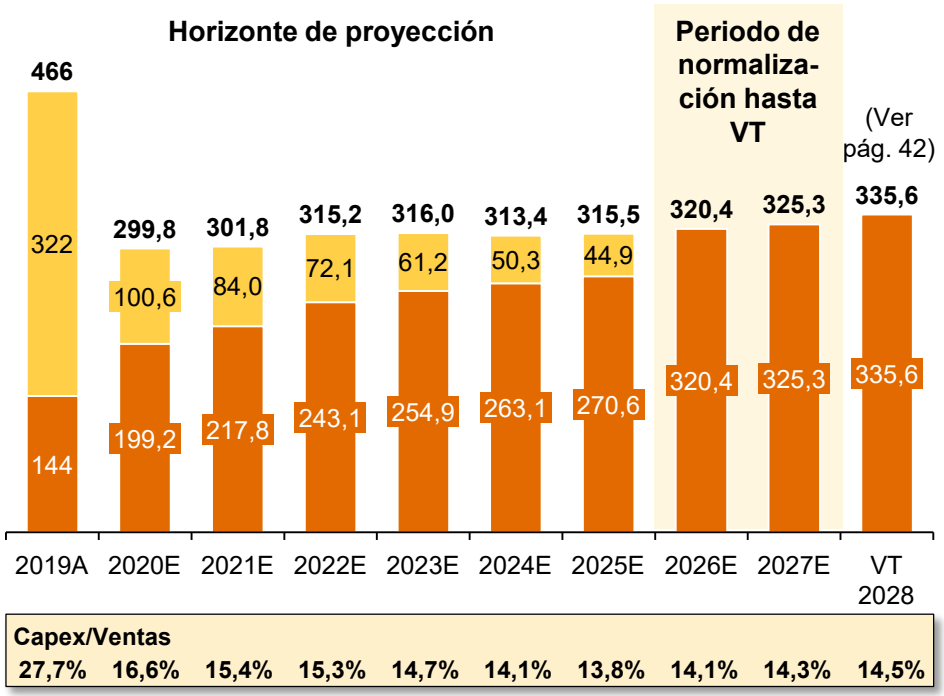
Fuente: CCAA consolidadas, 1T2020 y análisis PwC.

- Capital circulante: MásMóvil presenta un capital circulante negativo por tener un PMC inferior al PMP.
- Clientes: PMC del ejercicio 2019 de 53 días a partir de 2020.
- Existencias: el saldo de existencias no resulta significativo, hemos mantenido el PMR observado en el ejercicio 2019 de 23 días.
- Proveedores: Se observa una tendencia decreciente en el PMP en los años 2017 – 2019. Siguiendo esta tendencia, asumimos una disminución progresiva de 158 días en 2019 a 75 días en el año 2025 y posteriores, según información de la Compañía de gastos de ventas y equipamientos.
- Proveedores de inmovilizado: Dada la importancia del Capex en el negocio y su naturaleza operativa, hemos proyectado el movimiento del saldo de proveedores de inmovilizado dentro del FCL en línea con el calendario de pagos de la Compañía. A 31 de marzo de 2020 hay un saldo de EUR 385M dentro del pasivo corriente por el despliegue de la red de telecomunicaciones. El saldo anormalmente alto asume normalizarse progresivamente hasta 65 días para el ejercicio 2025 y siguientes.
- Acuerdos comerciales y costes de obtención de contratos con clientes: La Compañía aplaza los pagos a distribuidores para conseguir nuevos clientes en un periodo por encima de un año. Hemos proyectado el movimiento del saldo de acuerdos comerciales y costes de obtención de contratos con clientes según el calendario de pagos de la Compañía.

Capex (1/2)

El Capex del Caso Alto en el año 2020 está en línea con el Guidance 2019-2021, mientras que es superior para el 2021. Posteriormente, se proyecta una normalización progresiva hasta VT 2028 al nivel de Capex de reposición a perpetuidad de la base de activos

Proyección de Capex - Caso Alto (EUR M)*



* Nuestras proyecciones excluyen Lycamobile y Uclés

Fuente: Análisis PwC, Guidance 2019 – 2021, Presentaciones a inversores, Cuentas Anuales

1 Capex de expansión:

- **Infraestructura**: inversión en la red de fibra al hogar a través del despliegue propio y de acuerdos de mutualización. La Compañía históricamente, en su estrategia de negocio, ha llegado a acuerdos con otros teleoperadores para compartir la red, entre los que se incluyen los acuerdos con Orange o Avanza. En 2019 la Compañía realizó una gran parte de su plan de inversión en fibra, alcanzando una huella de 13,4M de hogares (ver página 43).
- Otro de los conceptos incluidos corresponde al despliegue piloto de la **red móvil 5G** compartida con Orange, de cara a mantener la calidad del servicio. Bajo la licencia de 2,1 GHz, la Compañía está obligada a desplegar 1.300 emplazamientos y mejorar su red antes de 2021.
- **Capex Comercial**: inversiones en la conexión de nuevos clientes. Se calcula en base al coste de instalación y equipos, en función de las adiciones anuales de suscriptores. Se asume un aumento en el coste unitario al conseguir nuevos clientes por conectar más clientes a las redes de Telefónica, con el acuerdo Monterrei II.
- **Otros**: comprende varias iniciativas relacionadas con ciberseguridad y digitalización que requerirán una inversión recurrente en la proyección.

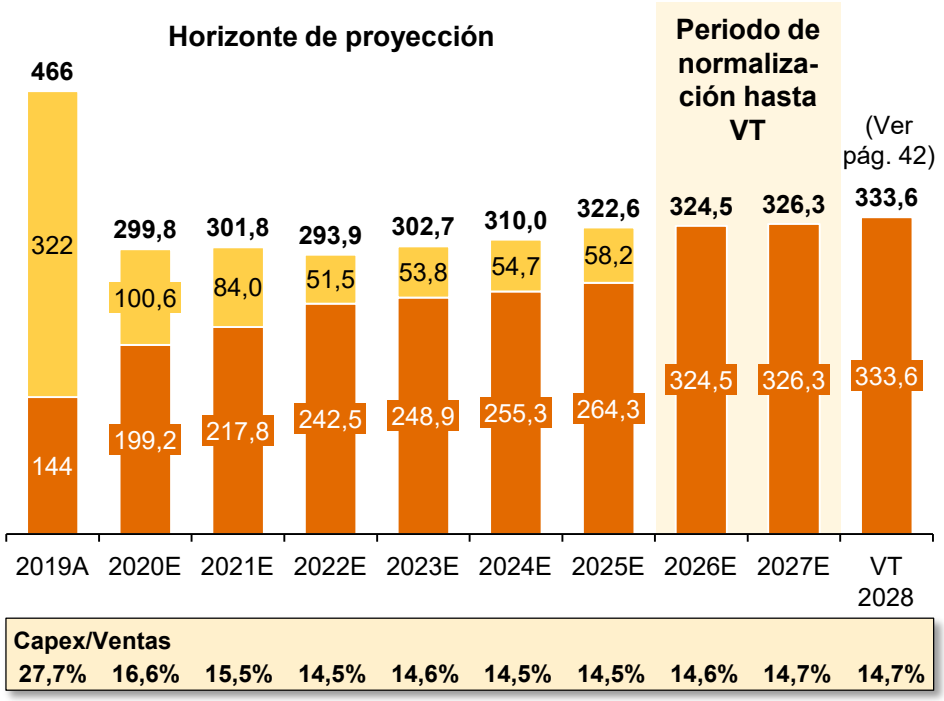
2 Capex de reposición:

- **Mantenimiento de red**: Capex de reposición de la fibra de última milla del total de Hogares Pasados, así como la instalación de aquellos Hogares Conectados. Se ha tenido en cuenta el 50% del mantenimiento total de los Hogares Pasados mediante los acuerdos de mutualización. Se calcula en base al Capex por Hogar Pasado y Conectado y teniendo en cuenta la vida útil de la red según CCAA.

Capex (2/2)

El Caso Bajo sigue un criterio similar al Caso Alto con diferencias por las distintas adiciones anuales de clientes

Proyección de Capex - Caso Bajo (EUR M)*



1 Expansión

2 Reposición inc. Comercial

* Nuestras proyecciones excluyen Lycamobile y Uclés

Fuente: Análisis PwC, Guidance 2019-2021, Presentaciones a inversores, Cuentas Anuales

2 Capex de reposición (cont.):

- **Capex Comercial**: inversiones a realizar para mantener la base de suscriptores. El Capex comercial (tanto expansión como mantenimiento) difiere ligeramente entre los Casos Alto y Bajo, al existir diferencias en las adiciones brutas de clientes.
- **Espectro**: Comprende los pagos al Ministerio de Economía y Empresa por el uso de espectro.
- **Desinversiones**: El Capex del 2020 incluye desinversiones de activos de EUR 75 M.

Guidance 2019 - 2021

- El Capex del 2020 está en línea con el Guidance 2019-2021, al que se podría incorporar el impacto positivo del acuerdo Uclés (valorado por separado), resultando así en una expectativa de Capex 2020 de EUR c.175 M. El detalle del Capex por inversión y desinversión del acuerdo Uclés se muestra en la página 55.
- Entendemos que la diferencia del Capex estimado por el Caso Alto y Caso Bajo respecto al Guidance en el año 2021 (EUR 47 M) se explicaría por:
  - un mayor Capex comercial de EUR 35 M, debido a los mayores costes comerciales unitarios de conectarse a red que hemos considerado y un churn rate superior al previsto por la Compañía; y
  - mayores niveles de Capex de reposición de EUR 12 M.

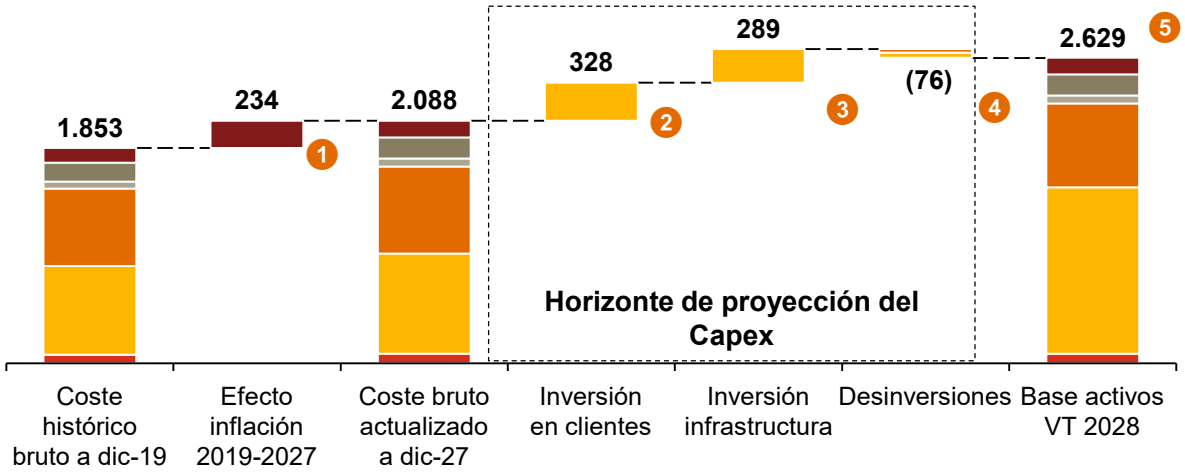
Periodo de normalización hasta reposición a perpetuidad:

- El periodo de normalización se ha estimado el ratio Capex/Ventas del valor terminal, de esta manera se ha hecho una proyección lineal desde el 2025 para recuperar gradualmente el nivel de la proyección al nivel de reposición sostenible a perpetuidad en VT 2028 (ver página siguiente).

Capex VT 2028 – Reposición de activos a perpetuidad

Nuestra estimación del Capex de reposición a perpetuidad en el VT 2028 mediante el análisis de reposición de activos arroja un rango entre 14,5% y 14,7% de ratio de Capex sobre ventas, estimado según la base de activos actual y proyectada, sus vidas útiles (CCAA 2019) y la inflación estimada

Base de activos a reponer a perpetuidad (EUR M) (1)



Capex anualizado de reposición VT 2028 (EUR M)

	Vidas útiles (Años)	Caso Bajo	Caso Alto
Aplica. informáticas	5	29	29
Licencias	10	18	18
Inmobilizado en curso	6	12	12
Derechos de uso	22	33	33
Equipamiento de red	6	210	212
Otros	6	15	15
Infrastructura	10 - 35	17	17
Capex anualizado VT 2028		**334**	**336**
Capex/Ventas %		**14,7%**	**14,5%**

- El concepto de Capex en VT 2028 hace referencia al Capex anualizado necesario para reponer (no descapitalizar) la base de activos actual y estimada para cumplir la proyección a largo plazo, a la cual se debe tender progresivamente en el largo plazo. Esto representa una normalización del ciclo de reposición a perpetuidad a valores estimados de 2028.
- Hemos realizado una estimación teniendo en cuenta el Capex analizado necesario para reponer a futuro los activos a 31 de diciembre de 2019. Adicionalmente, se ha incluido la base de activos que soporta el crecimiento en el periodo de proyección y el mantenimiento de la base de clientes existente en el VT 2028, según cada Caso.

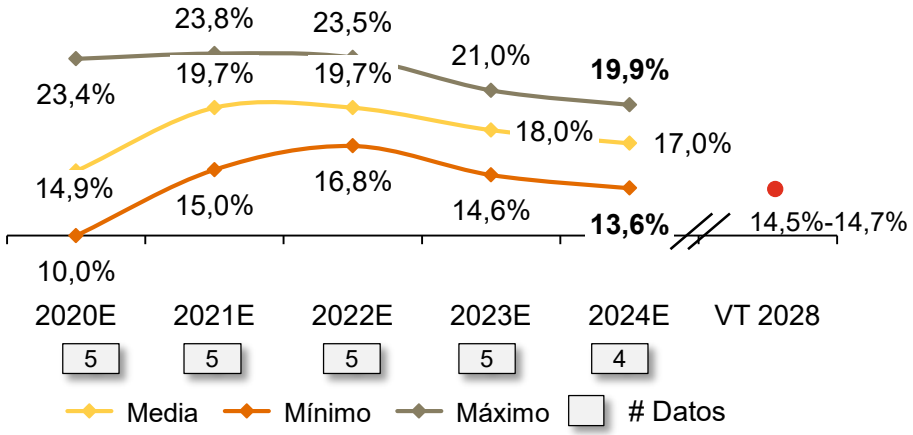
1. Inflación de los activos con impacto en Capex a diciembre de 2019 (coste histórico) hasta el último año de proyección 2027.
2. Capex comercial asumiendo un precio de mercado por cliente (EUR 150) que incluye:
   - La inversión por el aumento de suscriptores de convergencia y banda ancha en el periodo de proyección; y
   - Capex necesario para mantener la base de clientes de convergencia del año terminal asumiendo una tasa de rotación de clientes estable.
3. Capex en infraestructura de red de fibra óptica y móvil considerados en la proyección entre 2020 y 2025 en base a referencias históricas y datos de la Compañía contrastado con el mercado.
4. Reducción de la base de activos en línea con las desinversiones consideradas por la Compañía.
5. El Capex de reposición se ha calculado en base a la depreciación de los activos estimados en el terminal y la vida útil de cada uno. Así se ha asegurado la no descapitalización de la Compañía en el VT.

(1) Nuestras proyecciones excluyen Lycamobile y Uclés
Fuente: Análisis PwC, CCAA consolidadas 2019

Contraste de razonabilidad del Capex en VT 2028

Nuestra estimación de Capex de reposición de VT 2028 contrasta razonablemente con comparables de mercado

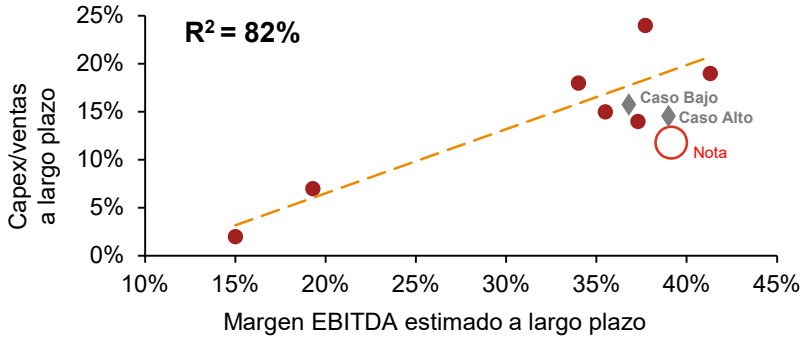
Estimación de analistas del Capex / Ventas a largo plazo de las compañías comparables challengers (%) (1)(2)



(1) Ventas post NIIF 15;

(2) Las compañías comparables consideradas son Vodafone, NOS, Sunrise, Telenet y Digi Comunications

Relación Capex / Ventas y margen EBITDA estimado por los analistas a largo plazo de las compañías comparables (%) (1)



Nota: escenarios ilustrativos de EBITDA de MásMóvil y Capex/ventas (promedio periodo proyectado)

Fuente: Análisis PwC, Capital IQ, CCAA, Informes de analistas de compañías comparables

- La estimación de analistas del Capex/Ventas de las compañías comparables se sitúan en un rango entre 13,6% y 19,9%. Nuestra estimación de Capex de reposición a perpetuidad estimado entre 14,5% y 14,7% sobre ventas se sitúa a c.1 p.p. de la parte baja del rango y debajo de la media.
- Cabe considerar los siguientes factores que lo justifican:
  - Acuerdo de mutualización con Orange otorgando acceso a una mayor huella de FTTH con una inversión compartida, con condiciones competitivas;
  - Acceso de radio virtual a la red 5G de Orange que permitirá a la Compañía ofrecer dicha tecnología sin necesidad de desplegar su propia red;
  - Acuerdos con Ufinet para acceder a su red de fibra a precios muy competitivos limitando la inversión en red de transmisión;
  - El Capex por hogar pasado en España es inferior al resto de países de Europa, como Francia, Suecia, Alemania o Reino Unido (EUR 150 vs EUR 500) debido al fácil acceso a conductos y menores costes laborales.
- Adicionalmente, hemos podido observar que existe una fuerte relación entre las inversiones en Capex a largo plazo y los márgenes EBITDA de los comparables. Los márgenes EBITDA estimados en el Caso Alto y Caso Bajo implicarían un nivel de Capex/Ventas a largo plazo de c.18-19%, por encima del estimado con el enfoque de reposición.
- En nuestro caso prevalece el análisis particular del enfoque de reposición explicado en páginas anteriores.

Proyecciones financieras – Caso Alto

El Caso Alto proyecta un TACC en ventas de 5,4% para el periodo 2019-2025, así como un aumento del EBITDA post NIIF 16 ajustado de EUR 468M (2019) a EUR 877M (2025)

	Histórico					Horizonte proyección						
EUR millones	**2017A**	**2018A**	**2019A**	**3M 2020A**	**9M 2020E**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**	**TACC 2019-25**
Móvil	841,5	815,2	798,1	n.d.	n.d.	732,1	698,2	681,2	667,5	654,2	645,6	-3,5%
Pospago	757,8	725,8	673,4	n.d.	n.d.	628,3	596,6	579,6	566,2	553,4	545,2	-3,5%
Prepago	83,7	89,4	124,7	n.d.	n.d.	103,8	101,6	101,6	101,3	100,8	100,4	-3,6%
Convergencia y banda ancha	129,4	373,6	641,8	n.d.	n.d.	891,1	1.069,7	1.197,7	1.315,9	1.415,3	1.488,8	15,1%
Otros ingresos de explotación	330,1	311,9	299,2	n.d.	n.d.	250,9	250,9	250,9	250,9	250,9	252,7	-2,8%
Ventas Pre impacto NIIF 15	**1.301,0**	**1.500,6**	**1.739,1**	**445,0**	**1.429,0**	**1.874,0**	**2.018,8**	**2.129,8**	**2.234,3**	**2.320,4**	**2.387,1**	**5,4%**
% variación		*15,3%*	15,9%	*n.d.*	*n.d.*	7,8%	7,7%	5,5%	4,9%	3,9%	2,9%	
Impacto IFRS 15	-	(49,8)	(58,4)	n.d.	n.d.	(66,5)	(65,0)	(71,1)	(86,3)	(98,9)	(107,5)	10,7%
Ventas Post impacto NIIF 15	**1.301,0**	**1.450,9**	**1.680,7**	**445,0**	**1.362,5**	**1.807,5**	**1.953,8**	**2.058,7**	**2.148,0**	**2.221,5**	**2.279,6**	**5,2%**
% variación		*11,5%*	*15,8%*	*n.d.*	*n.d.*	*7,5%*	*8,1%*	*5,4%*	*4,3%*	*3,4%*	*2,6%*	*-25,9%*
Coste de las ventas	(512,1)	(546,1)	(573,5)	n.d.	n.d.	(546,6)	(560,4)	(580,3)	(606,6)	(620,8)	(632,2)	1,6%
Margen bruto	**788,8**	**904,7**	**1.107,2**	**292,0**	**968,9**	**1.260,9**	**1.393,4**	**1.478,4**	**1.541,4**	**1.600,7**	**1.647,4**	**6,8%**
% margen bruto sobre ventas post NIIF 15	*60,6%*	*62,4%*	*65,9%*	*65,6%*	*71,1%*	*69,8%*	*71,3%*	*71,8%*	*71,8%*	*72,1%*	*72,3%*	
Otros gastos operativos	(550,7)	(574,8)	(674,3)	n.d.	n.d.	(725,6)	(785,2)	(816,2)	(822,5)	(826,7)	(844,0)	3,8%
EBITDA pre NIIF 16	**238,1**	**329,9**	**432,9**	**116,0** (1)	**407,0** (2)	**535,3**	**608,2**	**662,2**	**718,9**	**774,1**	**803,4**	**10,9%**
% margen EBITDA pre NIIF 16 sobre ventas post NIIF 15	*18,3%*	*22,7%*	*25,8%*	*26,1%*	*29,9%*	*29,6%*	*31,1%*	*32,2%*	*33,5%*	*34,8%*	*35,2%*	
Impacto NIIF 16	-	59,3	35,4	10,0	29,3	39,3	73,8	73,8	73,8	73,8	73,8	13,0%
EBITDA post NIIF 16 (reportado)	**238,1**	**389,2**	**468,3**	**126,0**(1)	**436,3**(2)	**574,6**	**682,0**	**736,0**	**792,7**	**847,9**	**877,2**	**11,0%**
% margen EBITDA post NIIF 16 sobre ventas post NIIF 15	*18,3%*	*26,8%*	*27,9%*	*28,3%*	*30,5%*	*31,8%*	*34,9%*	*35,7%*	*36,9%*	*38,2%*	*38,5%*	
Amortización y depreciación (excluyendo PPA y NIIF 16)	(123,6)	(160,7)	(239,8)	(73,0)	(177,6)	(250,6)	(301,7)	(345,2)	(381,1)	(347,0)	(281,7)	2,7%
EBIT Pre NIIF 16	**114,5**	**169,2**	**193,1**	**43,0**	**241,7**	**284,7**	**306,5**	**317,0**	**337,8**	**427,0**	**521,7**	**18,0%**
% margen EBIT pre NIIF 16 sobre ventas post NIIF 15	*8,8%*	*11,7%*	*11,5%*	*9,7%*	*17,7%*	*15,7%*	*15,7%*	*15,4%*	*15,7%*	*19,2%*	*22,9%*	

(1) El EBITDA 3M 2020A incluye 8M de gastos extraordinarios
(2) El EBITDA 9M 2020 incluye un ajuste por gastos extraordinarios de c. EUR 12M que no se ha recogido en el EBITDA total de 2020 para facilitar la comparación con el Guidance 2019-2021.
(3) Nuestras proyecciones financieras excluyen Lycamobile y Uclés

Valor DFC – Caso Alto

El valor de las acciones del Grupo resultante del Caso Alto asciende a EUR 24,29 por acción

	Horizonte de proyección						Periodo de normalización		
EUR millones	**9M 2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**	**VT**
Ventas	1.362,5	1.953,8	2.058,7	2.148,0	2.221,5	2.279,6	2.279,6	2.279,6	2.317,2
EBITDA post NIIF 16	436,3	682,0	736,0	792,7	847,9	877,2	877,2	877,2	891,7
Margen EBITDA post NIIF 16	*32,0%*	*34,9%*	*35,7%*	*36,9%*	*38,2%*	*38,5%*	*38,5%*	*38,5%*	*38,5%*
EBITDA pre NIIF 16	407,0	608,2	662,2	718,9	774,1	803,4	803,4	803,4	816,7
Margen EBITDA pre NIIF 16	*29,9%*	*31,1%*	*32,2%*	*33,5%*	*34,8%*	*35,2%*	*35,2%*	*35,2%*	*35,2%*
EBIT pre NIIF 16 (excluyendo amortización PPA)	**229,4**	**306,5**	**317,0**	**337,8**	**427,0**	**521,7**	**515,7**	**509,6**	**516,8**
Tipo impositivo	*24%*	*24%*	*24%*	*24%*	*25%*	*25%*	*25%*	*25%*	*25%*
Impuestos sobre EBIT	(55,4)	(74,6)	(77,3)	(82,5)	(104,8)	(128,4)	(128,9)	(127,4)	(129,2)
NOPLAT	**174,0**	**231,8**	**239,7**	**255,3**	**322,3**	**393,3**	**386,7**	**382,2**	**387,6**
Amortización	177,6	301,7	345,2	381,1	347,0	281,7	287,7	293,8	299,9
Capex	(202,8)	(301,8)	(315,2)	(316,0)	(313,4)	(315,5)	(320,4)	(325,3)	(335,6)
Var. Capital Circulante	(180,5)	(180,3)	(189,3)	(94,0)	(86,4)	(3,8)	(2,6)	(1,5)	(0,3)
Flujos de Caja Libre	**(31,6)**	**51,4**	**80,4**	**226,3**	**269,5**	**355,7**	**351,5**	**349,2**	**351,5**
Valor terminal									**6.109,8**

Flujos de caja proyectados descontados	1.140,6
VT descontado	3.640,4
Valor del negocio	**4.781,0**
Ajustes a equity	(1.921,3)
Valor actual BINs	179,0
Equity Value 100%	**3.038,8**
Número de acciones	131.366.040
Precio por acción (EUR)	**23,1**
Impacto Lyca en precio por acción (EUR)	1,0
Impacto Ucles en precio por acción (EUR)	0,1
Precio por acción con Lyca y Ucles (EUR)	**24,29**

Sensibilidad del precio por acción al CMPC / g

	1,25%	**1,50%**	**1,65%**	**2,00%**	**2,25%**
7,20%	23,68	24,95	25,76	27,84	29,51
7,30%	23,01	24,23	25,01	27,01	28,60
7,40%	22,37	23,54	24,29	26,20	27,73
7,50%	21,74	22,87	23,59	25,43	26,89
7,60%	21,14	22,22	22,92	24,68	26,08

Sensibilidad del precio por acción al (Capex / Ventas) / % EBITDA post NIIF 16 en VT

	37,5%	**38,0%**	**38,5%**	**39,0%**	**39,5%**
14,1%	23,47	24,16	24,85	25,54	26,22
14,3%	23,19	23,88	24,57	25,26	25,94
14,5%	22,91	23,60	24,29	24,98	25,66
14,7%	22,63	23,32	24,01	24,70	25,38
14,9%	22,35	23,04	23,73	24,42	25,10

Ratios

		2019A	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**	**VT**
EV / EBITDA	X	11,0x	8,9x	7,9x	7,2x	6,7x	6,2x	6,0x	6,0x	6,0x	7,5x
Margen EBITDA post NIIF 16	%	27,9%	31,8%	34,9%	35,7%	36,9%	38,2%	38,5%	38,5%	38,5%	38,5%
ROIC	%	8,4%	10,2%	10,1%	9,8%	10,3%	12,8%	15,5%	15,0%	14,7%	14,7%
Capex sobre ventas	%	27,5%	16,6%	15,4%	15,3%	14,7%	14,1%	13,8%	14,1%	14,3%	14,5%

Hipótesis del valor terminal

- El ROIC resultante en el Valor Terminal se encuentra por encima de los comparables challengers.
- La variación del capital circulante del VT se ha calculado como la variación implícita consecuencia de un crecimiento de las partidas de activo y pasivo circulante a la g.

Proyecciones financieras – Caso Bajo

El Caso Bajo proyecta un TACC en ventas de 5,0% para el periodo 2019-2025, así como un aumento del EBITDA post NIIF 16 ajustado de EUR 468M (2019) a EUR 821M (2025)

	Histórico					Horizonte proyección						
EUR millones	**2017A**	**2018A**	**2019A**	**3M 2020A**	**9M 2020E**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**	**TACC 2019-25**
Móvil	841,5	815,2	798,1	n.d.	n.d.	732,1	698,2	681,2	667,5	654,2	645,6	-3,5%
Pospago	757,8	725,8	673,4	n.d.	n.d.	628,3	596,6	579,6	566,2	553,4	545,2	-3,5%
Prepago	83,7	89,4	124,7	n.d.	n.d.	103,8	101,6	101,6	101,3	100,8	100,4	-3,6%
Convergencia y banda ancha	129,4	373,6	641,8	n.d.	n.d.	891,1	1.064,5	1.159,4	1.240,4	1.337,1	1.435,9	14,4%
Otros ingresos de explotación	330,1	311,9	299,2	n.d.	n.d.	250,9	250,9	250,9	250,9	250,9	252,7	-2,8%
Ventas Pre impacto NIIF 15	**1.301,0**	**1.500,6**	**1.739,1**	**445,0**	**1.429,0**	**1.874,0**	**2.013,6**	**2.091,4**	**2.158,8**	**2.242,1**	**2.334,2**	**5,0%**
% variación		*15,3%*	15,9%	*n.d.*	*n.d.*	7,8%	7,4%	3,9%	3,2%	3,9%	4,1%	
Impacto IFRS 15	-	(49,8)	(58,4)	n.d.	n.d.	(66,5)	(65,0)	(71,1)	(86,3)	(98,9)	(107,5)	10,7%
Ventas Post impacto NIIF 15	**1.301,0**	**1.450,9**	**1.680,7**	**445,0**	**1.362,5**	**1.807,5**	**1.948,6**	**2.020,4**	**2.072,5**	**2.143,2**	**2.226,7**	**4,8%**
% variación		*11,5%*	*15,8%*	*n.d.*	*n.d.*	*7,5%*	*7,8%*	*3,7%*	*2,6%*	*3,4%*	*3,9%*	*-20,8%*
Coste de las ventas	(512,1)	(546,1)	(573,5)	n.d.	n.d.	(546,6)	(560,4)	(577,2)	(598,9)	(612,3)	(626,4)	1,5%
Margen bruto	**788,8**	**904,7**	**1.107,2**	**292,0**	**968,9**	**1.260,9**	**1.388,2**	**1.443,2**	**1.473,6**	**1.531,0**	**1.600,3**	**6,3%**
% margen bruto sobre ventas post NIIF 15	*60,6%*	*62,4%*	*65,9%*	*65,6%*	*71,1%*	*69,8%*	*71,2%*	*71,4%*	*71,1%*	*71,4%*	*71,9%*	
Otros gastos operativos	(550,7)	(574,8)	(674,3)	n.d.	n.d.	(725,6)	(784,8)	(814,0)	(814,7)	(815,7)	(853,0)	4,0%
EBITDA pre NIIF 16	**238,1**	**329,9**	**432,9**	**116,0** (1)	**407,0** (2)	**535,3**	**603,4**	**629,3**	**658,9**	**715,2**	**747,4**	**9,5%**
% margen EBITDA pre NIIF 16 sobre ventas post NIIF 15	*18,3%*	*22,7%*	*25,8%*	*26,1%*	*29,9%*	*29,6%*	*31,0%*	*31,1%*	*31,8%*	*33,4%*	*33,6%*	
Impacto NIIF 16	-	59,3	35,4	10,0	29,3	39,3	73,8	73,8	73,8	73,8	73,8	13,0%
EBITDA post NIIF 16 (reportado)	**238,1**	**389,2**	**468,3**	**126,0**(1)	**436,3**(2)	**574,6**	**677,2**	**703,1**	**732,7**	**789,0**	**821,2**	**9,8%**
% margen EBITDA post NIIF 16 sobre ventas post NIIF 15	*18,3%*	*26,8%*	*27,9%*	*28,3%*	*30,5%*	*31,8%*	*34,8%*	*34,8%*	*35,4%*	*36,8%*	*36,9%*	
Amortización y depreciación (excluyendo PPA y NIIF 16)	(123,6)	(160,7)	(239,8)	(73,0)	(177,6)	(250,6)	(301,7)	(340,9)	(374,4)	(339,8)	(276,1)	2,4%
EBIT Pre NIIF 16	**114,5**	**169,2**	**193,1**	**43,0**	**241,7**	**284,7**	**301,7**	**288,3**	**284,5**	**375,4**	**471,3**	**16,0%**
% margen EBIT pre NIIF 16 sobre ventas post NIIF 15	*8,8%*	*11,7%*	*11,5%*	*9,7%*	*17,7%*	*15,7%*	*15,5%*	*14,3%*	*13,7%*	*17,5%*	*21,2%*	

(1) El EBITDA 3M 2020A incluye 8M de gastos extraordinarios
(2) El EBITDA 9M 2020 incluye un ajuste por gastos extraordinarios de c. EUR 12M que no se ha recogido en el EBITDA total de 2020 para facilitar la comparación con el Guidance 2019-2021.
(3) Nuestras proyecciones financieras excluyen Lycamobile y Uclés

Valor DFC – Caso Bajo

El valor de las acciones del Grupo resultante del Caso Bajo asciende a EUR 19,92 por acción

	Horizonte de proyección						Periodo de normalización		
EUR millones	**9M 2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**	**VT**
Ventas	1.362,5	1.948,6	2.020,4	2.072,5	2.143,2	2.226,7	2.226,7	2.226,7	2.263,5
EBITDA post NIIF 16	436,3	677,2	703,1	732,7	789,0	821,2	821,2	821,2	834,7
Margen EBITDA post NIIF 16	*32,0%*	*34,8%*	*34,8%*	*35,4%*	*36,8%*	*36,9%*	*36,9%*	*36,9%*	*36,9%*
EBITDA pre NIIF 16	407,0	603,4	629,3	658,9	715,2	747,4	747,4	747,4	759,7
Margen EBITDA pre NIIF 16	*29,9%*	*31,0%*	*31,1%*	*31,8%*	*33,4%*	*33,6%*	*33,6%*	*33,6%*	*33,6%*
EBIT pre NIIF 16 (excluyendo amortización PPA)	**229,4**	**301,7**	**288,3**	**284,5**	**375,4**	**471,3**	**464,0**	**456,6**	**461,6**
Tipo impositivo	*24%*	*24%*	*24%*	*24%*	*24%*	*25%*	*25%*	*25%*	*25%*
Impuestos sobre EBIT	(55,4)	(73,4)	(70,1)	(69,1)	(91,9)	(115,8)	(116,0)	(114,2)	(115,4)
NOPLAT	**174,0**	**228,2**	**218,2**	**215,4**	**283,5**	**355,5**	**348,0**	**342,5**	**346,2**
Amortización	177,6	301,7	340,9	374,4	339,8	276,1	283,4	290,8	298,1
Capex	(202,8)	(301,8)	(293,9)	(302,7)	(310,0)	(322,6)	(324,5)	(326,3)	(333,6)
Var. Capital Circulante	(180,5)	(179,7)	(177,0)	(87,3)	(91,0)	(1,2)	(0,9)	(0,5)	(0,2)
Flujos de Caja Libre	**(31,6)**	**48,5**	**88,2**	**199,7**	**222,4**	**307,7**	**306,1**	**306,4**	**310,5**
Valor terminal									**5.396,8**

Flujos de caja proyectados descontados	1.001,1
VT descontado	3.215,6
Valor del negocio	**4.216,7**
Ajustes a equity	(1.921,3)
Valor actual BINs	169,6
Equity Value 100%	**2.465,0**
Número de acciones	131.366.040
Precio por acción (EUR)	**18,8**
Impacto Lyca en precio por acción (EUR)	1,0
Impacto Ucles en precio por acción (EUR)	0,1
Precio por acción con Lyca y Ucles (EUR)	**19,92**

Sensibilidad del precio por acción al CMPC / g

	1,25%	**1,50%**	**1,65%**	**2,00%**	**2,25%**
7,20%	19,38	20,50	21,22	23,06	24,54
7,30%	18,79	19,87	20,56	22,32	23,74
7,40%	18,22	19,26	19,92	21,61	22,96
7,50%	17,67	18,67	19,30	20,93	22,22
7,60%	17,14	18,09	18,71	20,27	21,51

Sensibilidad del precio por acción al (Capex / Ventas) / % EBITDA post NIIF 16 en VT

	35,9%	**36,4%**	**36,9%**	**37,4%**	**37,9%**
14,3%	19,12	19,80	20,47	21,14	21,82
14,5%	18,85	19,52	20,20	20,87	21,54
14,7%	18,57	19,25	19,92	20,59	21,27
14,9%	18,30	18,97	19,65	20,32	20,99
15,1%	18,02	18,70	19,37	20,04	20,72

Ratios

		2019A	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**	**VT**
EV / EBITDA	X	9,7x	7,9x	7,0x	6,7x	6,4x	5,9x	5,6x	5,6x	5,6x	7,1x
Margen EBITDA post NIIF 16	%	27,9%	31,8%	34,8%	34,8%	35,4%	36,8%	36,9%	36,9%	36,9%	36,9%
ROIC	%	8,4%	10,2%	10,0%	9,0%	8,9%	11,4%	14,1%	13,6%	13,2%	13,2%
Capex sobre ventas	%	27,5%	16,6%	15,5%	14,5%	14,6%	14,5%	14,5%	14,6%	14,7%	14,7%

Detalle de ajustes al Equity Value (1/2)

Los ajustes a Equity Value ascienden a un total de EUR (1.921) M. Los ajustes positivos corresponden principalmente a inversiones financieras y la tesorería de la Compañía a cierre del ejercicio

Activos consolidados

EUR M	31/03/2020	Valorado mediante DFC	Valorado de forma separada	Ajuste sin impacto a caja	Incluido como ajuste al equity value
Activo					
Fondo de comercio	483			483	-
Activos intangibles	1.084	1.084			-
Inmovilizado material	698	698			-
Derechos de uso por arrendamiento	161	161			-
Costes de obtención de contratos con clientes	83	83			-
1 Inversiones por puesta en equivalencia	55	-	-	-	55
Periodificaciones a largo plazo	10	10			-
2 Activos por impuesto diferido	288	-	224	45	19
Total activos no corrientes	**2.862**				**74**
Existencias	12	*12*			-
Deudores comerciales y otras cuentas a cobrar	226	*226*			-
Costes de obtención de contratos con clientes	162	*162*			-
Activos por impuestos corrientes	12	*12*			-
Otras inversiones	6	-	-	-	6
Periodificaciones a corto plazo	12	12			-
3 Efectivo y otros activos líquidos equivalentes	195				195
Total activos corrientes	**625**				**201**
Total activo	**3.487**				**275**

1. **Inversiones por puesta en equivalencia y otras inversiones:** corresponde al valor en libros de las participaciones en Cabonitel, Senior Telecomunicaciones y Servicios Avanzados S.L., Medbuying Technologies Group, S.L., y otras participaciones en sociedades vinculadas al negocio de telecomunicaciones. Dado que todas las participaciones anteriores se adquirieron a lo largo del ejercicio 2019, consideramos que no existen diferencias materiales entre el valor en libros y el valor del mercado. Además, incluye créditos a empresas vinculadas y las cuotas por la financiación en la adquisición de terminales telefónicos facilitada a clientes por parte del Grupo.
2. **Activos por impuestos diferidos:** hemos estimado el valor razonable de los créditos fiscales de forma separada. No obstante, los asociados a las provisiones se han considerado como ajuste al Equity Value.
3. **Efectivo y otros activos líquidos equivalentes:** consideramos toda la caja del Grupo a nivel consolidado.

Fuente: CCAA 2019, Cuentas de Gestión 1T2020 y análisis PwC

Detalle de ajustes al Equity Value (2/2)

Los ajustes a Equity Value ascienden a un total de EUR (1.921) M. Los ajustes negativos corresponden principalmente a deudas y provisiones, entre las cuales se encuentra la estimación del valor razonable del DRA

Pasivos consolidados

	EUR M	31/03/2020	Valorado mediante DFC	Valorado de forma separada	Ajuste sin impacto a caja	Incluido como ajuste al equity value
	Patrimonio neto					
	Patrimonio neto atribuido a accionistas de la sociedad	**125**	-	-	**125**	**-**
	Participaciones no dominantes	-	-	-	-	-
	Total patrimonio neto	**125**	**-**	**-**	**-**	**-**
	Pasivo					
1	Deudas con entidades de crédito	1.604	-	-	39	1.643
	Instrumentos financieros derivados	6	-	-	-	6
	Deudas por arrendamiento financiero	138	138	-	-	-
2	Otros pasivos financieros	16	-	-	-	16
3	Provisiones	54	-	-	3	50
	Subvenciones oficiales	15	-	-	15	-
4	Pasivos por impuesto diferido	64	-	-	64	-
	Otros pasivos no corrientes	173	173	-	-	-
	Total pasivos no corrientes	**2.070**	**-**	**-**	**-**	**1.715**
	Deudas con entidades de crédito	69	-	-	-	69
5	Otras deudas	390	385	-	-	5
	Deudas por arrendamiento financiero	38	38	-	-	-
	Otros pasivos financieros	205	-	-	-	205
	Acreedores comerciales y otras cuentas a pagar	496	*496*	-	-	-
	Contratos desfavorables / onerosos	*4*	-	-	-	*4*
	Operaciones comerciales	*8*	-	-	*8*	-
	Obligaciones con el personal	*82*	-	*82*	-	-
	Provisiones	94	-	82	8	4
	Total pasivos corrientes	**1.292**	**-**	**-**	**-**	**283**
	Total pasivo	**3.362**	**-**	**-**	**-**	**1.998**
	Total patrimonio neto y pasivo	**3.487**	**-**	**-**	**-**	**1.998**
	Ajustes a equity del balance					**(1.723)**
6	Valor razonable del SAR 2017, SAR 2020 y otros (1)					(198)
	Total ajustes a Equity Value del balance					**(1.921)**

(1) Dentro de la partida de otros se incluye el Voucher de Monterrei II, corresponde a un ahorro en costes generado entre 2021 y 2024 que no se materializa a nivel de caja hasta 2026

Fuente: CCAA 2019, Cuentas de Gestión 1T2020 y análisis PwC

1. **Deudas con entidades de crédito:** incluye principalmente el valor nominal de préstamos, líneas de crédito con entidades financieras.
2. **Otros pasivos financieros:** corresponden principalmente a obligaciones, bonos emitidos por la sociedad dominante y pagos diferidos por compras previas.
3. **Provisiones:** incluye los contratos onerosos por prestación de servicios de telecomunicaciones, que deducimos, en consecuencia con las proyecciones financieras.
4. **Pasivos por impuestos diferido:** No se han incluido los pasivos diferidos surgidos de diferencias entre el criterio contable y fiscal surgidos de combinaciones de negocios (PPA) pasadas, al no representar un desembolso futuro.
5. **Otras deudas**: el importe asociado a los proveedores de inmovilizado (que asciende a EUR 385M) relacionado con la inversión en caja se ha considerado en el Capital Circulante, por lo que no se ha incluido como ajuste al Equity Value.
6. **Valor razonable del SAR:** Hemos estimado el valor razonable del Plan de Derechos sobre la Revalorización de Acciones 2017 (SAR 2017) en EUR 135 M a Fecha de Valoración, asumiendo un precio por acción en línea con las expectativas de salida del plan. El Nuevo Plan de Derechos sobre la Revalorización de Acciones 2020 (SAR 2020), que ha sido valorado por separado mediante la metodología de Black-Scholes con un importe de EUR 57 M, el cual tendrá la misma cantidad de Derechos (8,5M), mismo plazo (3,5 años), fecha de inicio igual a fecha de finalización del Plan inicial.

Coste Medio Ponderado de Capital

Hemos estimado un CMPC del 7,40% sin considerar el impacto en deuda por NIIF 16, en consistencia con el tratamiento del DFC

- Los diferentes parámetros que componen nuestra estimación del CMPC son los siguientes:

		España
1	Tasa libre de riesgo	2,30%
2	Coeficiente beta	0,96
3	Prima de riesgo de mercado ("PRM")	7,50%
	Coste de los Fondos Propios	**9,49%**
4	Diferencial medio aproximado ("spread")	3,40%
	Coste bruto de la deuda	5,69%
	Tipo de Impuesto sobre Sociedades	25%
	Coste neto de la deuda	**4,27%**
	% Fondos propios	60%
5	% Recursos ajenos (deuda)	40%
	Coste Medio Ponderado del Capital (CMPC)	**7,40%**

Fuente: Análisis PwC y Capital IQ

1. Tasa libre de riesgo aplicable para España (país donde opera la Compañía) a Fecha de Valoración, resultado de nuestro análisis de las rentabilidades de emisiones de deuda soberana y en consistencia con las expectativas de inflación a largo plazo según fuentes disponibles (ver Anexo 6.2 "Coste Medio Ponderado de Capital").
2. Obtenido a partir de un análisis de las betas de compañías cotizadas europeas challengers, consideradas como las más comparables a MásMóvil y con datos estadísticamente robustos.
3. Exceso de la rentabilidad esperada a largo plazo del mercado de capitales sobre la tasa libre de riesgo según diversos análisis realizados por PwC y estudios empíricos disponibles (ver Anexo 6.2 "Coste Medio Ponderado de Capital").
4. Exceso medio de la rentabilidad esperada de bonos corporativos cotizados a largo plazo de compañías emisoras del sector de telecomunicaciones en Europa con respecto a la de los bonos soberanos con mismo vencimiento de los países de los emisores y en línea con la solvencia implícita al apalancamiento óptimo asumido.
5. Nivel de apalancamiento óptimo estimado a partir del apalancamiento a largo plazo observado en compañías cotizadas europeas del sector telefonía, calificadas challenger. Dicha estructura de capital se encuentra alineada con la de la Compañía a Fecha de Valoración.

Impacto de los acuerdos recientemente firmados

Lycamobile - Descripción de la transacción

MásMóvil ha comunicado la compra por un importe de EUR 361M del operador móvil virtual de prepago Lycamobile el 28 de febrero de 2020 (confirmándolo el 12 de junio de 2020) reforzando su posición en España en este segmento

Descripción del Grupo Lycamobile

- Lycamobile es un operador móvil virtual fundado en 2006 por empresarios procedentes de Sri Lanka, que opera en un total de 23 países y cuenta con un total 1,5 millones de líneas móviles en España.
- Desde su entrada en 2010 en España, la firma se ha especializado en el sector de móviles prepago, enfocándose en un perfil de cliente mayoritariamente étnico.
- La adquisición de esta compañía permite a MásMóvil reforzar su posición en España en el segmento de prepago, tras las adquisiciones de Llamayá y Lebara en 2017 y 2018, respectivamente.
- Los ingresos del operador virtual ascienden a EUR 132M en 2019 (-4% con respecto a 2018), con un EBITDA de EUR 45M. Su ARPU mensual de EUR 7,2 se posiciona por encima de la media del Grupo en este segmento.
- El múltiplo EV/EBITDA 2019 pagado es de c.8,1x, superior al pagado por Lebara (7,5x) y Llamayá (7,6x).

Datos clave

Importe total de la transacción	EUR 361M
EBITDA 2019	EUR 44,5M
Múltiplo **EV/EBITDA 2019**	8,1x (1)

(1) Información obtenida de los Hechos Relevantes de MásMóvil el 12 de junio de 2020

Presencia en los distintos países de Lycamobile

Fuente: Hecho Relevante publicado por la Compañía y análisis PwC

Lycamobile - Proyecciones financieras

Asumen un crecimiento de 12 p.p. en margen EBITDA entre 2019 y 2024 debido a la sinergias obtenidas por su integración con MásMóvil. Sin embargo, se espera que continúe la tendencia decreciente en la base de clientes y ARPU en los siguientes años, en línea con las expectativas del mercado prepago

	Histórico		Horizonte de proyección					
EUR M	2018A	2019A	2020E	2021E	2022E	2023E	2024E	VT
Ventas	**137,6**	**132,0**	**110,4**	**112,5**	**110,4**	**109,1**	**108,8**	**109,3**
% variación		*(4,1%)*	*(16,4%)*	*1,9%*	*(1,9%)*	*(1,1%)*	*(0,3%)*	*0,5%*
MVNO	(60,0)	(39,7)	(23,4)	(13,0)	(14,1)	(14,4)	(15,2)	(15,2)
Otros costes	(30,4)	(28,8)	(28,8)	(28,8)	(28,8)	(28,8)	(28,8)	(28,8)
Margen bruto	**47,2**	**63,5**	**58,2**	**70,7**	**67,4**	**65,9**	**64,7**	**65,3**
% margen	*34,3%*	*48,1%*	*52,7%*	*62,8%*	*61,1%*	*60,4%*	*59,5%*	*59,7%*
Opex	(19,0)	(19,0)	(16,7)	(15,0)	(15,0)	(15,0)	(15,0)	(15,0)
EBITDA	**28,2**	**44,5**	**41,6**	**55,7**	**52,4**	**50,9**	**49,7**	**50,3**
% margen	*20,5%*	*33,7%*	*37,6%*	*49,5%*	*47,5%*	*46,7%*	*45,7%*	*46,0%*
One off Integration cost	-	-	-	(10)	-	-	-	-
D&A	(4,0)	(4,0)	(2,7)	(2,7)	(2,7)	(2,6)	(2,6)	(2,6)
EBIT	**24,2**	**40,5**	**38,9**	**43,0**	**49,8**	**48,3**	**47,1**	**47,6**
% margen	*17,6%*	*30,7%*	*35,2%*	*38,2%*	*45,1%*	*44,3%*	*43,3%*	*43,6%*

Fuente: CCAA consolidadas de 2019, Proyecciones financieras de Lycamobile facilitadas por MásMóvil, análisis PwC y discusiones con la Compañía.

- La Compañía prevé a futuro que Lycamobile consiga mantener el nivel de ARPU actual, así como centrar sus esfuerzos estratégicos en mantener sus clientes actuales. Hemos discutido con la Compañía los riesgos inherentes de esta estrategia y contrastado con la evolución histórica y tendencia del mercado de prepago. Con todo ello, hemos realizado una proyección financiera atendiendo a su evolución histórica y expectativas sectoriales del segmento prepago.
- El número de clientes se ha proyectado asumiendo la cuota de mercado de Lycamobile en 2019 (14%), pero considerando que en 2020 puede existir canibalización entre marcas (en concreto, entre Lycamobile y Lebara, enfocadas al mismo perfil de clientes) además del impacto en prepago debido al Covid-19, en línea con lo considerado por especialistas del sector. Dicho impacto ha motivado que MásMóvil renegociara el precio a la baja.
- El mercado objetivo de clientes prepago se ha proyectado de manera decreciente, en línea con las expectativas de mercado (-4%) y con la propia tendencia histórica de Lycamobile (-1,4%), tendiendo gradualmente a un crecimiento igual a 0% en el año 2024.
- También se ha proyectado un nivel de ARPU decreciente (mismo TACC 2019-2024 de -1,49% que MásMóvil), produciéndose una caída en el ejercicio 2020, como consecuencia de la caída en las recargas por las medidas de confinamiento y estimándose una ligera recuperación en 2021.
- Los costes de MVNO corresponden a los costes variables para dar servicio a sus usuarios, principalmente por tráfico de datos. Se espera una disminución de estos costes por las sinergias, ya que Lycamobile cuenta con un contrato con Telefónica para la utilización de su red, cuyo precio es mayor al acordado por MásMóvil (tras la integración, el coste unitario será menor). Estimamos unas sinergias por este concepto de EUR 20M frente a los EUR 30M comunicados por MásMóvil. Esta diferencia se explica por: 1) hemos estimado que Lycamobile tendrá un menor número de clientes (impacto del Covid-19 y de la canibalización), lo que explicaría un menor volumen de tráfico de datos; y 2) hemos utilizado el reparto de tráfico actual de MásMóvil con los diferentes proveedores de red para estimar estos costes.
- Adicionalmente, se han considerado sinergias relativas a los gastos de explotación que ascienden a EUR 4M anuales, en línea con conversaciones con la Compañía.
- La amortización se ha proyectado considerando la inversión esperada en el periodo de proyección.

Lycamobile - Valor DFC

Estimamos el valor creado para MásMóvil por la adquisición de Lycamobile en EUR 1,01 por acción

Euro millones	9M 2020	2021E	2022E	2023E	2024E	VT
EBIT	38,9	43,0	49,8	48,3	47,1	47,6
Impuestos sobre EBIT	(9,7)	(10,7)	(12,4)	(12,1)	(11,8)	(11,9)
NOPAT	**29,2**	**32,2**	**37,3**	**36,2**	**35,3**	**35,7**
D&A	2,7	2,7	2,7	2,6	2,6	2,6
CAPEX	(2,7)	(2,7)	(2,7)	(2,6)	(2,6)	(2,6)
Variación en Working Capital	(0,7)	0,1	0,0	(0,1)	(0,1)	-
FCF	**28,5**	**32,3**	**37,3**	**36,2**	**35,3**	**35,7**
Terminal Value						**482,3**
Periodo de descuento	0,4	1,3	2,3	3,3	4,3	4,3
Factor de descuento	0,97	0,91	0,85	0,79	0,74	0,74
% flujo considerado	76%*	100%	100%	100%	100%	100%
Flujos de caja descontados	**21,2**	**29,5**	**31,8**	**28,7**	**26,0**	**356,1**
FCF descontados periodo de proyección	137,2					
Flujo de caja terminal	356,1					
Enterprise Value	**493,3**					
(-) Precio pagado	(361,0)					
Valor añadido de la transacción	**132,3**					
Nº acciones (excluyendo autocartera)	131.366.040					
Impacto por acción	**1,01**					

Fuente: Análisis PwC y discusiones con la Compañía

- El nivel de Capex se ha estimado en línea con la media histórica de otras operadores móviles virtuales del mercado.
- La variación del capital circulante se ha calculado a partir de los días de pago, cobro e inventario históricos, que ascienden a 20, 23 y 1, respectivamente.

**El porcentaje del flujo considerado es mayor al 58% (correspondiente a la fecha de adquisición, 12 de junio de 2020) al ser el EBITDA superior una vez consideradas las sinergias pos-transacción.*

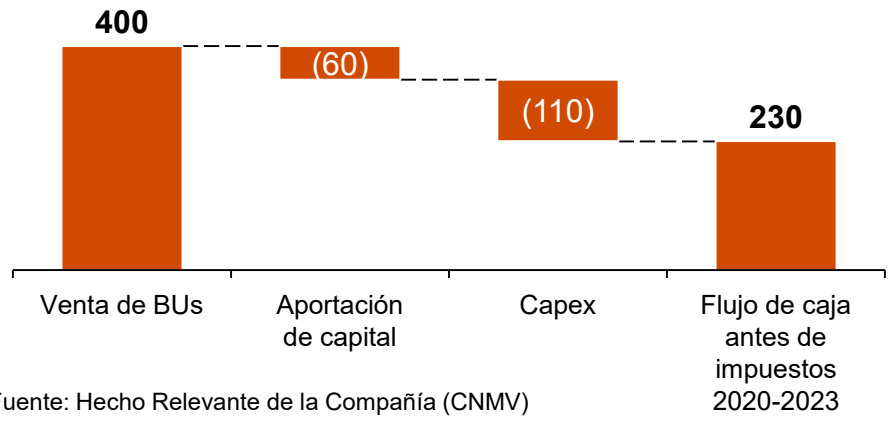
- La tasa de descuento (CMPC) aplicada asciende a 7,40%.
- La tasa de crecimiento a perpetuidad (g) considerada es del 0%, debido a las previsiones sobre el mercado de móvil de prepago en España, para las cuales consideramos difícil que puedan responder a futuro a niveles de la inflación debido a tratarse de un servicio estancado.
- Las diferencias existentes entre las sinergias comunicadas por la Compañía y las proyectadas en el DFC yacen en una previsión inferior de líneas móviles y en la consideración de la utilización residual de las redes de telefónica para el tráfico de datos. El escenario base facilitado por la Compañía incluye también ciertos ajustes sobre las sinergias comunicadas al mercado y sobre las expectativas de ingresos debido al impacto del Covid-19.
- Adicionalmente, como contraste, hemos comprobado que el valor obtenido a partir del DFC es similar al obtenido de considerar un escenario de proyecciones financieras que asume estabilidad en los niveles de ARPU y clientes pero aplicando una prima de riesgo específica a nuestro CMPC (resultando en 10,5%) en línea con la utilizada por la propia MásMóvil en ejercicios de PPA para la adquisición del OMV Lebara en 2018 (según se observa en CCAA). Es decir, nuestro enfoque de sensibilización de riesgos específicos en las proyecciones financieras y descontadas al CMPC de 7,40% equivale en gran medida a un enfoque de ponderación de estos riesgos específicos en forma de una prima de riesgo adicional al CMPC, como el seguido por la Compañía en sus valoraciones de activos en el segmento de prepago.

Uclés - Impacto en valor del acuerdo

Estimamos el valor creado para MásMóvil por el acuerdo "Uclés" en EUR 0,1 por acción

Resumen de impactos en caja de "Uclés":

- **Venta de Unidades Inmobiliarias:** MásMóvil espera obtener entre EUR 385 y 414M por la venta de 1.078 BUs a la nueva compañía que creará junto a un InfraFund. Hemos tomado el punto medio entre ambos.
- **Aportación de capital:** aportación de un capital EUR 60M para la constitución de la nueva compañía, alcanzando una participación en la misma de entre el 40% y el 49,99%.
- **Capex**: MásMóvil ha comunicado una inversión cercana a los EUR 110M. Se requiere del despliegue de 833 BU y las 245 BUs restantes del acuerdo ya han sido desplegadas previamente. Dicho proceso durará hasta 2023 y el Capex incremental que supondrá el acuerdo ascenderá a EUR 68M.
- **Flujo de caja antes de impuestos 2020-2023**: flujo de caja antes de impuestos 2020-2023 generado por la Compañía con la inversión y desinversión de activos.



Fuente: Hecho Relevante de la Compañía (CNMV)

- **Servicios de operación y mantenimiento:** MásMóvil se ha comprometido a ofrecer dichos servicios a la nueva compañía así como los servicios de trasmisión, a la cual repercutirá los costes sin margen alguno, no impactando en su EBITDA proyectado.
- **Rentas asociadas por la utilización de la red**: como consecuencia del acuerdo, MásMóvil tendrá que pagar por el uso de las BUs vendidas a la nueva compañía, así como renunciar al derecho de dar servicios a un tercer operador en dicha red. En consistencia con información de la Compañía, hemos estimado que dicho impacto podría oscilar en un gasto acumulado (antes de impuestos) hasta la fecha de vencimiento del acuerdo de EUR 240M.

Impacto en valor de "Uclés":

- Nuestro ejercicio de valoración ha consistido en descontar a Fecha de Valoración el conjunto de impactos económicos (netos de impuestos) que tendrá sobre MásMóvil la nueva firma del acuerdo, utilizando una tasa de descuento igual al WACC (7,40%).
- El impacto positivo del acuerdo proviene de la entrada en caja entre 2020 y 2023 (neto de impuestos) frente a un gasto futuro por las rentas pagadas por el uso de las mismas BUs en los próximos 20/25 años (menor EBITDA futuro que el proyectado).

Valor descontado de los flujos de "Uclés"	19,7 millones
Número de acciones (netos autocartera)	131.366.040
Efecto en valor por acción	**0,1 EUR/acción**

Múltiplos de mercado

Descripción general del método

- El enfoque de Múltiplos de Mercado indica el valor de mercado de la Compañía comparándolo con empresas similares cotizadas en mercados secundarios o que hayan sido objeto de transacciones privadas. Este enfoque es válido en la medida en que exista información sobre negocios razonablemente comparables.
- Un análisis de los múltiplos de mercado de empresas dedicadas a actividades similares proporciona información de las impresiones y expectativas de los inversores y, por tanto, del valor de la empresa, en la medida en que se consideren razonablemente comparables.
- Este método se utiliza como referencia de contraste global de los resultados obtenidos mediante el DFC, si bien considerando sus limitaciones intrínsecas.
- Después de identificar y seleccionar las empresas comparables cotizadas en mercados bursátiles o que han estado involucradas en una transacción reciente privada, se analizan sus negocios y perfiles financieros para evaluar el grado de comparabilidad en función de la información disponible. Una vez seleccionadas las más similares, en la medida de lo posible, se calculan los precios o los múltiplos de valor sobre sus magnitudes financieras y se consideran, ajustan u homogenizan, si aplica, las potenciales diferencias identificadas, por factores como el tamaño relativo, las perspectivas de crecimiento, rentabilidad, riesgo y retorno de la inversión.
- Pese a obtener un rango de valor por acción en base a esta metodología, consideramos que la comparabilidad no es completa (ej. diferentes mercados y entornos competitivos, el impacto económico de los planes de inversión concretos, expectativas de crecimiento, mix de red de activos propios vs de terceros). Estas limitaciones son generalmente inherentes al método, y por ello se suele utilizar como elemento de contraste de resultados de otros métodos.
- Hemos considerado el múltiplo EV/EBITDA, antes de impacto de norma NIIF 16 para el caso del 2019 y después de dicho impacto contable para el caso de magnitudes estimadas 2020 (al no estar disponible fácilmente este dato sin el citado impacto).
- En el caso de transacciones privadas del sector, se han identificado una serie de operaciones corporativas recientes y se ha calculado un promedio del múltiplo Enterprise Value EV/EBITDA como mejor aproximación a un valor de mercado. Sin embargo, este método engloba la limitación de que los precios pagados consideran las particularidades específicas de cada comprador/vendedor, que no tienen por qué trasladarse necesariamente a la valoración promedia de la Compañía.

Fuente: Bloomberg, S&P y análisis PwC

EBITDA normalizado y posición de DFN aplicable al enfoque de mercado

Hemos ajustado el EBITDA 2019 por impactos no recurrentes y normalizado por el impacto de nuevos acuerdos. La posición de DFN aplicable al enfoque de mercado considera los ajustes del DFC y otras adicionales como la normalización de proveedores de inmovilizado

EBITDA Normalizado 2019

EUR Millones	2019
Resultado de la explotación	290,3
Gastos por depreciación y amortización	271,8
EBITDA Reportado post IFRS16	**562,1**
Deterioro y resultado por enajenaciones del inmovilizado	(112,2)
Gastos de integración y migración	18,4
EBITDA Ajustado post IFRS16 publicado por la Compañía	**468,3**
1 Reversión IFRS 16	(35,4)
EBITDA Ajustado pre IFRS16	**433,0**
2 Normalización del impacto de adquisiones	0,6
3 Subvenciones	(1,9)
4 Trabajos realizado por el Grupo para su activo	(9,8)
5 Reversión provisiones	31,1
EBITDA 2019 pre IFRS16 normalizado (demostrado)	**452,9**
6 Normalización del acuerdo con Orange y venta de activos	14,6
EBITDA 2019 normalizado (no demostrado) a futuro	**467,5**

Posición financiera neta aplicable al enfoque del mercado

EUR millones	Caso Bajo	Caso Alto
Ajustes al Equity Value	(1.914,8)	(1.914,8)
Ajustes enfoque del mercado:		
7 Normalización de proveedores de inmovilizado	(101,1)	(101,1)
BINs	169,6	179,0
Deuda financiera neta (pre NIIF 16)	**(1.846,3)**	**(1.836,9)**
8 Deudas por arrendamiento financiero	n.a.	(176,0)
Deuda financiera neta (post NIIF 16)	**n.a.**	**(2.012,9)**

Fuente: Cuentas de Gestión 1T 2020 y análisis PwC

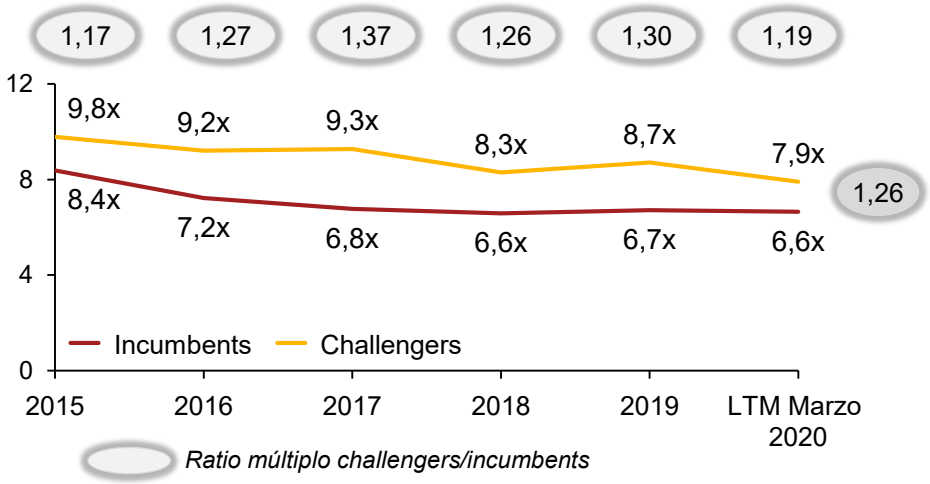
- Hemos realizado determinadas consideraciones al EBITDA 2019 Ajustado publicado por la Compañía para la aplicación del método.
  1. Reversión del NIIF 16 para excluir el impacto y ser consistente con la aplicación del múltiplo EV/EBITDA pre NIIF 16.
  2. Normalización del impacto del año completo de las adquisiciones del año 2019, en concreto, de Netlar y Carrier.
  3. Ajuste por imputación de subvenciones oficiales de carácter no reintegrable.
  4. Costes capitalizados por trabajos realizados para el inmovilizado.
  5. Reversión de provisiones de Cuota 25 y contratos onerosos.
- Además, hemos considerado las siguientes normalizaciones asociadas a los contratos firmados a 31 de diciembre de 2019:
  6. El acuerdo firmado con Orange, y cuyo ahorro anual, de acuerdo al Hecho Relevante publicado, se estima ascenderá a EUR 40M (de los cuales EUR 15M ya se han conseguido en 2019). Dicho acuerdo se firmó en octubre de 2019, por lo que se ha considerado el impacto anualizado. También incluye los costes anuales que se asumirán en el futuro, tras la venta de activos a Macquarie en 2019.
- De cara a estimar la deuda financiera neta aplicable al enfoque del mercado, hemos asumido los siguientes ajustes:
  7. Proveedores de inmovilizado a corto plazo, asumiendo un periodo de pago de 120 días, en aras de normalizar el efecto de los EUR 385M del saldo en marzo de 2020, tras discusiones con la Compañía y en consistencia con el DFC.
  8. Deducción de la deuda por arrendamientos financieros para incluir el impacto de NIIF 16 en consistencia, en el caso de múltiplo calculado post-impacto NIIF 16 (EBITDA 2020 estimado).

Múltiplos de compañías comparables cotizadas (1/3)

El análisis de los múltiplos de cotización de las compañías del sector evidencia diferencias entre los grupos de challenger vs incumbent, situándose los primeros por encima en un c.26% en promedio (medido en términos de EV/EBITDA pre NIIF 16)

- El mercado de las telecomunicaciones se caracteriza por la existencia de un nivel significativo de competencia, identificándose 2 tipos de players:
  - Incumbents, operadores instalados (o tradicionales) que ostentaban el monopolio antes de la liberalización del mercado de las telecomunicaciones, y que generalmente cuentan actualmente con la cuota de mercado más elevada.
  - Challengers, el resto de operadores, que han entrado más tarde en el sector para ganar cuota a los primeros y modifican la estructura competitiva.
- Del análisis de los múltiplos históricos se desprende que existe un diferencial entre los dos grupos identificados, situándose las compañías challengers de media 1,26x veces por encima del múltiplo EV/EBITDA de los incumbents. Por ello, y teniendo en cuenta que MásMóvil pertenece al grupo de challengers, concluimos que la valoración por enfoque de mercado debe centrarse en este grupo.
- Los múltiplos presentan una tendencia decreciente desde el año 2015 para ambos.

Media de múltiplo EV/EBITDA (pre NIIF 16)



El cálculo del múltiplo se basa en las cotizaciones a cierre de año excepto 2019 cuyo precio de cotización corresponde a la fecha del último estado financiero disponible y LTM Marzo 2020 cuyo precio de cotización es a 25 de mayo.
***Incumbent considerados**: Telefónica, S.A.; Orange S.A.; Proximus PLS; BT Group plc; Deutsche Telekom AG; Swisscom AG; Telia Company AB; Koninklijke KPN N.V.; Telecom Italia S.p.A.*
***Challenger considerados**: Euskaltel, S.A.; Vodafone Group Plc; Digi Communications N.V.; Freenet AG; TalkTalk Telecom Group PLC; NOS, S.G.P.S., S.A.; Iliad AS; Sunrise Communications Group AG; Telenet Group Holding NV; Tele2 AB (publ).*

Fuente: Capital IQ y análisis PwC

Múltiplos de compañías comparables cotizadas (2/3)

El múltiplo EV/EBITDA medio de la muestra seleccionada de compañías comparables cotizadas se sitúa entre 8,0x (EV/EBITDA 2019 pre-NIIF 16) y 7,6x (EV/ EBITDA esperado 2020 post-NIIF 16)

- De acuerdo a lo expuesto anteriormente, nuestro análisis de múltiplos se ha basado en las compañías europeas del sector clasificadas como challengers.

Compañía	País	EV/EBITDA 2019 (Pre impacto IFRS 16)	EV/EBITDA 2019 (Post impacto IFRS 16)	EV/EBITDA LTM Marzo 2020	EV/EBITDA 2020 (Post impacto IFRS 16)
Euskaltel, S.A.	España	9,1x	9,1x	8,0x	8,0x
Vodafone Group Plc	Reino Unido	6,6x	7,0x	5,0x	6,5x
freenet AG	Alemania	10,8x	11,0x	9,6x	9,7x
TalkTalk Telecom Group PLC	Reino Unido	8,4x	9,1x	7,6x	7,6x
NOS, S.G.P.S., S.A.	Portugal	6,2x	6,0x	4,4x	4,7x
iliad S.A.	Francia	n.d.	8,0x	n.d.	9,7x
Sunrise Communications Group AG	Suiza	7,9x	7,8x	7,8x	7,8x
Telenet Group Holding NV	Bélgica	7,1x	7,3x	6,7x	6,8x
Tele2 AB (publ)	Suecia	12,8x	11,9x	11,8x	11,1x
Digi Communications N.V.	Rumania	4,2x	4,0x	3,9x	4,2x
Media sin anómalos		**8,0x**	**8,1x**	**7,0x**	**7,6x**
Media con anómalos		**8,1x**	**8,1x**	**7,2x**	**7,6x**

El cálculo del múltiplo se basa en las cotizaciones correspondientes a la fecha del último estado financiero disponible.
Fuente: Capital IQ y CCAA auditadas 2019 de cada compañía
Datos anómalos en rojo

- Se ha considerado un rango entre 8,0x formado por la media de EV/EBITDA 2019 (pre-NIIF 16) y 7,6x formado por la media EV/EBITDA 2020 (Post-NIIF 16) estimado por los analistas.
- Cabe mencionar que no hemos encontrado ningún patrón que explique el comportamiento (excepto los datos anómalos excluidos de la media explicados más abajo) por factores como tamaño, crecimiento o márgenes; motivo por el cual consideramos la media.
- El múltiplo de DIGI communications N.V. se ha considerado anómalo debido a su presencia mayoritaria en países de renta baja.
- Tele2 AB (publi) también se ha considerado anómalo debido a que tras la compra de Com Hem Holding AB (negocio principalmente de infraestructura) su múltiplo aumenta en torno al 50% sobre sus múltiplos históricos. Adicionalmente, tras la compra tiene una posición dominante en fibra instalada en su país de origen (Suecia – país europeo con mayor coste de instalación por metro).

Múltiplos de compañías comparables cotizadas (3/3)

Del análisis de múltiplos de compañías comparables cotizadas se desprende un rango de valor por acción comprendido entre EUR 15,65 y 19,08 por acción

- Los múltiplos se han aplicado a las magnitudes financieras de forma consistente al tipo de múltiplo empleado, esto es, EBITDA y deuda neta pre-NIIF 16 para 2019 y post-NIIF 16 para el 2020 estimado.
- Adicionalmente, se ha incluido el impacto de la adquisición de Lycamobile estimado mediante el DFC.
- En base a lo anterior, el valor por acción resultante se sitúa en el rango EUR 15,65-19,08 por acción.
- No obstante, conviene resaltar las limitaciones que rodean a este análisis y que han sido anteriormente descritas. Por ello este método de valoración se ha considerado a efectos de contraste del valor obtenido mediante el DFC.
- Este método no permite capturar la aportación de valor de los acuerdos Duero y Monterrei II que se estima que incrementen el EBITDA a partir del año 2021.

EUR Millones	Rango Bajo
EV/EBITDA 2019	8,0x
EBITDA normalizado 2019 (pre NIIF 16)	467,5
EV estimado	**3.750**
Ajustes al equity (pre NIIF 16)	(1.846)
Equity value	**1.904**
Número de acciones (excl. autocartera)	131.366.040
Impacto LycaMobile (EUR por acción)	1,01
Impacto Ucles (EUR por acción)	0,15
Valor por acción (EUR por acción)	**15,65**

EUR Millones	Rango Alto
EV/EBITDA estimado 2020	7,6x
EBITDA 2020 (post-NIIF 16)	574,6
EV estimado	**4.367**
Ajustes al equity (post-NIIF 16)	(2.013)
Equity value	**2.354**
Número de acciones (excl. autocartera)	131.366.040
Impacto LycaMobile (EUR por acción)	1,01
Impacto Ucles (EUR por acción)	0,15
Valor por acción (EUR por acción)	**19,08**

Fuente: CCAA consolidados 2019, Capital IQ, Presupuesto 2020 y análisis PwC

Múltiplos de transacciones sector (1/2)

El múltiplo EV/EBITDA (pre-NIIF 16) promedio que se desprende la muestra de transacciones comparables analizadas se sitúa entre 8,5x (transacciones europeas) y 8,8x (transacciones en España)

- Se ha llevado a cabo un análisis de los múltiplos EV/EBITDA implícitos pagados en transacciones privadas que involucran a compañías europeas del sector de telefonía (móvil y banda ancha).
- Del análisis se desprende que los múltiplos presentan un nivel de dispersión significativo (mínimo de 6,2x y máximo de 12,4x), mayor que la dispersión en cotizadas y no relacionable con factores como el perfil de crecimiento, niveles de rentabilidad, sino con circunstancias particulares de cada operación.
- Por ello, consideramos este método como un enfoque de contraste frente a los resultados obtenidos mediante el enfoque de valoración principal, el DFC.
- Se han identificado un total de 18 transacciones europeas cerradas entre 2016 y 2020 en el sector, de las que en España, 5 son de la propia MásMóvil. Hemos calculado un rango bajo formado por todas las transacciones analizadas (8,5x) y un rango alto con las españolas (8,8x).

Fecha	Adquirida	País	Adquiriente	EV (EUR M)	% adq.	EV/ EBITDA (pre IFRS 16)	% margen EBITDA	Player
02/03/2020	Lycamobyle Spain	España	MásMóvil Ibercom, S.A.	361	100%	8,1x	34%	Challenger
21/08/2019	DNA Oyj	Finlandia	Telenor ASA	3.368	54%	11,4x	32%	Challenger
21/11/2018	Lebara Spain	España	MásMóvil Ibercom, S.A.	n.d.	100%	7,5x	n.d.	Challenger
15/10/2018	Get ASA/TDC Norway AS	Noruega	Telia Company AB	2.224	100%	12,4x	43%	Challenger
07/09/2018	Wind Tre S.p.A.	Italia	CK Hutchison Holdings Limited	16.264	50%	7,7x	36%	Challenger
03/09/2018	MTN Cyprus Limited	Chipre	Monaco Telecom S.A.M.	260	100%	8,0x	n.d.	Challenger
31/07/2018	UPC Austria GmbH	Austria	T-Mobile Austria GmbH	1.900	100%	9,5x	n.d.	Challenger
30/05/2018	Invitel Távközlési ZRt.	Hungría	DIGI Távközlési és Szolgáltató Kft.	135	100%	6,2x	n.d.	Challenger
04/05/2018	TDC A/S	Dinamarca	PFA Pension, forsikringsaktieselskab	8.113	100%	7,3x	41%	Incumbent
09/04/2018	eir Limited	Irlanda	Davidson; Iliad SA; Anchorage; NJJ	3.500	100%	6,7x	40%	Challenger
26/07/2017	TeleCable de Asturias S.A.U.	España	Euskaltel, S.A.	670	100%	10,3x	47%	Challenger
31/01/2017	More Minutes, S.A	España	MásMóvil Ibercom, S.A.	42	100%	7,6x	n.d.	Challenger
31/10/2016	TDC Sverige AB	Suecia	Tele2 Sverige AB	293	100%	7,3x	12%	Challenger
05/10/2016	Xfera Móviles, S.A.	España	MásMóvil Ibercom, S.A.	612	100%	7,4x	n.d.	Challenger
13/09/2016	Pepemobile S.L.	España	MásMóvil Ibercom, S.A.	158	100%	12,1x	20%	Challenger
17/08/2016	GO p.l.c.	Malta	TT ML LIMITED	385	65%	7,4x	38%	Challenger
11/02/2016	BASE Company NV	Bélgica	Telenet Group Holding NV	1.324	100%	8,9x	25%	Challenger
29/01/2016	EE Limited	Reino Unido	BT Group plc	16.463	100%	7,6x	22%	Challenger
				Promedio (Europa)		**8,5x**		
				Promedio (España)		**8,8x**		

Fuente: S&P, análisis PwC

Múltiplos de transacciones sector (2/2)

Del análisis de transacciones se desprende un rango de valor por acción comprendido entre EUR 17,40 – 18,62 por acción

- Los múltiplos se han aplicado al EBITDA 2019 (pre NIIF 16) normalizado de EUR 467,5M y los mismos ajustes considerados para el valor según múltiplos de cotizadas comparables basados en el año 2019.
- En base a lo anterior, el valor por acción resultante se sitúa en el rango EUR 17,40-18,62 por acción.
- No obstante, conviene resaltar las limitaciones que rodean a este análisis y que han sido anteriormente descritas. Por ello este método de valoración se ha considerado a efectos de contraste del valor obtenido mediante el DFC.

EUR Millones	Rango Bajo	Rango Alto
EV/EBITDA 2019	8,5x	8,8x
EBITDA 2019 (pre-NIIF 16 normalizado)	467,5	467,5
EV estimado	**3.980**	**4.131**
Ajustes al equity (pre-NIIF 16)	(1.846)	(1.837)
Equity value	**2.134**	**2.294**
Número de acciones (excl. autocartera)	131.366.040	131.366.040
Impacto LycaMobile (EUR por acción)	1,01	1,01
Impacto Ucles (EUR por acción)	0,15	0,15
Valor por acción (EUR por acción)	**17,40**	**18,62**

Fuente: CCAA consolidados 2019, Capital IQ, Presupuesto 2020 y análisis PwC

Otros métodos de valoración

Cotización media ponderada

La cotización media ponderada de los últimos 6 meses anteriores al 1 de junio de 2020 ha sido de EUR 17,44 por acción y la del último año de EUR 18,79.

- El Artículo 10 del RD 1066/2007 requieren considerar el método de la cotización media ponderada de los valores durante el semestre inmediatamente anterior a la Solicitud de la propuesta de exclusión (en este caso la Solicitud de Autorización) mediante la publicación de un Hecho Relevante, cualquiera que sea el número de sesiones que se hubieran negociado. La fecha de referencia de nuestro análisis de cotización ha sido el 29 de mayo de 2020, último día hábil anterior a la Fecha de la Solicitud.
- Además, el Artículo 137.2 de la LMV exige considerar el valor medio del mercado en un determinado periodo. En ese sentido, hemos extendido el periodo analizado a los últimos 12 meses.
- Hemos analizado la evolución de la cotización de MásMóvil, así como sus principales indicadores de volumen y volatilidad (véase página siguiente).
- Además, hemos comparado la cotización con los precios objetivo de los analistas. Se observa un nivel de dispersión muy elevado en sus valoraciones, y una diferencia elevada en la media de éstos con respecto a la cotización media de los últimos 6 meses. Esta diferencia entre precio objetivo medio de analistas y cotización de 6 meses supera en c.4x la diferencia observada para las compañías que componen el IBEX 35. Por ello, no hemos considerado adecuado este análisis como contraste.
- Consideramos que este es un método relevante, si bien se ha visto afectado por la fuerte reacción de los mercados ante la pandemia Covid-19, que afectó a la cotización de la Compañía en marzo y abril.
- En cualquier caso, los resultados que se habrían obtenido de este método, si se analizasen los mismos periodo antes del impacto del Covid-19 en el mercado, serían también inferiores a los obtenidos en el DFC, que consideramos como metodología principal.
- Por último, señalar que el valor obtenido es diferente al calculado por la Bolsa de Madrid ya que nuestro cálculo se basa en la media ponderada sobre las medias ponderadas diarias, mientras que la Bolsa de Madrid proporciona la media de las medias ponderadas diarias.

Precio medio ponderado
[EUR por acción]

	Promedio	*Máximo*	*Mínimo*
Último día de referencia (1)	18,72		
Último año (2)	**18,79**	24,14	11,28
Últimos 6 meses (3)	**17,44**	20,66	11,28

Fuente: BME, Bloomberg y análisis PwC

(1) 29 de mayo de 2020, sesión anterior a la fecha de la Solicitud de Autorización de una OPA
(2) Periodo estimado de 1 año: 30/05/2019-29/05/2020
Fecha máximo, 7 de octubre de 2019; Fecha mínimo, 16 de marzo de 2019.
(3) Periodo estimado de 6 meses: 30/11/2019-29/05/2020
Fecha máximo, 2 de diciembre de 2019; Fecha mínimo 16 de marzo de 2020.

Precio medio ponderado del periodo anterior a la declaración de la pandemia por la Organización Mundial de la Salud (OMS) el 11 de marzo de 2020
[EUR por acción]

	Promedio	*Máximo*	*Mínimo*
Último día de referencia (1)	15,44		
Último año(2)	**19,59**	24,14	16,12
Últimos 6 meses (3)	**19,77**	24,14	16,55

Fuente: BME y análisis PwC

(1) 11 de marzo de 2020
(2) Periodo estimado de 1 año: 11/03/2019-10/03/2020
Fecha máximo, 7 de octubre de 2019; Fecha mínimo, 15 de agosto de 2019.
(3) Periodo estimado de 6 meses: 11/12/2019-10/03/2020
Fecha máximo, 2 de diciembre de 2019; Fecha mínimo 9 de marzo de 2020.

Análisis de evolución del precio y volumen

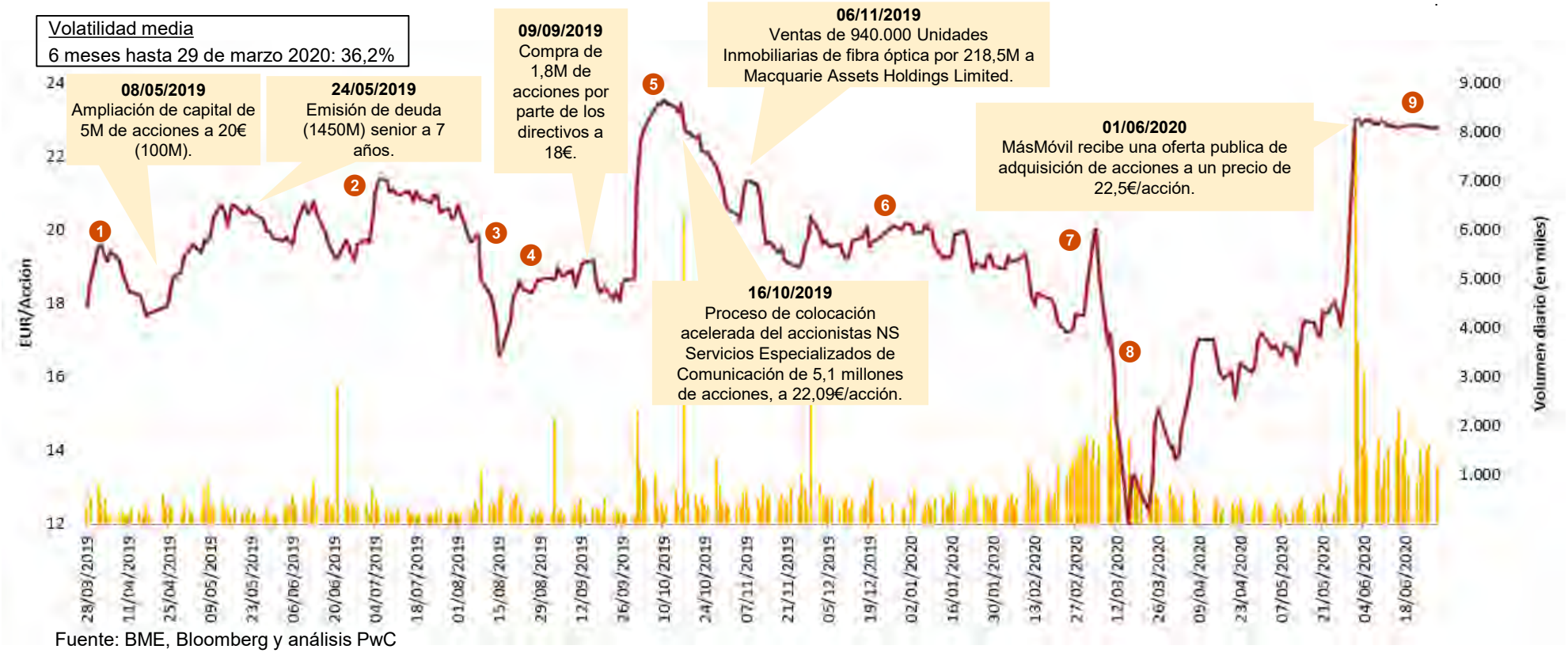
La cotización diaria de la acción ha sufrido una fuerte volatilidad recientemente. En el último año, el precio de la acción ha tenido un máximo EUR 24,14 en octubre tras el acuerdo de Orange y un mínimo de EUR 11,28 el 16 de marzo 2020 debido a la crisis del virus Covid-19.

Precio medio ponderado y volumen de MásMóvil

Hecho Relevantes

1. **01/04/2019** Acuerdo de compra del bono convertible de Providence
2. **24/06/2019** MásMóvil lanza un acuerdo con la aerolínea europea Norwegian y publican que quiere vender su redes de fibra por 217,5M
3. **07/08/2019** Caída del IBEX 35, posiblemente por la inestabilidad en Italia y la guerra comercial de EEUU y China
4. **20/08/2019** Acuerdo con la compañía inversora GAEA para la adquisición de Cabonitel, S.A..
5. **01/10/2019** Firma del acuerdo con Orange, cubriendo las necesidades futuras de la Compañía respecto a 5G.
6. **27/12/2019** Compra segundo tramo del bono convertible (532M).
7. **02/03/2020** MásMóvil anuncia la compra del operador virtual Lycamobile y presentación de resultados de 2019
8. **12/03/2020** Caída de las bolsas causada por el Covid-19.
9. **12/06/2020-22/06/2020** Oferta de un InfraFund para tomar una participación mayoritaria en una NetCo. MásMóvil actualiza sus acuerdos con Telefónica para red móvil y fija.

Volatilidad media
6 meses hasta 29 de marzo 2020: 36,2%



Fuente: BME, Bloomberg y análisis PwC

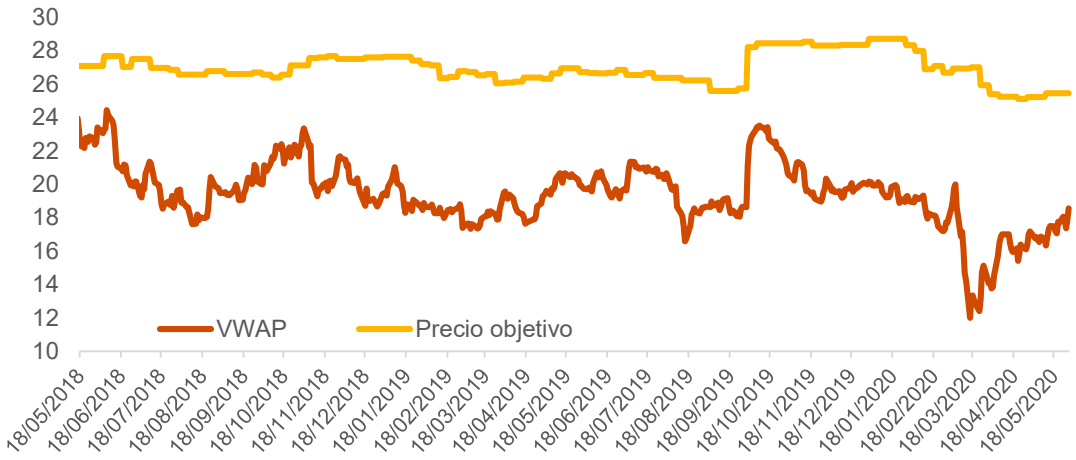
Contraste con precios objetivo de analistas

No consideramos adecuado el contraste con el precio objetivo medio de analistas debido a la elevada dispersión de sus valoraciones, el elevado diferencial que se mantiene respecto a la cotización y sus asunciones medias del Capex inferiores a los necesarios niveles de reposición a largo plazo

Desviación (%) entre precio objetivo medio y la cotización media del periodo

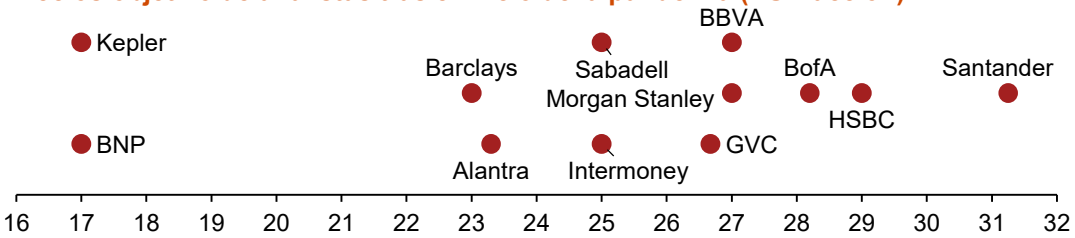
Compañía	2018 2º semestre	2019 1º semestre	2019 2º semestre	Pre Covid (1)	2020 1º semestre	Pos Covid (2)
MásMóvil	**35%**	**40%**	**36%**	**41%**	**51%**	**58%**
Desviación media del IBEX 35 (%)	17%	15%	15%	11%	24%	41%
Media P.O MM (EUR)	27,0	26,7	27,3	28,3	26,6	25,0(3)

Evolución del precio objetivo medio de analistas y la cotización media (EUR/acción)



Fuente: Eikon y Bloomberg

Precios objetivo de analistas tras el inicio de la pandemia (EUR/acción)



Fuente: Eikon y Bloomberg; Nota: (1) Periodo considerado entre octubre de 2019 y marzo de 2020; (2) Periodo posterior al inicio de la pandemia; (3) Precio objetivo según informes de analistas actualizados posterior al Covid-19

- Durante los 2 últimos años la media de los precios objetivo de analistas se han encontrado significativamente por encima de la cotización de MásMóvil. Dicha desviación se ha mantenido siempre muy por encima de la desviación media observada en el resto del IBEX 35.
- El precio objetivo promedio de analistas previo a la Solicitud fue de EUR 25 (cabe resultar que se ha corregido a la baja en EUR 3 respecto a la media antes del Covid-19), con una muy amplia desviación entre ellos, con máximos de EUR 31 y mínimos de EUR 17.
- La muestra de analistas presenta una gran dispersión en sus estimaciones de hipótesis clave como ingresos o EBITDA (dispersión de c. 30% en 2021 y 2022). En el rango superior, los analistas estiman una cifra de EBITDA (incluyendo la reciente adquisición de Lycamobile) superior al EBITDA considerado por la Compañía en su Guidance 2019-2021 e incluyen expectativas de ingresos mas favorables. En el rango inferior, los analistas proyectan una caída en ARPUs y volúmenes de mercado llegando a estimaciones más pesimistas que nuestros Casos Alto y Bajo.
- Adicionalmente, es más difícil analizar las hipótesis tomadas por los analistas a largo plazo debido al escaso número de analistas que ofrecen proyecciones a partir de 2023.
- En cuanto al ratio de Capex/ventas, la estimación de los analistas para los años de proyección se sitúa en c.12%, el cual resulta por debajo del nivel de reposición necesario que asumimos en el valor terminal (14,5% y 14,7% para los Casos Alto y Bajo).

Valor teórico contable – Balance consolidado

El VTC es estático basado en el coste histórico y no captura las expectativas futuras, si su valor actual es superior, situándose en este caso significativamente por debajo del método de DFC. Por ello, no lo hemos considerado adecuado

Balance consolidado del Grupo

EUR millones	31/12/2019	31/03/2020
Activo		
Inmovilizado intangible	1,572	1,567
Inmovilizado material	648	698
Derechos de uso por arrendamiento	152	161
Costes de obtención de contratos con clientes no corrientes	74	83
Otras inversiones	52	55
Otros activos no corrientes	304	298
Total activos no corrientes	**2,801**	**2,862**
Existencias	12	12
Deudores comerciales y otras cuentas a cobrar	219	226
Costes de obtención de contratos con clientes corrientes	163	162
Otros activos corrientes	16	30
Efectivo y otros activos líquidos equivalentes	63	195
Total activos corrientes	**473**	**625**
Total activo	**3,274**	**3,487**
Patrimonio neto		
Capital	3	n.d.
Prima de emisión	836	n.d.
Ganancias acumuladas y otras reservas	(735)	n.d.
Acciones propias	(2)	n.d.
Otros instrumentos de patrimonio neto	-	n.d.
Diferencias de conversión	0	n.d.
Intereses minoratorios	2	n.d.
Total patrimonio neto	**104**	**125**
Pasivo		
Pasivos financieros no corrientes	1,408	1,626
Otras deudas no corrientes	154	138
Provisiones no corrientes	56	54
Subvenciones	15	15
Otros pasivos no corrientes	232	237
Total pasivos no corrientes	**1,864**	**2,070**
Pasivos financieros corrientes	19	274
Otras deudas corrientes	688	428
Acreedores comerciales y otras cuentas a pagar	504	496
Provisiones corrientes	95	94
Total pasivos corrientes	**1,306**	**1,292**
Total pasivo	**3,170**	**3,362**
Total patrimonio neto y pasivo	**3,274**	**3,487**

Fuente: información considerada por la Compañía y CCAA consolidadas (2017 y 2018)

- El método del VTC se basa en la estimación del valor de un Grupo en función de su Patrimonio Neto ("PN") consolidado atribuible a la sociedad dominante. Es decir, la diferencia entre los activos y los pasivos totales, registrados a valor neto contable y excluyendo el patrimonio atribuible a las participaciones minoritarias y a los otros instrumentos de patrimonio. El PN se divide por el número de acciones (excluyendo autocartera) para obtener el VTC por acción.
- A 31 de marzo de 2020, la Compañía no registra instrumentos de patrimonio, tras la cancelación de las obligaciones convertibles en 2019, cuyo componente en patrimonio estaba previamente registrado bajo este epígrafe.
- El VTC se sitúa en EUR 0,95 por acción, tomando los resultados del balance no auditado a 31 de marzo de 2020 (EUR 0,78 por acción, con los resultados de cierre de ejercicio de 2019).
- El PN del balance consolidado se formula en gran medida bajo el principio contable de coste histórico de los activos, neto de amortizaciones y deterioros.
- Por tanto, este método no captura la eventual creación de valor que haya podido experimentar el Grupo debido a que no refleja el valor actual de los flujos de caja futuros estimados, si dicho valor es superior al coste histórico. A la luz de las expectativas futuras de generación de flujos de caja y los resultados que arroja el DFC, claramente superiores al VTC, no se ha considerado un método adecuado, ya que el valor resultante sería inferior a aquel ofrecido.
- El PN se redujo en 2019 en gran medida por el impacto contable de la recompra del citado bono convertible.

EUR miles	31/12/2019	31/03/2020
Valor Patrimonio Neto	**103.916**	**125.000**
Excluyendo minoritarios	*(1.822)*	*-*
Excluyendo otros intrumentos de patrimonio	*-*	*-*
Valor Teórico Contable	**102.094**	**125.000**
Total acciones, excluyendo. Autocartera (miles) (1)	*131.631*	*131.225*
Acciones # (miles)	*131.715*	*131.574*
Autocartera # (miles)	*(83)*	*(349)*
VTC por acción	**0,78**	**0,95**

(1) Número de acciones existentes 31 de diciembre de 2019 y a 31 de marzo de 2020.

Valor liquidativo

El valor liquidativo resultante en un proceso de liquidación sería significativamente inferior a aquel obtenido por otros métodos

- El valor liquidativo de una empresa, en este caso del Grupo, corresponde al valor de realización en una eventual situación de cese definitivo de las actividades. Por tanto, se trata de un enfoque estático que no considera el principio de empresa en funcionamiento. El proceso se basa fundamentalmente en obtener el patrimonio que resultaría de liquidar todos los activos y atender a todos los pasivos teniendo en consideración las plusvalías/minusvalías latentes en un contexto de liquidación.
- Debe tenerse en consideración que, en la práctica, el precio obtenido en la enajenación de determinados activos relevantes del balance consolidado podría ser inferior a su valor en libros. Esto vendrá determinado, fundamentalmente, por la (i) rapidez con que se necesite efectuar la venta y liquidación de los mismos, (ii) la liquidez inherente a cada tipología de activo, (iii) el grado de conocimiento sobre esta eventual situación de liquidación por parte de posibles participantes del mercado para cada activo, que puedan ejercer una presión a la baja sobre dicho precio y (iv) el valor y grado de exclusividad que el activo pueda tener en manos de terceros interesados y la posibilidad de éstos para mantener un uso alternativo bajo el principio de empresa en funcionamiento
- Además, una liquidación implicaría la aparición de potenciales pasivos adicionales (por ejemplo, costes de desmantelamiento, indemnizaciones por despido y rescisión unilateral anticipada de contratos).
- El balance de situación a 31 de marzo de 2020 como inmovilizado intangible una cuantía de EUR 483 millones, en concepto de fondo de comercio. La totalidad de dicho valor se perdería para los accionistas del Grupo en un hipotético evento de liquidación, al sustentarse bajo el principio de empresa en funcionamiento e implicando el cese de las perspectivas de evolución futura de flujos de caja positivos que lo justifican.
- Los motivos esgrimidos anteriormente nos llevan a considerar que de la aplicación del método de liquidación resultarían valores significativamente inferiores a los obtenidos a partir de otros métodos de valoración recogidos en el RD 1066/2007.
- En consecuencia, se entiende que no es necesario realizar el cálculo detallado del valor de liquidación a los efectos de este trabajo.

Precio en operaciones con el capital de la Compañía (1/2)

Las operaciones de ampliaciones de capital, el precio subyacente en la recompra de Bonos Convertibles y la venta de paquetes de acciones relevantes en 2018 y 2019 ofrecen un rango de valor implícito entre EUR 18,45 y EUR 22,09. Dicho método se ha considerado adecuado

Ampliaciones de capital en 2019

1. El 8 de mayo de 2019 la Compañía realizó una ampliación de capital con dos bancos internacionales por valor de EUR 100M. La operación supuso una emisión de 5 millones de nuevas acciones a un precio de **EUR 20,00 por acción**.
2. Adicionalmente, MásMóvil realizó una nueva ampliación de capital el 7 de mayo de 2019 por valor de EUR 120M, suscrita al 100% por Providence y que suponía la emisión de 6,5 millones de acciones a un precio de **EUR 18,45 por acción**.

- Como parte de la operación, este grupo de inversión adquiría el compromiso de mantener la totalidad de su participación en la empresa un máximo de 12 meses o de 6 meses.
- Los porcentajes involucrados en las citadas ampliaciones corresponden a paquetes que no conllevan control ni detonan la necesidad de una OPA.

Recompra del bono convertible

- El 1 de abril de 2019, el Grupo anunció la recompra del bono convertible de Providence por un precio de EUR 883M en dos tramos y EUR 23M del Collar asociado:
  - Un primer tramo a pagar el 7 de mayo de 2019 por valor de c. EUR 351M.
  - Un segundo tramo con fecha de vencimiento 20 de diciembre de 2019, con un importe de c. EUR 532M.
  - Adicionalmente, tuvo que asumir un pago variable de EUR 23M asociados a un collar que dependía de la evolución futura del precio de las acciones hasta el 19 de diciembre de 2019.

- En el supuesto de que no hubiera efectuado la recompra del convertible, la Compañía tendría que haber emitido a favor de Providence la totalidad de 43,3 millones de nuevas acciones.
- La conversión del bono hubiera supuesto para Providence la obtención de alrededor de 26% adicional del capital social de la compañía.
- Considerando el precio de la recompra de EUR 883M, el pago variable de EUR 23M y la totalidad de acciones a emitir (43,3M) se puede obtener un precio implícito subyacente de **EUR 20,92** por acción.

Precio total recompra del convertible	906 millones
Acciones nuevas a emitir en caso de conversión	43,3 millones
Precio subyacente por nueva acción	**20,92 EUR/acción***

Nota: el pago en especie se ha tenido en cuenta únicamente al calcular el número de acciones que se debían entregar, considerando los intereses devengados por el bono desde su emisión hasta la fecha de la recompra (se añade al nominal inicial del convertible). No se ha realizado ningún ajuste en el precio total de recompra por el impacto potencial que podría haber tenido el pago en especie que se habría devengado después de la recompra.

Fuente: CNMV y Análisis PwC

Precio en operaciones con el capital de la Compañía (2/2)

Las operaciones de ampliaciones de capital, el precio subyacente en la recompra de Bonos Convertibles y la venta de paquetes de acciones relevantes en 2018 y 2019 ofrecen un rango de valor implícito entre EUR 18,45 y EUR 22,09. Dicho método se ha considerado adecuado

Ampliación de capital en 2018

- El 7 de noviembre de 2018 la Compañía realizó una ampliación de capital por un importe total de EUR 360M. La operación supuso una emisión de 3,6 millones de acciones nuevas, misma clase y serie que las que circulaban, por un importe nominal de 0,10 EUR con una prima de emisión de EUR 99,81 por acción. Cabe destacar el split de acciones que se llevó acabo ese mismo año (5 nuevas por 1 antigua) tras el aumento de capital lo que hubiese supuesto un precio de emisión de EUR 19,98 por acción.
- Las acciones nuevas representaban entonces un 17,6% del capital social de la Compañía antes del aumento de capital y un 15% de su capital social con posterioridad al mismo.
- El aumento tuvo como finalidad permitir a MásMóvil financiar parcialmente la recompra de Deuda Convertible en acciones frente a Actividades de Construcción y Servicios, S.A (ACS), como consecuencia de la compra en el año 2016 de Xfera Móviles S.A (Yoigo).

Venta de acciones por parte de Providence

- El 23 de enero de 2018, el fondo de inversión Providence, anunció su desinversión en acciones en MásMóvil, un total de 2,8 millones de acciones de la operadora por un precio de EUR 87,75 por acción:
  - El importe total de la desinversión alcanzó los EUR 245,7 millones.
  - Providence redujo su participación desde el 18% que mantenía hasta un 3,97%.
  - El precio de la colocación fue de EUR 87,75 por acción previó al split (5x1) de acciones que en cuyo caso hubiese alcanzado los EUR 17,55 por acción.
- Dicha transacción no se ha tenido en cuenta debido a su antigüedad.

Venta de acciones por parte Gala Capital

- NS Servicios Especializados de Comunicación, sociedad del fondo Gala Capital, vendió en octubre de 2019 su participación de 3,91% del capital social de MásMóvil, por un total de EUR 112,7M (precio por acción de EUR 22,09 acción).
- Esta operación no tiene impacto sobre la situación financiera patrimonial de la Compañía, a diferencia de las ampliaciones de capital y recompra del bono de Providence analizadas en párrafos anteriores.
- Adicionalmente, la venta de acciones se realizó cuando la acción cotizaba en máximos históricos, fruto de la publicación de MásMóvil de la alianza estratégica con Orange y cuyo precio por acción sufrió una importante corrección en los meses posteriores.

Fuente: CNMV y Análisis PwC

Conclusión de valor

Selección de las metodologías de valoración

Nuestra conclusión de valor considera los resultados mediante la aplicación del método del DFC, cuyo rango asciende a EUR 19,92 y 24,29

Metodologías no consideradas adecuadas

Valor teórico contable

- No hemos considerado adecuada la aplicación de esta metodología para la valoración de las acciones por ser un método estático que no refleja el valor presente de las perspectivas de flujos de caja futuros del Grupo si éstos son superiores al valor a coste histórico. Los resultados del DFC, basado en dicho valor actual de las expectativas de flujos futuras del negocio del Grupo indican un resultado muy superior al valor neto contable reflejado en el balance consolidado.

Valor liquidativo

- Se ha justificado en la sección correspondiente que, dada la naturaleza del negocio de MásMóvil, en un contexto de liquidación difícilmente obtendría un valor por sus activos superior al reflejado en el VTC (por ejemplo, fondos de comercio reconocidos en combinaciones de negocio), además de surgir pasivos adicionales como en cualquier liquidación.
- Por todo lo explicado anteriormente, se entiende que no es preciso realizar el cálculo detallado del valor de liquidación ya que los valores son significativamente inferiores al resto de los métodos.

Contraprestación ofrecida en OPA año precedente

- No ha habido ninguna.

Metodologías consideradas adecuadas

Metodología principal – Descuento de Flujos de Caja

- En la determinación de nuestra conclusión de valor hemos considerado los resultados obtenidos en el DFC cuyo rango asciende a EUR 19,92 y EUR 24,29 por acción.
- Hemos considerado la aplicación de esta metodología para la valoración del 100% del Grupo, por ser generalmente aceptada y porque captura mejor el resto de las expectativas de flujos de caja futuros concretas del negocio.

Cotización media histórica

- Hemos analizado la evolución de la cotización de la acción de MásMóvil, sus principales indicadores de volumen y volatilidad, así como calculado la media ponderada de los últimos 6 y 12 meses previos a la fecha de la Solicitud, observándose una elevada volatilidad de este valor.
- Del análisis anterior, concluimos que este método es adecuado, si bien se ha visto coyunturalmente afectado con motivo de la reacción de los mercados en marzo y abril de 2020 al Covid-19.

Transacciones previas con el capital de la Compañía

- Se han identificado las operaciones previas con el capital de la Compañía, realizadas (ampliaciones de capital y recompra de bono convertible) así como ventas de paquetes de acciones relevantes en 2018 y 2019. Este método se ha considerado adecuado.

Metodologías de contraste

Múltiplos de Cotizadas Comparables

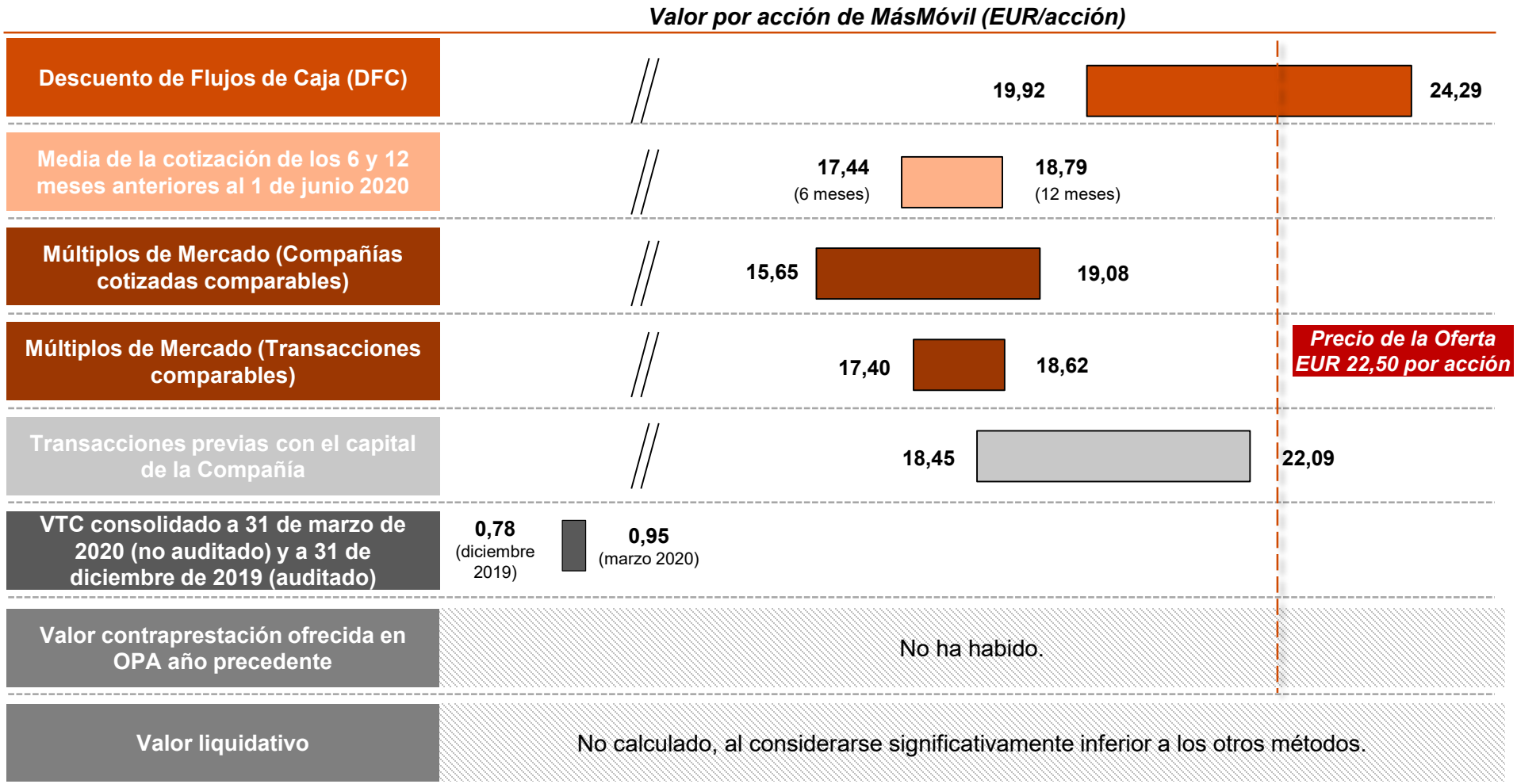
- Las cotizadas comparables europeas identificadas y analizadas no presentan una comparabilidad plena en cuanto a expectativas de crecimiento (generalmente mayores en MásMóvil), presencia geográfica, entorno competitivo, planes de inversión concretos, niveles de cuota de mercado y mix de red propia y terceros, entre otros. Por ello, este enfoque debe ser tomado como un método de contraste frente a los resultados de la valoración por DFC.

Múltiplos de transacciones recientes

- Se han identificado transacciones recientes en Europa en el sector. Conllevan una mayor dispersión que los múltiplos observados cotizados. Las particularidades de cada operación nos llevan a considerar el uso de la media de esta metodología como un enfoque de contraste solamente y en general recoge en menor medida las expectativas de crecimiento.

Conclusión de resultados

Consideramos el DFC como el método más adecuado para nuestra valoración, y en base a éste, concluimos que el valor por acción de MásMóvil se sitúa entre EUR 19,92 y EUR 24,29. Consideramos también adecuado tanto el análisis de la media de cotización a 6 y 12 meses como el análisis de transacciones previas con el capital de la Compañía; y a efectos de contraste los métodos de múltiplos de mercado



Anexos

Fuentes de información

Fuentes de información (1/8)

- Hemos utilizado información pública de la Compañía, como otra información de diversas fuentes públicas (informes de analistas, informes de especialistas del mercado, notas de prensa, etc.), así como información no pública proporcionada por MásMóvil y el Oferente.
- Además, hemos mantenido conversaciones con la Compañía y el Oferente en aras de discutir y contrastar nuestras hipótesis más relevantes y obtener aclaraciones.

Información pública de MásMóvil:

- Estados Financieros Consolidados auditados e individuales del Grupo desde 2015 a 2019;
- Resultados no auditados del año 2019 y 1T2020;
- Página web corporativa de la Compañía;
- Hechos Relevantes y Notas de Prensa publicados por el Grupo desde 2018 hasta la Fecha del Informe;
- Presentaciones de Resultados desde el Q1 de 2019 a julio de 2020, que incluyen el Guidance 2019-2021 aprobado el 1 de octubre 2019 y reiterado por última vez el 8 de julio de 2020;
- Transcripción de rueda de prensa de la Dirección el 28 de febrero de 2020;
- Folleto de salida a bolsa (2012);
- Propuestas de resolución presentadas por el consejo de administración a la junta general ordinaria de accionistas de MásMóvil; y
- Admisión a cotización de las acciones de MásMóvil.

Información no pública facilitada por MásMóvil:

- Conversaciones con la Dirección hasta la Fecha del Informe;
- Estados financieros 2019 y proyección financiera de Lycamobile 2020-2024;
- Detalle de estados financieros no auditados 1T 2020;
- Avance del borrador de los resultados del primer semestre (30 de junio de 2020);
- Información de los acuerdos de Uclés, Monterrei II y Duero; y
- Memorando informativo del proceso de desinversión de una determinada unidad de negocio, enfocada a la prestación de servicios de consultoría e ingeniería personalizados a PYMES.

Información no pública facilitada por los Oferentes:

- Hemos tenido acceso al presupuesto 2020 actualizado en abril del presente año y escenarios de objetivos ilustrativos a largo plazo preparados por MásMóvil (no aprobados en el Consejo de Administración);
- Informe de Due Diligence Financiera, Comerciales, Técnica, Legal y Fiscal; y
- Evolución histórica de la Compañía en lo que se refiere a suscriptores, churn rate, ARPUs e ingresos por tipología (de 2017 a 2019).

Fuentes de información (2/8)

Informes de analistas:

MásMóvil	
Bank of America Merrill Lynch	14/05/2020, 30/10/2019, 03/10/2019, 18/07/2019
Barclays	18/05/2020, 02/03/2020, 07/11/2019, 31/10/2019, 23/10/2019, 02/10/2019, 11/09/2019, 26/07/2019, 13/05/2019, 14/03/2019 y 23/01/2019
HSBC Global Research	15/05/2020, 04/03/2020, 31/10/2019, 02/10/2019, 12/04/2019 y 29/03/2019
JB Capital Markets	21/11/2019, 03/10/2019 y 03/06/2019
Kepler Cheuvreux	14/05/2020, 22/04/2020, 04/03/2020, 10/02/2020, 03/10/2019, 01/10/2019, 03/06/2019 y 21/11/2019
Morgan Stanley	14/05/2020, 04/02/2020, 18/11/2019, 14/11/2019, 30/10/2019, 01/10/2019, 09/09/2019, 19/07/2019, 08/11/2018 y 16/01/2018
RBC Capital Markets	04/03/2019
ESN	14/05/2020, 01/04/2020 y 13/11/2019
Exane BNP Paribas	27/01/2019
Goldman Sachs	04/10/2019
Finlabo SIM SPA	14/02/2020
Banco Santander	15/05/2020, 12/05/2020, 07/02/2020, 02/04/2019 y 08/10/2019
Banco Sabadell	14/05/2020, 01/10/2019, 30/01/2020 y 01/10/2019
Redburn	11/09/2019

Euskaltel	
JB Capital Market	26/07/2019 y 06/06/2019
RBC Capital Markets Canada	10/01/2019
UBS Research	23/12/2019 y 26/07/2019
Barclays	16/12/2019, 31/10/2019 y 08/04/2019
ESN/GVC Gaesco	12/11/2019
J.P. Morgan	06/12/2019, 26/07/2019 y 08/05/2019

Fuentes de información (3/8)

Informes de analistas:

NOS, SGPS, SA	
Deutsche Bank	06/05/2020, 19/02/2020, 11/02/2020, 04/02/2020, 17/12/2019
Credit Suisse	18/05/2020
ESN/GVC Gaesco Beka	18/05/2020
Barclays	14/05/2020
UBS Research	14/05/2020
Kepler Cheuvreux	07/05/2020
Jefferies	06/05/2020
Morgan Stanley	06/05/2020

Orange	
Deutsche Bank	04/05/2020, 14/02/2020, 13/02/2020, 22/01/2020, 26/11/2019 y 29/08/2019
HSBC Global Research	04/05/2020, 25/11/2019, 29/07/2019 y 02/05/2019
Morgan Stanley	05/05/2020, 21/11/2019, 06/06/2019 y 17/04/2019
Barclays	01/05/2020, 05/12/2019, 26/07/2019, 24/06/2019 y 02/05/2019
UBS Research	04/05/2020, 13/02/2020, 03/10/2019 y 13/09/2019
Credit Suisse	01/05/2020, 12/09/2019
Societe Generale	16/05/2019
Banco Santander	04/05/2020
Kepler Cheuvreux	30/04/2020
Banco Sabadell	30/04/2020
J.P. Morgan	30/04/2020
Exane BNP Paribas	30/04/2020

Fuentes de información (4/8)

Informes de analistas:

Vodafone	
UBS Research	12/05/2020, 01/10/2019, 27/09/2019 y 05/06/2019
Macquarie Research	27/09/2019
Barclays	13/05/2020, 24/09/2019, 29/07/2019 y 04/07/2019
HSBC Global Research	19/09/2019 y 24/05/2019
Exane BNP Paribas	13/05/2020, 11/09/2019
Morgan Stanley	18/05/2020, 06/09/2019 y 07/08/2019
Deutsche Bank	12/05/2020, 09/08/2019 y 24/06/2019
Credit Suisse	13/05/2020
JP Morgan	12/05/2020
Kepler Cheuvreux	12/05/2020
Jefferies	16/04/2020

TalkTalk Telecom Group PLC	
Deutsche Bank	04/05/2020, 02/04/2020

Digi Communications N.V.	
BT Capital Partners	18/05/2020, 15/05/2020

Sunrise Communications	
Deutsche Bank	14/05/2020
Credit Suisse	15/05/2020
Kepler Cheuvreux	14/05/2020
Exane BNP Paribas	14/05/2020
UBS Research	14/05/2020
Barclays	15/05/2020
Morgan Stanley	08/04/2020

Fuentes de información (5/8)

Informes de analistas:

Telefónica	
Deutsche Bank	04/05/2020, 09/12/2019, 29/11/2019, 18/09/2019, 10/05/2019, 03/05/2019 y 13/03/2019
Barclays	02/12/2019, 16/09/2019, 07/08/2019, 10/05/2019, 21/02/2019, 01/11/2018, 31/10/2018 y 27/07/2018
J.P. Morgan	07/05/2020, 06/02/2020 y 06/11/2019
Societe Generale	28/01/2019
Exane BNP Paribas	11/05/2020, 24/01/2020 y 25/11/2019
UBS Research	11/05/2020, 21/01/2020, 28/11/2019, 18/11/2019, 09/09/2019, 06/09/2019, 08/08/2019 y 10/05/2019
Berenberg	17/10/2019 y 20/06/2019
Morgan Stanley	17/10/2019, 10/05/2019 y 21/02/2019
Kepler Cheuvreux	11/05/2020, 18/09/2019, 11/09/2019, 05/09/2019 y 30/04/2019
Jefferies	20/08/2019 y 26/04/2019
Redburn	12/03/2019
HSBC Global Research	06/05/2020, 10/01/2020, 29/11/2019 y 21/02/2019
Credit Suisse	20/05/2020, 11/11/2019, 10/05/2019 y 04/03/2019
Macquarie Research	13/09/2019
ESN/GVC Gaesco Beka	12/05/2020, 10/05/2019 y 15/03/2019
RBC Capital Markets	18/02/2019
Banco Santander	04/05/2020, 11/01/2019
Jefferies	04/05/2020
Morningstar	04/05/2020

Fuentes de información (6/8)

Informes de analistas:

Iliad SA	
UBS Research	18/05/2020
Barclays	13/05/2020
HSBC Global Research	13/05/2020
Exane BNP Paribas	12/05/2020
Morgan Stanley	12/05/2020
Deutsche Bank	13/05/2020
Credit Suisse	13/05/2020
Morningstar	03/04/2020

Freenet AG	
Deutsche Bank	01/05/2020
Kepler Cheuvreux	05/05/2020
Exane BNP Paribas	05/05/2020
UBS Research	04/05/2020
Barclays	05/05/2020
Commerzbank	04/05/2020
Jefferies	28/04/2020
Bankhaus Lampe	24/04/2020

Tele2 AB	
Societe Generale	21/04/2020
DNB Markets	21/04/2020
HSBC Global Research	23/04/2020
Exane BNP Paribas	21/04/2020
Morgan Stanley	13/05/2020
Deutsche Bank	23/05/2020
JP Morgan	28/04/2020
Kepler Cheuvreux	22/04/2020, 21/04/2020
Morningstar	22/04/2020
Nordea Markets	22/04/2020

Fuentes de información (7/8)

Informes de analistas:

Telenet Group Holding NV In	
Deutsche Bank	01/05/2020
Kepler Cheuvreux	11/05/2020
J.P. Morgan	30/04/2020
UBS Research	30/04/2020
Morgan Stanley	30/04/2020

Análisis del telecomunicaciones europeos	
Barclays	12/05/2020
Credit Suisse	19/05/2020
Exane BNP Paribas	06/05/2020, 04/04/2020
Societe Generale	04/05/2020
UBS Research	12/05/2020

Informes de especialistas del sector:

Informes del sector	
Spain – Telecoms, Mobile and Broadband – Statistics and Analyses	20/04/2020
BuddeComm Intelligence Report	29/04/2020
FitchSolutions – Europe Telecommunications Report	25/02/2020

Fuentes de información (8/8)

Fuentes de información disponibles de carácter público generales:

- Estimación de las principales magnitudes macroeconómicas (IPC, PIB, etc.) del mercado global y por geografías a largo plazo de diversas fuentes oficiales (FMI, Bloomberg, Oxford Economics y EIU);
- Información de mercado de compañías y transacciones comparables: Bloomberg, Capital IQ.

Información financiera pública de empresas comparables a MásMóvil:

- Estados financieros Consolidados históricos y presentación de resultados no auditados del primer trimestre de 2020;
- Hechos Relevantes y Notas de Prensa publicados entre 2018, 2019 y junio de 2020;
- Presentaciones corporativas;
- Noticias publicadas en prensa;
- Documentos complementarios emitidos por las compañías – "Capital Markets Day"; "Trading Presentations".

Documentación pública sobre el mercado de telecomunicaciones:

- Base de datos de la CNMC con información histórica del sector (líneas móviles y de banda ancha, datos por operador, importaciones, etc.);
- Evolución trimestral (2005-2019) y proyectada (2019-2024) de Ampere Analysis sobre la evolución del ARPU móvil;
- Informes económicos de la CNMC sobre telecomunicaciones y audiovisuales de 2017 y 2018;
- Informe "Visión 2020" de empresas de telecomunicaciones europeas de Macquarie con fecha de 18 de octubre de 2019;
- Informe Telecoms, Mobile and Broadband – Statistics and Analyses de Buddecomm con fecha de 20 de abril de 2020

Coste Medio Ponderado del Capital

Tasa libre de riesgo y Prima de Riesgo de Mercado ("PRM") (1/2)

Tasa libre de riesgo

- Nuestra estimación de tasa libre de riesgo se ha basado en un análisis de los bonos soberanos a 10 años excluyendo para los países cuyos bancos centrales han adoptado políticas monetarias de *quantitative easing* (QE). Algunos de los cuales son, la Reserva Federal de EEUU el BCE o el Banco de Japón. Esto a provocado que las rentabilidades actuales se encuentran en niveles excepcionalmente bajos debido a estas medidas de compra de deuda pública llevadas a cabo para estimular la liquidez y el crédito en estas economías.
- Este hecho ha generado que las rentabilidades de los bonos soberanos a 10 años se encuentren en mínimos históricos, incluso por debajo de los niveles observados en años donde tenían una calificación crediticia mejor para el caso español.
- Considerando que esta situación requiere normalizarse en el largo plazo, en PwC consideramos adecuado estimar un nivel de tasa libre de riesgo que refleje un nivel sostenible a largo plazo, consistente con la inflación estimada a largo plazo y considerada en las proyecciones, de forma tal que, en combinación (agregación) con la PRM, reflejen rentabilidades del mercado de renta variable a largo plazo.
- Este enfoque de "normalización" es seguido generalmente por la comunidad financiera internacional. Otros enfoques alternativos parten de asumir la rentabilidad *spot* combinadas con PRM más elevadas para reflejar retornos del mercado de capitales a largo plazo, buscando resultados equivalentes. Los análisis realizados por nosotros se describen a continuación.

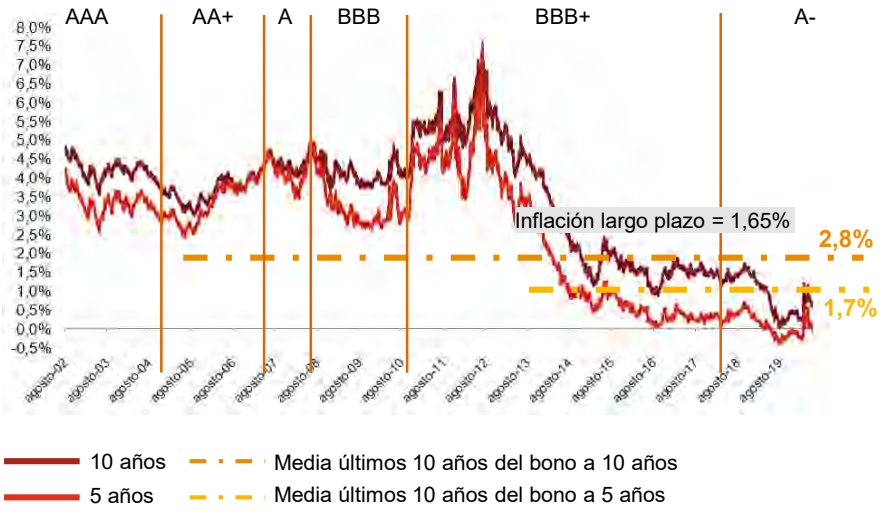
Regresión de rentabilidad real de bonos soberanos por rating

- Estimamos modelos de regresión con observaciones de las rentabilidades reales de deuda soberana a 10 años de países en función de la calificación crediticia (rating).
- Con dichas regresiones inferimos la rentabilidad normalizada en términos reales de un país individual.
- Se traduce esta rentabilidad a términos nominales aplicables al país objeto de análisis utilizando las expectativas del consenso de inflación a largo plazo (las mismas utilizadas en las proyecciones financieras por consistencia). Lo anterior nos permite obtener un rango de rentabilidades nominales normalizadas a 10 años.

Medias históricas a largo plazo

- Asimismo, hemos estimado las medias históricas de las rentabilidades a 10 años de España de los últimos 5 años y contrastado con el rango obtenido mediante regresión.

Evolución de rentabilidad bono español a 10 y 20 años



Fuente: Bloomberg, S&P

Tasa libre de riesgo y Prima de Riesgo de Mercado (“PRM”) (2/2)

Tasa libre de riesgo (cont.)

- A partir de los resultados de nuestro ejercicio actualizado a mayo 2020 hemos concluido con una tasa libre de riesgo de España (EUR) de **2,30%.**

Prima de riesgo de mercado (“PRM”)

- La PRM refleja el exceso de la rentabilidad esperada del mercado de renta variable sobre la citada tasa libre de riesgo a largo plazo normalizada.
- Nuestras estimaciones de PRM a largo plazo para España se basan en estudios propios y contraste con fuentes empíricas reconocidas, manteniendo la consistencia con el enfoque de tasa libre de riesgo normalizada a largo plazo.
- De esta forma consideramos una PRM para España aplicable a la Fecha de Valoración de **7,5%**.

Estructura de apalancamiento

- Una compañía puede financiarse a través de dos fuentes de financiación en el medio y largo plazo: recursos propios (fondos propios) y recursos ajenos (deuda). El coste de dichas fuentes de financiación vienen representadas en el CMPC (ver páginas anteriores). La teoría del CAPM establece que la estructura de capital óptima es aquella que minimiza el CMPC. Como consecuencia, la estructura óptima/objetivo de capital es aquella que maximiza el valor de mercado del negocio, y por tanto, lo determina.
- En este contexto, hemos analizado la estructura de financiación promedio de las comparables challengers seleccionadas (últimos 5 años), pre-impacto de la norma NIIF 16, con el fin de ser consistentes con nuestros cálculos de DFC.
- Cabe destacar el crecimiento sustancial del apalancamiento de la mayoría de las comparables presentadas a partir de 2018, por lo que consideramos razonable una estructura óptima/objetivo del negocio de 60% de Fondos Propios (o equity) y 40% de Deuda.
- El apalancamiento implícito obtenido a partir del ratio deuda/EBITDA objetivo en 2021 comunicado por la Compañía (2,4x según la última reiteración del Guidance) y el EV de las proyecciones de nuestro análisis se sitúa entre c.35% y 40%.

APALANCAMIENTO

Compañía	2015	2016	2017	2018	2019	1T2020	Promedio 5Y (2)	Promedio 2Y
MásMóvil Ibercom, S.A. (1)	2%	39%	15%	27%	34%	45%	36%	35% (3)
Euskaltel, S.A.	43%	49%	56%	55%	48%	54%	51%	52%
Vodafone Group Plc	34%	35%	31%	40%	54%	58%	42%	51%
TalkTalk Telecom Group PLC	25%	34%	34%	36%	37%	45%	35%	39%
NOS, S.G.P.S., S.A.	21%	27%	27%	28%	31%	36%	28%	31%
Digi Communications N.V.	n.d.	n.d.	48%	62%	59%	59%	57%	60%
Sunrise Communications Group AG	37%	35%	22%	23%	29%	26%	29%	26%
Tele2 AB (publ)	21%	23%	17%	27%	21%	21%	22%	23%
Telenet Group Holding NV	35%	41%	39%	52%	54%	58%	47%	55%
iliad S.A. (1)	8%	13%	17%	35%	35%	25%	31%	31%
freenet AG (1)	8%	29%	25%	42%	37%	42%	35%	40%
Media	**31%**	**35%**	**33%**	**39%**	**40%**	**43%**	**36%** (4)	**40%**

Fuente: Capital IQ y análisis PwC (mayo 2020)

(1) Los datos en rojo han sido excluidos de la muestra al presentar un apalancamiento anómalo.
(2) El promedio esta comprendido entre 2015 y 1T2020, ambos inclusive.
(3) Media ponderada del periodo entre 2018 y 1T2020, ambos inclusive.
(4) Media de los promedios de las comparables en el intervalo comprendido entre 2015 y 1T2020, ambos inclusive.

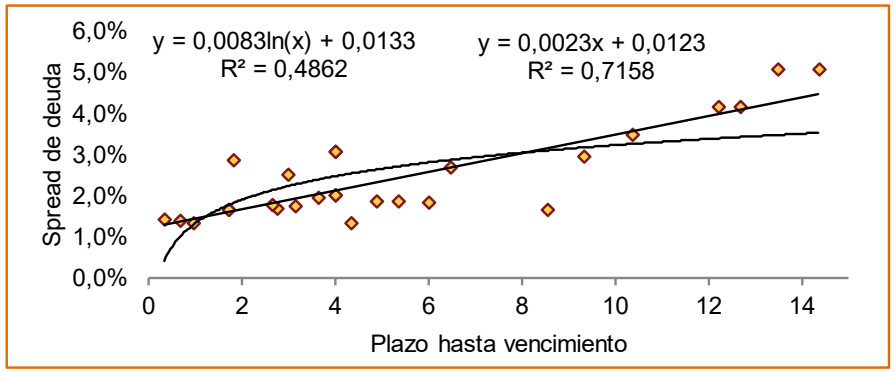
Nuestra estimación de **apalancamiento óptimo** aplicable está en línea con el **apalancamiento medio de los últimos dos años (40%) del sector**, calculado a **29 de mayo de 2020**. Además, la Compañía estima un apalancamiento del 40% a largo plazo al calcular su tasa de descuento para usos internos.

Estructura óptima	
Apalancamiento óptimo	40%

Coste bruto de la deuda

- Con el objetivo de estimar el coste bruto de la deuda hemos realizado un análisis de emisiones de bonos cotizados de empresas comparables del sector telecomunicaciones. Concretamente, hemos realizado una regresión lineal y otra logarítmica con el diferencial de la rentabilidad esperada ("spread") de bonos corporativos cotizados a largo plazo de compañías emisoras del sector (utilizando su precio de cotización actual) respecto a la de los bonos soberanos con mismo vencimiento de los países emisores*. Los bonos elegidos se corresponden con empresas con una solvencia (rating similar) en línea al apalancamiento óptimo asumido.
- Las regresiones se han realizado con el objetivo de extrapolar los spreads analizados a un plazo de vencimiento de 10 años que consideramos razonable en este tipo de negocios. Utilizando la extrapolación de ambas regresiones a 10 años y aplicando posteriormente la tasa libre de riesgo (explicada previamente en las páginas 86 y 87), estimamos el coste de deuda bruto.
- Las emisiones empleadas en el análisis deben cumplir los siguientes criterios: (i) no sean bonos rescatables; (ii) calificación de solvencia similar a MásMóvil; (iii) deuda senior sin garantías reales colaterales; (iv) emisiones europeas; (v) cupón fijo.
- Como resultado de aplicar estos requisitos hemos obtenido una muestra principalmente de empresas europeas que operan en el sector, que entendemos utilizables como referencia para estimar el diferencial de deuda, basado en mayor medida en la calificación de solvencia.

Regresión lineal y logarítmica del diferencial de la rentabilidad esperada de bonos corporativos respecto al bono soberano de su país de emisión



Extrapolación de las regresiones a un plazo de 10 años

	Vto.	R2	Spread Estimado
Regresion Log	10	49%	3,29%
Regresion Lineal	10	72%	3,51%
Promedio			**3,40%**

Fuente: Bloomberg, S&P, Capital IQ y análisis PwC (mayo 2020)

Coste Medio Ponderado de Capital (1/2)

Coste Medio Ponderado del Capital a mayo de 2020

	España
Tasa libre de riesgo	2,30%
Coeficiente beta	0,96
Prima de riesgo de mercado ("PRM")	7,50%
Coste de los Fondos Propios	**9,49%**
Diferencial medio aproximado ("spread")	3,40%
Coste bruto de la deuda	5,69%
Tipo de Impuesto sobre Sociedades	25%
Coste neto de la deuda	**4,27%**
% Fondos propios	60%
% Recursos ajenos (deuda)	40%
Coste Medio Ponderado del Capital (CMPC)	**7,40%**

CMPC utilizado en los test de deterioro de 2019 de las compañías del sector, para sus negocios en España

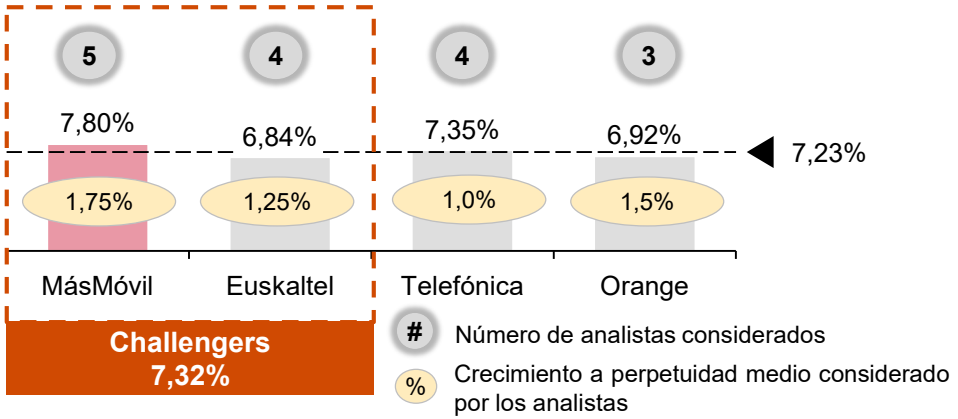
Compañía	CMPC	g
MásMóvil	7,60%	0,70%
Vodafone	9,30%	0,50%
Euskaltel	6,30%	1,90%
Telefónica	6,20%	1,00%
Orange	7,30%	1,50%
Promedio	**7,34%**	**1,12%**

*Considerado únicamente aquellos analistas con estimaciones pre y post Covid-19. Si incluyéramos en la media Pre-Covid-19 todos los analistas, la tasa de descuento media se situaría en 7,46%.

Fuente: Bloomberg, S&P, CCAA de las compañías y análisis PwC (mayo 2020)

CMPC estimado por los analistas para los negocios en España

El CMPC estimado está en línea con el rango de la muestra de analistas con informes emitidos post Covid-19, de los principales operadores de España:



Coste Medio Ponderado del Capital por analistas tras el virus Covid-19*

- Para poder realizar un análisis detallado del impacto del Covid-19 en el CMPC en el sector, hemos analizado la variación en la tasa de descuento para las comparables.

Compañía	Analista	Pre Covid	Post Covid	Compañía	Analista	Pre Covid	Post Covid
MásMóvil	Kepler	8,0%	8,0%	Euskaltel	Barclays	7,5%	7,5%
MásMóvil	HSBC	7,0%	7,0%	Euskaltel	BNP	5,4%	5,4%
MásMóvil	Barclays	8,0%	8,0%	Euskaltel	JP	7,6%	7,8%
MásMóvil	Morgan	8,6%	9,0%	Euskaltel	GVC	7,0%	6,7%
MásMóvil	BofA	7,0%	7,0%				
Promedio		**7,7%**	**7,8%**	**Promedio**		**6,9%**	**6,8%**
Telefónica	HSBC	7,5%	8,4%	Orange	HSBC	6,2%	6,5%
Telefónica	Morgan	7,5%	7,5%	Orange	Barclays	7,9%	7,0%
Telefónica	BNP	6,6%	6,3%	Orange	Morgan	7,3%	7,3%
Telefónica	GVC	8,4%	7,3%				
Promedio		**7,5%**	**7,4%**	**Promedio**		**7,1%**	**6,9%**

Coste Medio Ponderado de Capital (2/2)

Tasas de crecimiento a perpetuidad estimadas por analistas pre y post Covid-19

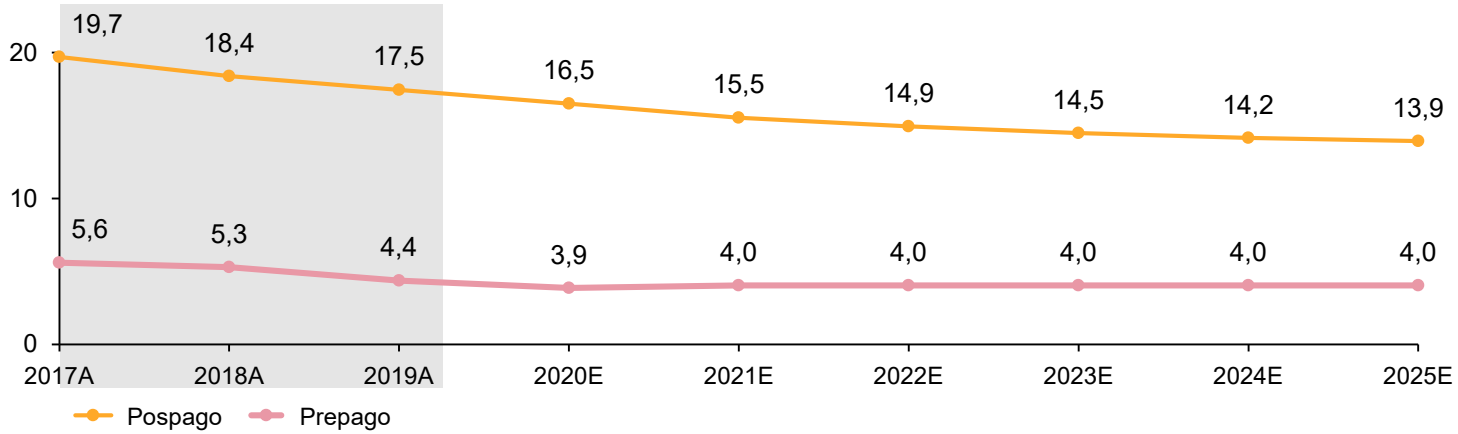
Compañía	Analista	Pre Covid	Post Covid
MásMóvil	Kepler	2,0%	2,0%
MásMóvil	Barclays	1,5%	2,0%
MásMóvil	Morgan Stanley	2,0%	2,0%
MásMóvil	BofA	1,0%	1,0%
Promedio		**1,6%**	**1,8%**
Euskaltel	Barclays	1,0%	1,5%
Euskaltel	BNP	0,9%	0,9%
Promedio		**1,0%**	**1,2%**
Telefónica	Morgan Stanley	1,0%	1,0%
Promedio		**1,0%**	**1,0%**
Orange	Morgan Stanley	1,0%	1,5%
Promedio		**1,0%**	**1,5%**
Vodafone	Barclays	1,0%	1,0%
Vodafone	UBS	2,0%	1,0%
Promedio		**1,5%**	**1,0%**

Fuente: Informes de analistas

Detalle de las proyecciones financieras

Evolución del ARPU por tipología de cliente

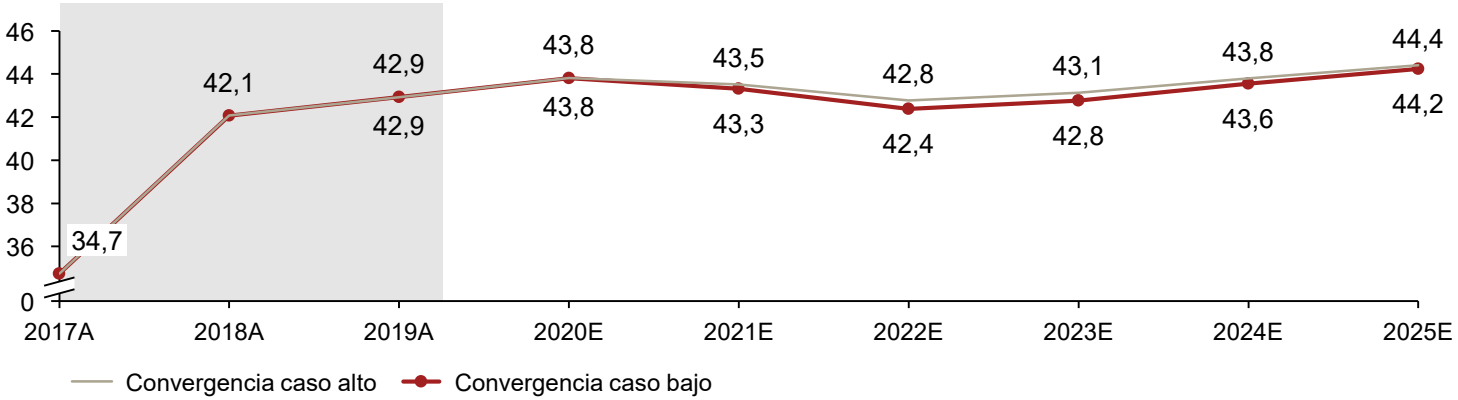
Evolución del ARPU prepago y pospago (EUR/mes)(1)



	TACC 2017-2019	TACC 2019-2025
Pospago	(5,8%)	(3,8%)
Prepago	(11,7%)	(1,6%)

Nota: (1) La evolución del ARPU es la misma tanto en el caso Alto y Bajo para las líneas de prepago y pospago

Evolución del ARPU convergencia y banda ancha (EUR/mes) (2)



	TACC 2017-2019	TACC 2019-2025
Convergencia caso alto	11,2%	0,6%
Convergencia caso bajo	11,2%	0,5%

Nota: (2) El ARPU de convergencia se estima aplicando los ingresos asociados a banda ancha y convergencia sobre el total de suscritores de banda ancha
Fuente: Ampere Analysis y análisis PwC

Evolución del capital circulante

Caso Alto

	2017	2018	2019	9M 2020	2021	2022	2023	2024	2025
Acuerdos comerciales y costes de obtención de contratos con clientes	-	201	237	270	304	329	343	350	350
Clientes	200	238	220	273	294	310	325	338	347
Existencias	0	1	12	10	10	10	10	10	10
Proveedores	(578)	(519)	(486)	(435)	(413)	(383)	(339)	(273)	(278)
Proveedores de inmovilizado	(32)	(226)	(488)	(301)	(197)	(80)	(58)	(58)	(59)
Capital circulante	**(409)**	**(305)**	**(505)**	**(184)**	**(3)**	**186**	**280**	**367**	**370**
Cambio en el capital circulante		**(104)**	**200**	**(180)**	**(180)**	**(189)**	**(94)**	**(86)**	**(4)**

Caso Bajo

	2017	2018	2019	9M 2020	2021	2022	2023	2024	2025
Acuerdos comerciales y costes de obtención de contratos con clientes	-	201	237	270	304	317	328	342	342
Clientes	200	238	220	273	293	304	314	326	340
Existencias	0	1	12	10	10	10	10	10	10
Proveedores	(578)	(519)	(486)	(435)	(413)	(381)	(336)	(269)	(279)
Proveedores de inmovilizado	(32)	(226)	(488)	(301)	(197)	(76)	(56)	(58)	(60)
Capital circulante	**(409)**	**(305)**	**(505)**	**(184)**	**(4)**	**173**	**260**	**351**	**353**
Cambio en el capital circulante		**(104)**	**200**	**(180)**	**(180)**	**(177)**	**(87)**	**(91)**	**(1)**

Días de pago/cobro

	2017	2018	2019	2020	2021	2022	2023	2024	2025
Periodo medio de cobro (días)	56	57	46	53	53	53	53	53	53
Periodo medio de existencias (días)	1	2	23	23	23	23	23	23	23
Periodo medio de pago (días)	229	192	158	138	124	109	94	75	75
Periodo medio de pago de proveedores de inmovilizado(días)	54	147	246	268	229	89	64	64	65

Fuente: CCAA Consolidadas y análisis PwC

Valoración de Bases Imponible Negativas y Deducciones Fiscales

Caso Alto

EUR millones	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
BINs inicio ejercicio	1.348,1	1.301,2	1.243,2	1.182,6	1.116,8	1.028,6	916,8	806,5	697,7	587,1	474,3	359,4	242,4	123,0	1,4	-	-
BINs generadas durante el ejercicio	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BINs a compensar	46,8	58,0	60,6	65,8	88,2	111,8	110,3	108,8	110,6	112,7	114,9	117,1	119,3	121,6	1,4	-	-
BINs fin periodo	**1.301,2**	**1.243,2**	**1.182,6**	**1.116,8**	**1.028,6**	**916,8**	**806,5**	**697,7**	**587,1**	**474,3**	**359,4**	**242,4**	**123,0**	**1,4**	**-**	**-**	**-**
Flujo de caja fiscal	11,7	14,5	15,2	16,5	22,0	28,0	27,6	27,2	27,6	28,2	28,7	29,3	29,8	30,4	0,4	-	-
Periodo descuento	0,4	1,3	2,3	3,3	4,3	5,3	6,3	7,3	8,3	9,3	10,3	11,3	12,3	13,3	14,3	15,3	16,3
Factor de descuento	96,7%	89,3%	81,5%	74,5%	68,0%	62,1%	56,7%	51,8%	47,3%	43,2%	39,5%	36,1%	32,9%	30,1%	27,5%	25,1%	22,9%
Flujos de caja descontados	**11,3**	**12,9**	**12,4**	**12,3**	**15,0**	**17,4**	**15,6**	**14,1**	**13,1**	**12,2**	**11,3**	**10,6**	**9,8**	**9,1**	**0,1**	**-**	**-**

Valor Actual BINs	**177,2**

Caso Bajo

EUR millones	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
BINs inicio ejercicio	1.348,1	1.301,2	1.244,4	1.191,0	1.138,4	1.063,2	964,0	866,6	771,0	674,2	575,5	474,9	372,3	267,7	161,0	52,3	-
BINs generadas durante el ejercicio	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
BINs a compensar	46,8	56,8	53,5	52,5	75,2	99,2	97,4	95,6	96,8	98,7	100,6	102,6	104,6	106,6	108,7	52,3	-
BINs fin periodo	**1.301,2**	**1.244,4**	**1.191,0**	**1.138,4**	**1.063,2**	**964,0**	**866,6**	**771,0**	**674,2**	**575,5**	**474,9**	**372,3**	**267,7**	**161,0**	**52,3**	**-**	**-**
Flujo de caja fiscal	11,7	14,2	13,4	13,1	18,8	24,8	24,3	23,9	24,2	24,7	25,2	25,7	26,2	26,7	27,2	13,1	-
Periodo descuento	0,4	1,3	2,3	3,3	4,3	5,3	6,3	7,3	8,3	9,3	10,3	11,3	12,3	13,3	14,3	15,3	16,3
Factor de descuento	96,7%	89,3%	81,5%	74,5%	68,0%	62,1%	56,7%	51,8%	47,3%	43,2%	39,5%	36,1%	32,9%	30,1%	27,5%	25,1%	22,9%
Flujos de caja descontados	**11,3**	**12,7**	**10,9**	**9,8**	**12,8**	**15,4**	**13,8**	**12,4**	**11,5**	**10,7**	**9,9**	**9,2**	**8,6**	**8,0**	**7,5**	**3,3**	**-**

Valor Actual BINs	**167,7**

Deducciones fiscales generadas por actividades de I+D

						Información facilitada por la Compañía			
	2013	2014	2015	2016	2017	2018	2019	2020	Promedio
Deducciones fiscales generadas	2.433	3.017	695	486	1.050	2.737	2.737	2.737	1.987

Nota: La cifra de BINs en el apartado de Descuento de Flujos de Caja, incluye también un importe de EUR 1,8 M de deducciones fiscales pendiente de aplicar
Fuente: CCAA de la Compañía, análisis PwC e información facilitada por la Compañía

Estimaciones macroeconómicas y del sector

Contraste del Margen EBITDA

Margen EBITDA de las compañías challengers (%)

Compañía	País	Tier	2019	2020	2021	2022	2023	2024
Digi Communications	Rumania	Tier 1	27,4%	31,2%	35,1%	33,8%	33,7%	n.d.
Vodafone Group Plc	R. Unido	Tier 1	33,7%	31,4%	33,4%	34,0%	34,3%	35,5%
NOS, S.G.P.S., S.A.	Portugal	Tier 1	39,0%	36,3%	42,7%	43,1%	40,9%	41,3%
iliad S.A.	Francia	Tier 1	32,9%	n.d.	33,8%	35,7%	36,7%	37,7%
Sunrise Communications	Suiza	Tier 1	31,1%	31,3%	36,2%	36,5%	37,2%	37,3%
Euskaltel, S.A.	España	Tier 2	49,1%	48,8%	49,2%	48,1%	41,1%	38,5%
Telenet Group Holding	Bélgica	Tier 2	51,2%	51,1%	53,6%	53,4%	53,6%	54,0%
Tele2 AB (publ)	Suecia	Tier 2	31,4%	34,9%	38,7%	41,0%	41,9%	38,8%
freenet AG	Alemania	Tier 2	13,9%	n.d.	16,8%	17,1%	20,2%	15,0%
TalkTalk Telecom	R. Unido	Tier 2	12,2%	14,9%	18,8%	19,0%	19,1%	19,3%
Promedio Tier 1			**32,8%**	**32,5%**	**36,2%**	**36,6%**	**36,6%**	**37,9%**
Mínimo Tier 1			**27,4%**	**31,2%**	**33,4%**	**33,8%**	**33,7%**	**35,5%**
Máximo Tier 1			**39,0%**	**36,3%**	**42,7%**	**43,1%**	**40,9%**	**41,3%**
Promedio Tier 2			**31,6%**	**37,4%**	**35,4%**	**35,7%**	**35,2%**	**33,1%**
Mínimo Tier 2			**12,2%**	**14,9%**	**16,8%**	**17,1%**	**19,1%**	**15,0%**
Máximo Tier 2			**51,2%**	**51,1%**	**53,6%**	**53,4%**	**53,6%**	**54,0%**
Promedio total			**32,2%**	**35,0%**	**35,8%**	**36,2%**	**35,9%**	**35,3%**
Mínimo total			**12,2%**	**14,9%**	**16,8%**	**17,1%**	**19,1%**	**15,0%**
Máximo total			**51,2%**	**51,1%**	**53,6%**	**53,4%**	**53,6%**	**54,0%**

Margen EBITDA de las compañías incumbents (%)

Compañía	País	2019	2020	2021	2022	2023	2024
Telefónica, S.A.	España	31,6%	28,0%	34,5%	34,9%	34,7%	35,0%
Orange S.A.	Francia	30,8%	30,4%	31,0%	31,0%	31,4%	31,2%
Proximus PLC	Belgica	31,8%	28,3%	33,5%	33,8%	34,0%	33,1%
Telecom Italia S.p.A.	Italia	41,2%	41,5%	42,8%	44,0%	42,3%	42,4%
Koninklijke KPN N.V.	Holanda	41,7%	42,1%	45,7%	47,0%	47,2%	45,3%
BT Group plc	R. Unido	27,6%	28,5%	34,6%	35,1%	35,4%	35,1%
Swisscom AG	Suiza	35,9%	34,1%	38,4%	39,2%	39,8%	38,5%
Deutsche Telekom AG	Alemania	26,3%	27,7%	32,5%	33,0%	29,6%	n.d.
Telia Company AB (publ)	Suecia	30,7%	33,2%	34,0%	34,3%	34,4%	33,7%
Promedio total		**33,1%**	**32,7%**	**36,3%**	**36,9%**	**36,5%**	**36,8%**
Mínimo total		**26,3%**	**27,7%**	**31,0%**	**31,0%**	**29,6%**	**31,2%**
Máximo total		**41,7%**	**42,1%**	**45,7%**	**47,0%**	**47,2%**	**45,3%**

Fuente: S&P Capital IQ y análisis PwC

Contraste del ROIC

ROIC de las compañías challengers (%)

Compañía	País	2015	2016	2017	2018	2019
Digi Communications	Rumania	5,7%	9,1%	11,1%	8,4%	11,3%
Vodafone Group Plc	R. Unido	2,1%	1,7%	3,4%	5,7%	5,3%
NOS, S.G.P.S., S.A.	Portugal	5,9%	5,7%	5,7%	7,6%	8,7%
Iliad SA	Francia	9,1%	7,9%	8,8%	5,2%	5,2%
Sunrise Communications	Suiza	3,3%	3,5%	4,1%	4,5%	3,6%
Euskaltel, S.A.	España	1,9%	5,1%	3,8%	4,3%	4,0%
Telenet Group Holding	Bélgica	17,2%	10,3%	8,3%	11,1%	12,0%
Tele2 AB (publ)	Suecia	9,7%	9,9%	11,1%	5,0%	6,0%
freenet AG	Alemania	13,0%	8,3%	8,0%	10,6%	10,6%
TalkTalk Telecom	R. Unido	13,7%	13,1%	28,9%	11,9%	14,4%
Promedio total		**8,2%**	**7,5%**	**9,3%**	**7,4%**	**8,1%**
Mínimo total		**1,9%**	**1,7%**	**3,4%**	**4,3%**	**3,6%**
Máximo total		**17,2%**	**13,1%**	**28,9%**	**11,9%**	**14,4%**

ROIC de las compañías incumbents (%)

Compañía	País	2015	2016	2017	2018	2019
Telefónica, S.A.	España	3,1%	6,3%	6,8%	6,1%	5,2%
Orange S.A.	Francia	5,6%	6,4%	6,5%	5,7%	5,5%
Proximus PLC	Belgica	10,6%	10,9%	9,9%	9,4%	5,6%
Telecom Italia S.p.A.	Italia	5,5%	5,4%	5,4%	4,8%	4,5%
Koninklijke KPN N.V.	Holanda	7,0%	9,2%	7,8%	7,8%	8,5%
BT Group plc	R. Unido	20,4%	11,4%	11,8%	11,1%	10,1%
Swisscom AG	Suiza	9,5%	9,5%	9,4%	8,8%	7,7%
Deutsche Telekom AG	Alemania	5,2%	5,5%	6,1%	6,2%	5,7%
Telia Company AB (publ)	Suecia	7,4%	8,5%	6,7%	6,1%	4,5%
Promedio total		**8,3%**	**8,1%**	**7,8%**	**7,3%**	**6,4%**
Mínimo total		**3,1%**	**5,4%**	**5,4%**	**4,8%**	**4,5%**
Máximo total		**20,4%**	**11,4%**	**11,8%**	**11,1%**	**10,1%**

Fuente: S&P Capital IQ y análisis PwC

IPC

Evolución esperada del IPC de España por entidad

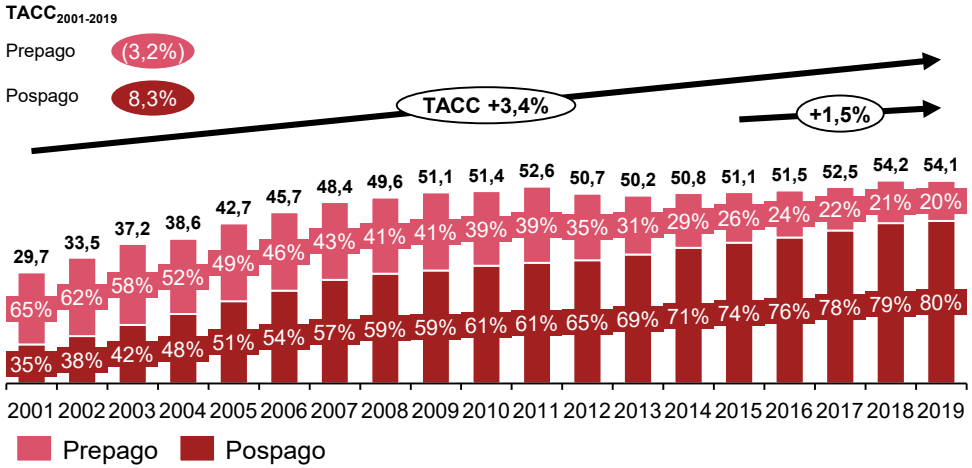
Fuente	2020	2021	2022	2023	2024
Oxford Economics	-0,60%	2,00%	1,40%	1,60%	1,70%
EIU	-0,30%	0,90%	1,40%	1,50%	1,60%
FMI *	-0,30%	0,7%	-	-	-
Bloomberg	-0,1%	1,0%	1,40%	-	-
Promedio	**-0,33%**	**1,14%**	**1,40%**	**1,55%**	**1,65%**

Fuente: Oxford Economics, EIU, FMI, Bloomberg y análisis PwC

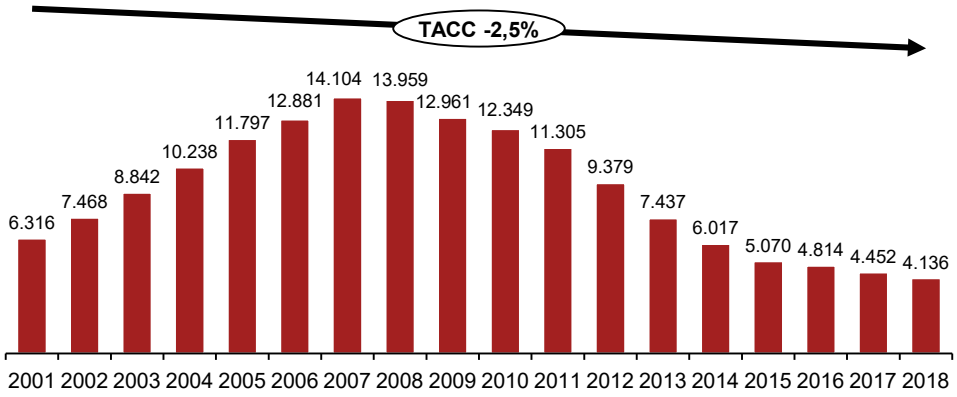
* Estas estimaciones son a fecha de abril de 2020.

Histórico y estimación del mercado móvil

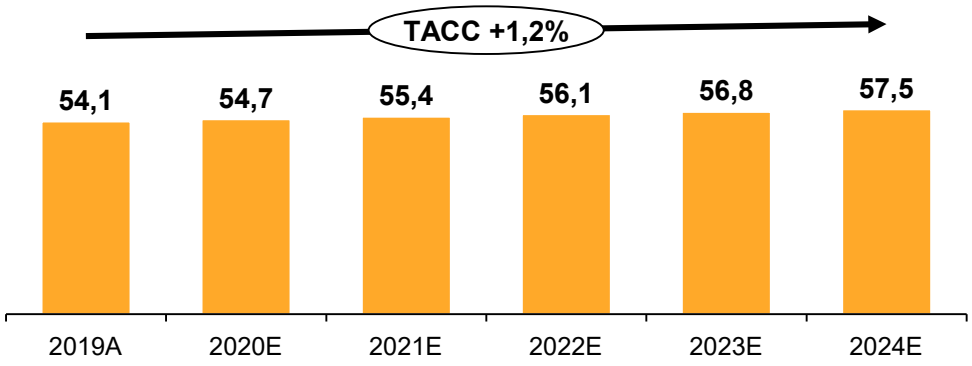
Evolución histórica anual del mercado español de móviles desglosado por tipología (en millones de líneas)



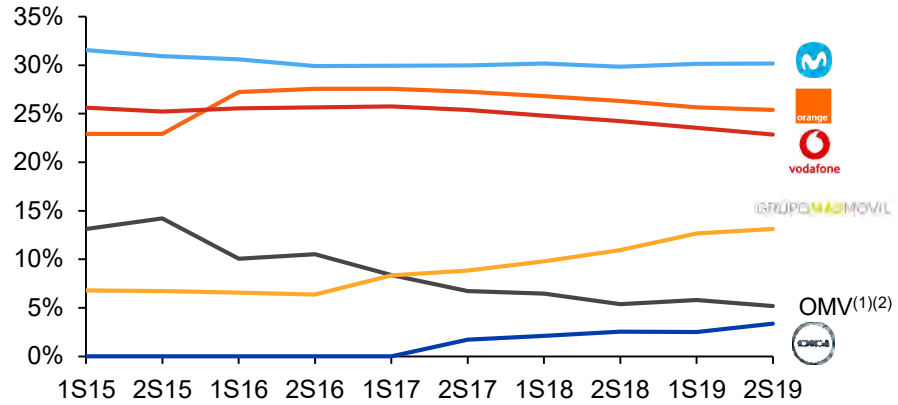
Evolución histórica anual de los ingresos del mercado español de móviles (EUR M)



Proyección del total de líneas móviles en el mercado español (en millones de líneas)



Evolución histórica de la cuota de mercado de móviles (%)

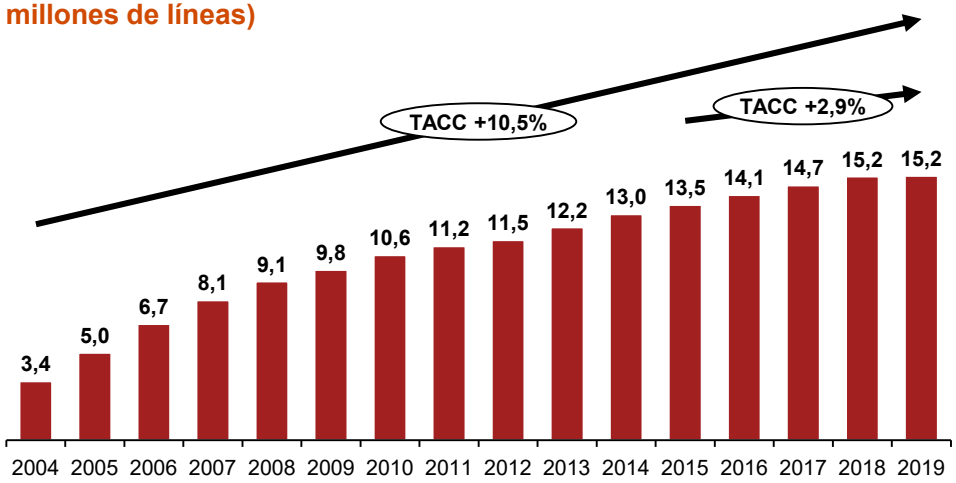


(1) Operador Móvil Virtual (OMV).
(2) La cuota de mercado de Euskaltel en 2019 asciende a 2,15%, no se dispone de datos históricos adicionales

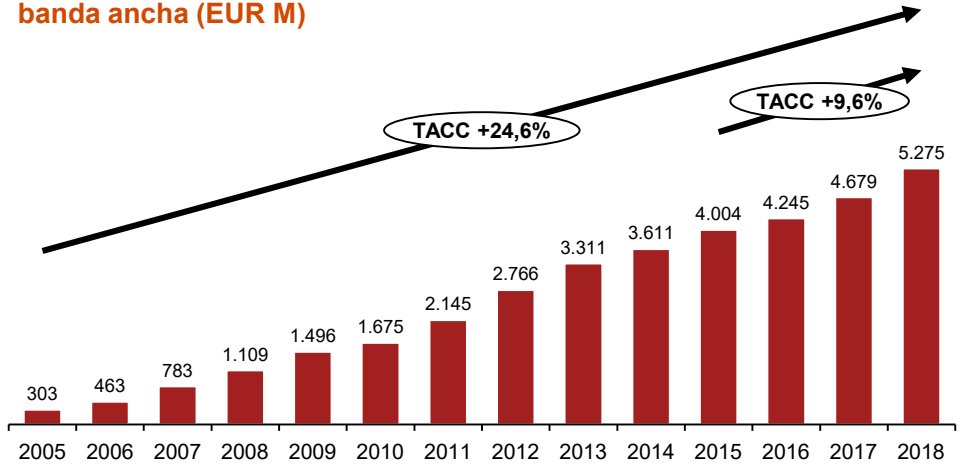
Fuente: CNMC, Analysys Mason, Compañía y análisis PwC

Histórico y estimación del mercado de banda ancha

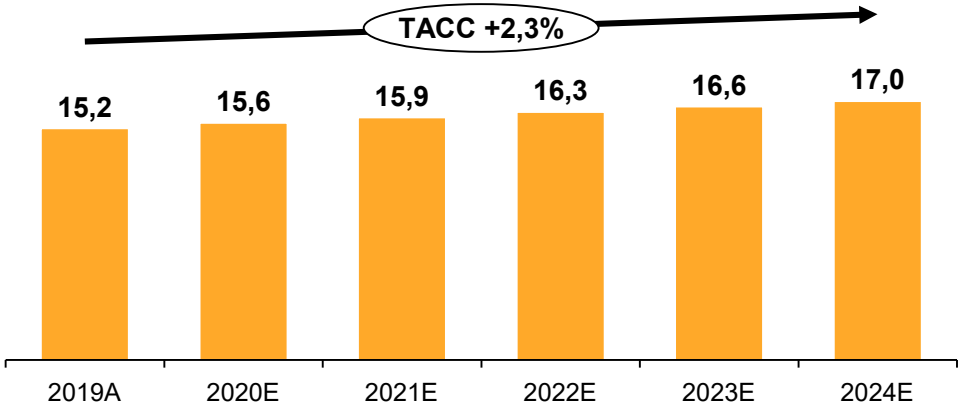
Evolución histórica anual del mercado español de banda ancha (en millones de líneas)



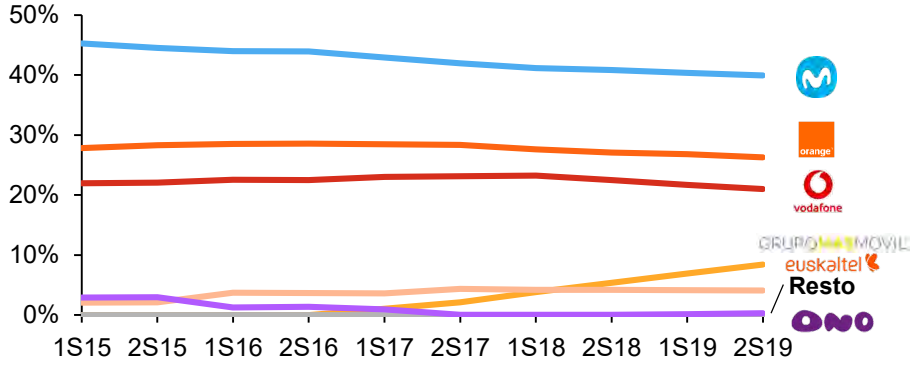
Evolución histórica anual de los ingresos del mercado español de banda ancha (EUR M)



Proyección del mercado español de banda ancha (en millones de líneas)



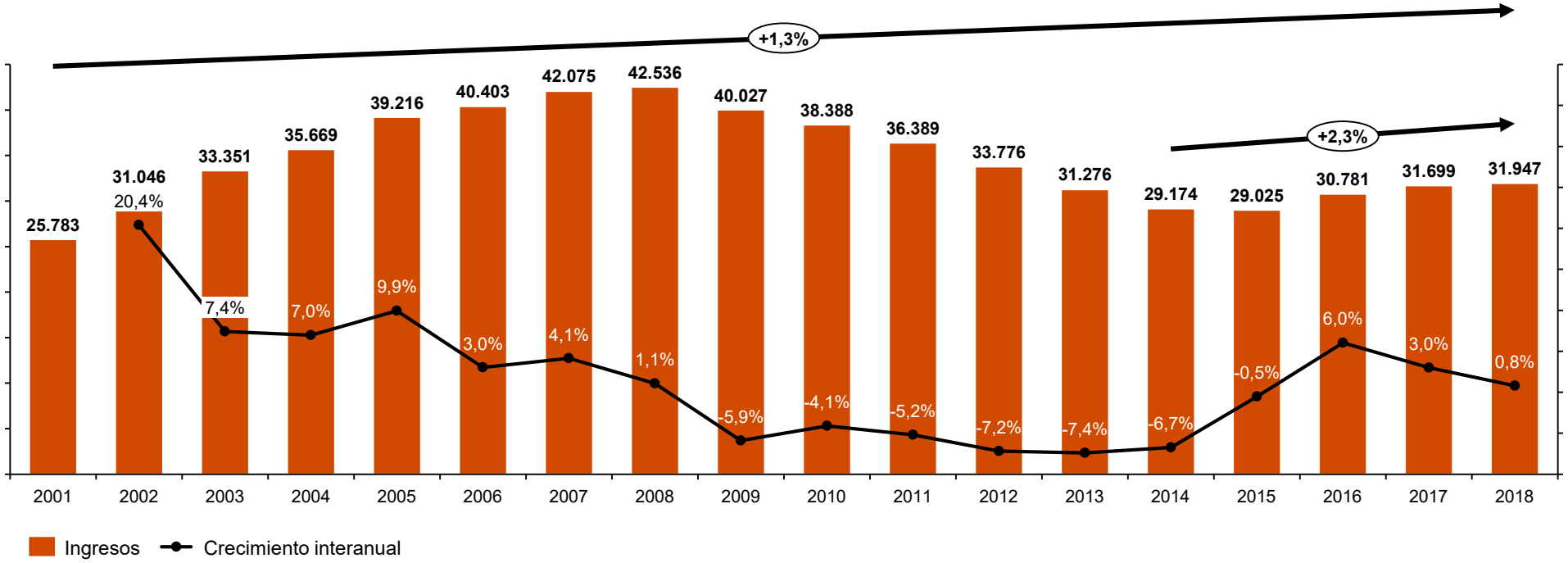
Evolución histórica de la cuota de mercado de banda ancha (%)



Fuente: Analysys Mason, Compañía y análisis PwC

Histórico del sector de telecomunicaciones

Evolución histórica anual del nivel de ingresos del mercado de telecomunicaciones español (EUR M)



Fuente: CNMC, Compañía y análisis PwC

Glosario de términos y abreviaciones

Glosario de términos y abreviaciones

Término	Definición
1S2019	Primer semestre de 2019
1T2020	Primer semestre de 2020
3T2019	Tercer trimestre de 2019
ABO	Accelerated Bookbuilding Offering
Anuncio	Fecha de anuncio de la OPA, 1 de junio de 2020.
ARPU	"Average Revenue per User" referida a la media de ingresos por usuario
ARPU de convergencia	"Average Revenue per User“ de banda ancha más móvil
BCE	Banco Central Europeo
Beta	Coeficiente Beta
BINs	Bases Imponibles Negativas
BME	Bolsas y Mercados Españoles
Broadband	Banda ancha
BUs	Unidades inmobiliarias (p.ej. edificios, hogares o empresas) de la red de FTTH
c.	Circa: “alrededor” o “cerca de”
Capex	Inversiones en activo fijo
CAPM	Capital Assets Pricing Model

Glosario de términos y abreviaciones (cont.)

Término	Definición
CCAA	Cuentas Anuales
Challenger	Compañía de telecomunicaciones que ha iniciado sus actividades con posterioridad a una empresa pública del sector
CNMC	Comisión Nacional de los Mercados y la Competencia
CNMV	Comisión Nacional del Mercado de Valores
Compañía, MásMóvil o Grupo	MásMóvil Ibercom, S.A
Covid-19	Enfermedad por coronavirus
D&A	Depreciación y Amortización
DFC	Descuento de Flujos de Caja
Dirección	Director de Planificación Estratégica y Director General Financiero de MásMóvil
EIU	Economist Intelligence Unit
El Informe	Informe de experto independiente sobre el valor de las acciones de MásMóvil
El Oferente o Ustedes	Lorca Telecom Bidco, S.A.U.
El Precio	Precio ofertado por el Oferente en su Oferta
EUR	Euros
EV	Enterprise Value o Valor del Negocio

Glosario de términos y abreviaciones (cont.)

Término	Definición
FCL	Flujos de Caja Libre
Fecha de Informe	24 de julio de 2020
Fecha de Valoración	31 de marzo de 2020
FMI	Fondo Monetario Internacional
g	Tasa de crecimiento a perpetuidad
GHz	Gigahercio
Guidance	Estimaciones financieras de la Compañía
Hechos Relevantes	Hechos relevantes, comunicaciones de información privilegiada y de otra información relevante registrados en la CNMV
IHS	IHS Markit Ltd
Incumbent	Compañía de telecomunicaciones que todavía posee una cuota de mercado dominante
IPC	Índice de Precios al Consumidor
IRU	Indefeasible right of use, Derechos irrevocables de uso
LTM	LTM: Last Twelve Months (últimos 12 meses)
LMV	Ley de Mercados de Valor
M	Millones

Glosario de términos y abreviaciones (cont.)

Término	Definición
NIIF	International Financial Reporting Standards
OMV	Operador Móvil Virtual
OPA o la Oferta	Oferta Pública de Adquisición
Opex	Gastos de explotación
PIB	Producto Interior Bruto
PMC	Periodo medio de cobro
PMP	Periodo medio de pago
PN	Patrimonio Neto
PRM	Prima de riesgo de mercado
PwC o Nosotros	PricewaterhouseCoopers Asesores de Negocios, S.L.
PYMES	Pequeñas y Medianas Empresas
Quantitative Easing o QE	Quantitative Easing: Política monetaria del Banco Central Europeo
R2	Coeficiente de determinación
RD 1066/2007	Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores
Solicitud	Fecha de solicitud de la OPA, 1 de junio de 2020.

Glosario de términos y abreviaciones (cont.)

Término	Definición
Spread	Diferencial
TACC	Tasa anual de crecimiento compuesto
Ustedes	Lorca Telecom Bidco, S.A.U.
VT	Valor Terminal

ANEXO 13.bis

Certificado de la Bolsa de Madrid sobre la cotización media ponderada de las acciones en el semestre anterior a la solicitud de autorización de la Oferta.

BOLSA DE MADRID

DOÑA CRISTINA BAJO MARTÍNEZ, VICESECRETARIA DEL CONSEJO DE ADMINISTRACIÓN DE LA SOCIEDAD RECTORA DE LA BOLSA DE VALORES DE MADRID, S.A.U.

CERTIFICA que, de los antecedentes que existen en esta Secretaría a su cargo y de los correspondientes a las restantes Bolsas españolas de Valores, resulta que, durante el período comprendido entre el día 2/12/2019 y el día 29/05/2020 ambos inclusive, el cambio medio simple de los cambios medios ponderados diarios de la contratación bursátil de las acciones de **MASMOVIL IBERCOM, S.A.,** fue de 17,6846 euros.

Lo que, a petición de PricewaterhouseCoopers Asesores de Negocios, S.L., y para que surta los efectos oportunos, hace constar en Madrid, a 4 de junio de 2020.

LA VICESECRETARIA

Cristina Bajo Martínez

BME BOLSAS Y MERCADOS ESPAÑOLES

ANEXO 14

Avales bancarios emitidos por Barclays Bank PLC, Banco Santander, S.A., BNP Paribas, Sucursal en España, Crédit Agricole Corporate and Investment Bank, Sucursal en España, Deutsche Bank AG, London Branch, Mizuho Bank Europe N.V., y Morgan Stanley Bank International Limited.

AVAL

En Madrid, a 17 de julio de 2020.

Banco Santander, S.A. (la **Entidad Avalista**), con domicilio social en Paseo de Pereda, 9 al 12, Santander, España, entidad debidamente registrada en el Registro Mercantil de Santander, a la hoja 286, folio 64, libro 5º de sociedades, inscripción 1ª y con número de identificación fiscal español A-39000013, representada por (i) D. Andrés Romera Morón, mayor de edad, con documento nacional de identidad número 44291802-N, en vigor, con facultades suficientes para este acto en virtud del poder conferido a su favor en virtud de escritura autorizada el 10 de abril de 2013 ante el notario de Madrid, D. Gonzalo Sauca Polanco, con el número 2.279 de su protocolo y en virtud del certificado emitido por el Comité Ejecutivo de Riesgos de la Entidad Avalista en fecha 14 de julio de 2020; y (ii) por D. Carlos San Juan Bueno, mayor de edad, con documento nacional de identidad número 50876295-L, en vigor, con facultades suficientes para este acto en virtud del poder conferido a su favor en virtud de escritura autorizada el 10 de abril de 2013 ante el notario de Madrid, D. Gonzalo Sauca Polanco, con el número 2.280 de su protocolo y en virtud del certificado emitido por el Comité Ejecutivo de Riesgos de la Entidad Avalista en fecha 14 de julio de 2020.

AVALA

ante la **COMISIÓN NACIONAL DEL MERCADO DE VALORES**, y en beneficio de los accionistas de la sociedad **MASMOVIL IBERCOM, S.A.** que acudan a la oferta pública de adquisición formulada por la sociedad **Lorca Telecom Bidco, S.A.U.**, con domicilio social en calle Maldonado 4, bajo D, Madrid, y con número de identificación fiscal A-88585906, inscrita en el Registro Mercantil de Madrid, al tomo 40.200, folio 56, hoja número M-714.328 (el **Oferente**), sobre acciones de MASMOVIL IBERCOM, S.A. (la **Oferta**), las obligaciones de pago en efectivo asumidas por el Oferente en la Oferta, cuyos términos y condiciones se describen en el folleto explicativo de la misma presentado para su registro en la COMISIÓN NACIONAL DEL MERCADO DE VALORES, en cumplimiento de lo dispuesto en el Real Decreto 1066/2007 de 27 de julio sobre el Régimen de las Ofertas Públicas de Adquisición de Valores.

La cantidad máxima avalada por la Entidad Avalista es de CIENTO CUARENTA Y OCHO MILLONES CIENTO SETENTA Y OCHO MIL OCHOCIENTOS OCHENTA Y CINCO EUROS CON SESENTA Y TRES CÉNTIMOS (EUR 148.178.885,63).

El presente aval se otorga con carácter incondicional, irrevocable y solidario con respecto a las obligaciones de pago del Oferente derivadas de la Oferta, y con renuncia expresa a los beneficios de excusión, orden y división.

El pago de este aval se llevará a efecto en Madrid, a primer requerimiento de la SOCIEDAD DE GESTIÓN DE LOS SISTEMAS DE REGISTRO, COMPENSACIÓN Y LIQUIDACIÓN DE VALORES, S.A. (IBERCLEAR) o de la COMISIÓN NACIONAL DEL MERCADO DE VALORES (CNMV), mediante requerimiento escrito dirigido a la Entidad Avalista en el siguiente domicilio: Avda. Cantabria S/N, Ciudad Grupo Santander, Edificio Dehesa, Planta Baja, 28660 Boadilla del Monte (Madrid). Recibido el requerimiento de pago correspondiente, la Entidad Avalista procederá a efectuar el pago del importe correspondiente, en la cuenta que el requirente haya designado, transcurrido un (1) día hábil desde el día de la recepción de dicho requerimiento.

El presente aval permanecerá en vigor hasta el completo cumplimiento de las obligaciones de pago del Oferente derivadas de la Oferta o, en su caso, hasta la fecha en que la Oferta sea retirada, anulada o declarada sin efecto.

Este aval se rige por la ley española. La Entidad Avalista, con renuncia a cualquier otro fuero que

pudiera corresponderle, se somete a los tribunales de la ciudad de Madrid para dirimir cualquier disputa o controversia que pudiese surgir en relación con la interpretación, alcance, cumplimiento, efectos y ejecución del presente aval.

El presente Aval ha sido inscrito en el Registro Especial de Avales de la Entidad Avalista con el número 5116.

Banco Santander, S.A.

D. Andrés Romera Morón

D. Carlos San Juan Bueno

CON MI INTERVENCIÓN, yo Javier Navarro-Rubio Serres, Notario del Ilustre Colegio de Madrid, con residencia en esta capital, con el alcance del Artículo 197 quater del Reglamento Notarial y, en consecuencia, en cuanto a la identidad, capacidad, legitimación de los firmantes y consentimiento prestado al contenido del presente aval por **BANCO SANTANDER, S.A.**, entidad debidamente existente y constituida conforme a las leyes de España, con domicilio social en Paseo de Pereda, 9 al 12, Santander, España, entidad debidamente registrada en el Registro Mercantil de Santander, a la Hoja 286, Folio 64, Libro 5° de Sociedades, inscripción 1ª y con número de identificación fiscal español A-39000013, haciendo constar expresamente que he identificado a los otorgantes, D. Andrés Romera Morón, mayor de edad, con DNI número 44291802-N, y D. Carlos San Juan Bueno, mayor de edad, con DNI número 50876295-L, que juzgo capaces y legitimados, los cuales han acreditado a mi juicio facultades representativas suficientes para el presente aval, en relación con D. Andrés Romera Morón en virtud del poder conferido a su favor en virtud de escritura autorizada el 10 de abril de 2013 ante el notario de Madrid, D. Gonzalo Sauca Polanco, con el número 2.279 de su protocolo, cuyo original debidamente certificado me exhibe y en virtud del certificado emitido por el Comité Ejecutivo de Riesgos de Banco Santander, S.A. en fecha 14 de julio de 2020, y en relación con D. Carlos San Juan Bueno, en virtud del poder conferido a su favor en virtud de escritura autorizada el 10 de abril de 2013 ante el notario de Madrid, D. Gonzalo Sauca Polanco, con el número 2.280 de su protocolo, cuyo original debidamente certificado me exhibe y en virtud del certificado emitido por el Comité Ejecutivo de Riesgos de Banco Santander, S.A. en fecha 14 de julio de 2020, dejando constancia expresa asimismo yo, el Notario, de que el consentimiento ha sido libremente prestado y que el otorgamiento del aval se adecua a la legalidad y a la voluntad debidamente informada de los intervinientes.

No se procede a identificación de titular real por tratarse de una entidad financiera.

Este documento de aval consta de un folio el cual rubrico y sello con el de mi Notaría y queda registrado en la Sección B de mi Libro Registro, asiento 100.

Madrid, a 17 de julio de 2020

FE PÚBLICA NOTARIAL
CONSEJO GENERAL DEL NOTARIADO ESPAÑOL
NOTARIADO EUROPA
NOTARIA DE JAVIER NAVARRO-RUBIO SERRES
NIHIL PRIUS FIDE
MADRID

SPA4112437/11 173184-0003

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CRÉDIT AGRICOLE
CORPORATE & INVESTMENT BANK

SUCURSAL EN ESPAÑA

AVAL

En Madrid, a 17 de julio de 2020.

Crédit Agricole Corporate and Investment Bank, Sucursal en España (la **Entidad Avalista**), con domicilio social en Paseo de la Castellana 1, Madrid 28046 (España), entidad debidamente registrada en el Registro Mercantil de Madrid, al tomo 5.258, 4.393 de la sección 3ª, folio 103, hoja 41.727, inscripción 1ª y con número de identificación fiscal español W0011043G, representada por D. Carlos Ballesteros Aranzana, mayor de edad, con documento nacional de identidad número 13.164.280-T, en vigor, y por D. Jerónimo-José de Miguel Granda, mayor de edad, con documento nacional de identidad número 05.400.132-P, en vigor, con facultades suficientes para este acto en virtud de los poderes conferidos a su favor en virtud de la escritura pública de fecha 21 de enero de 2019, autorizada ante el Notario de Madrid, D. Jose Manuel García-Lozano Zulueta, con el número 56 de su orden de protocolo, debidamente registrada.

AVALA

ante la **COMISIÓN NACIONAL DEL MERCADO DE VALORES**, y en beneficio de los accionistas de la sociedad **MASMOVIL IBERCOM, S.A.** que acudan a la oferta pública de adquisición formulada por la sociedad **Lorca Telecom Bidco, S.A.U.**, con domicilio social en calle Maldonado 4, bajo D, Madrid, y con número de identificación fiscal A-88585906, inscrita en el Registro Mercantil de Madrid, al tomo 40.200, folio 56, hoja número M-714.328 (el **Oferente**), sobre acciones de MASMOVIL IBERCOM, S.A. (la **Oferta**), las obligaciones de pago en efectivo asumidas por el Oferente en la Oferta, cuyos términos y condiciones se describen en el folleto explicativo de la misma presentado para su registro en la COMISIÓN NACIONAL DEL MERCADO DE VALORES, en cumplimiento de lo dispuesto en el Real Decreto 1066/2007 de 27 de julio sobre el Régimen de las Ofertas Públicas de Adquisición de Valores.

La cantidad máxima avalada por la Entidad Avalista es de SETENTA Y CUATRO MILLONES OCHENTA Y NUEVE MIL CUATROCIENTOS CUARENTA Y DOS EUROS CON OCHENTA Y UN CÉNTIMOS (EUR 74.089.442,81).

El presente aval se otorga con carácter incondicional, irrevocable y solidario con respecto a las obligaciones de pago del Oferente derivadas de la Oferta, y con renuncia expresa a los beneficios de excusión, orden y división.

El pago de este aval se llevará a efecto en Madrid, a primer requerimiento de la SOCIEDAD DE GESTIÓN DE LOS SISTEMAS DE REGISTRO, COMPENSACIÓN Y LIQUIDACIÓN DE VALORES, S.A. (IBERCLEAR) o de la COMISIÓN NACIONAL DEL MERCADO DE VALORES (CNMV), mediante requerimiento escrito dirigido a la Entidad Avalista en el siguiente domicilio: Paseo de la Castellana 1, Madrid 28046. Recibido el requerimiento de pago correspondiente, la Entidad Avalista procederá a efectuar el pago del importe correspondiente, en la cuenta que el requirente haya designado, transcurrido un (1) día hábil desde el día de la recepción de dicho requerimiento.

El presente aval permanecerá en vigor hasta el completo cumplimiento de las obligaciones de pago del Oferente derivadas de la Oferta o, en su caso, hasta la fecha en que la Oferta sea retirada, anulada o declarada sin efecto.

Este aval se rige por la ley española. La Entidad Avalista, con renuncia a cualquier otro fuero que pudiera corresponderle, se somete a los tribunales de la ciudad de Madrid para dirimir cualquier disputa o controversia que pudiese surgir en relación con la interpretación, alcance, cumplimiento, efectos y ejecución del presente aval.

El presente Aval ha sido inscrito en el Registro Especial de Avales de la Entidad Avalista con el

número KESEU01209.

Crédit Agricole Corporate and Investment Bank, Sucursal en España

D. Carlos Ballesteros Aranzana

D. Jerónimo-José de Miguel Granda

CON MI INTERVENCIÓN, yo Javier Navarro-Rubio Serres, Notario del Ilustre Colegio de Madrid, con residencia en esta capital, con el alcance del Artículo 197 quater del Reglamento Notarial y, en consecuencia, en cuanto a la identidad, capacidad, legitimación de los firmantes y consentimiento prestado al contenido del presente aval por **CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK, SUCURSAL EN ESPAÑA**, sucursal debidamente existente y constituida conforme a las leyes de España, con domicilio social en Paseo de la Castellana 1, Madrid 28046, entidad debidamente registrada en el Registro Mercantil de Madrid, al tomo 5.258, 4.393 de la sección 3ª, folio 103, hoja 41.727, inscripción 1ª y con número de identificación fiscal español W0011043G, haciendo constar expresamente que he identificado a los otorgantes, D. Carlos Ballesteros Aranzana, mayor de edad, con DNI número 13.164.280-T, y D. Jerónimo-José de Miguel Granda, mayor de edad, con DNI número 05.400.132-P, que juzgo capaces y legitimados, los cuales han acreditado a mi juicio facultades representativas suficientes para el presente aval en virtud de los poderes conferidos a su favor en virtud de la escritura pública de fecha 21 de enero de 2019, autorizada ante el Notario de Madrid, D. Jose Manuel García-Lozano Zulueta, con el número 56 de su orden de protocolo, debidamente registrada, cuyo original debidamente certificado me exhiben, dejando constancia expresa asimismo yo, el Notario, de que el consentimiento ha sido libremente prestado y que el otorgamiento del aval se adecua a la legalidad y a la voluntad debidamente informada de los intervinientes.

No se procede a identificación de titular real por tratarse de una entidad financiera.

Este documento de aval consta de un folio el cual rubrico y sello con el de mi Notaría y queda registrado en la Sección B de mi Libro Registro, asiento 98.

Madrid, a 17 de julio de 2020

FE PÚBLICA NOTARIAL · CONSEJO GENERAL · NOTARIADO EUROPA · NOTARIADO ESPAÑOL

MADRID

0256854167

AVAL

En Madrid, a 17 de julio de 2020.

Barclays Bank PLC (la **Entidad Avalista**), con domicilio social en 1 Churchill Place, Londres E14 5HP, Inglaterra, entidad debidamente registrada en el Registro de Sociedades de Inglaterra, con el número 1026167 y con número de identificación fiscal en España N-0063238J, representada por D. Daniel García Rosillo, mayor de edad, con documento nacional de identidad número 53457621D, en vigor, con facultades suficientes para este acto en virtud del poder especial otorgado a su favor el día 10 de marzo de 2020, notarizado ante el notario de Londres, D. Luis Neil Hyde-Vaamonde, debidamente apostillado con la apostilla del Convenio de la Haya.

AVALA

ante la **COMISIÓN NACIONAL DEL MERCADO DE VALORES**, y en beneficio de los accionistas de la sociedad **MASMOVIL IBERCOM, S.A.** que acudan a la oferta pública de adquisición formulada por la sociedad **Lorca Telecom Bidco, S.A.U.**, con domicilio social en calle Maldonado 4, bajo D, Madrid, y con número de identificación fiscal A-88585906, inscrita en el Registro Mercantil de Madrid, al tomo 40.200, folio 56, hoja número M-714.328 (el **Oferente**), sobre acciones de MASMOVIL IBERCOM, S.A. (la **Oferta**), las obligaciones de pago en efectivo asumidas por el Oferente en la Oferta, cuyos términos y condiciones se describen en el folleto explicativo de la misma presentado para su registro en la COMISIÓN NACIONAL DEL MERCADO DE VALORES, en cumplimiento de lo dispuesto en el Real Decreto 1066/2007 de 27 de julio sobre el Régimen de las Ofertas Públicas de Adquisición de Valores.

La cantidad máxima avalada por la Entidad Avalista es de SETECIENTOS CUARENTA MILLONES OCHOCIENTOS NOVENTA Y CUATRO MIL CUATROCIENTOS VEINTIOCHO EUROS CON TRECE CÉNTIMOS (EUR 740.894.428,13).

El presente aval se otorga con carácter incondicional, irrevocable y solidario con respecto a las obligaciones de pago del Oferente derivadas de la Oferta, y con renuncia expresa a los beneficios de excusión, orden y división.

El pago de este aval se llevará a efecto en Madrid, a primer requerimiento de la SOCIEDAD DE GESTIÓN DE LOS SISTEMAS DE REGISTRO, COMPENSACIÓN Y LIQUIDACIÓN DE VALORES, S.A. (IBERCLEAR) o de la COMISIÓN NACIONAL DEL MERCADO DE VALORES (CNMV), mediante requerimiento escrito dirigido a la Entidad Avalista en el siguiente domicilio de una sociedad de su grupo en España: calle Jose Abascal 51, 28003 Madrid (Att.: Ignacio Moreno). Recibido el requerimiento de pago correspondiente, la Entidad Avalista procederá a efectuar el pago del importe correspondiente, en la cuenta que el requirente haya designado, transcurrido un (1) día hábil desde el día de la recepción de dicho requerimiento.

El presente aval permanecerá en vigor hasta el completo cumplimiento de las obligaciones de pago del Oferente derivadas de la Oferta o, en su caso, hasta la fecha en que la Oferta sea retirada, anulada o declarada sin efecto.

Este aval se rige por la ley española. La Entidad Avalista, con renuncia a cualquier otro fuero que pudiera corresponderle, se somete a los tribunales de la ciudad de Madrid para dirimir cualquier disputa o controversia que pudiese surgir en relación con la interpretación, alcance, cumplimiento, efectos y ejecución del presente aval.

Barclays Bank PLC

D. Daniel García Rosillo

CON MI INTERVENCIÓN, yo Javier Navarro-Rubio Serres, Notario del Ilustre Colegio de Madrid, con residencia en esta capital, con el alcance del Artículo 197 quater del Reglamento Notarial y, en consecuencia, en cuanto a la identidad, capacidad, legitimación del firmante y consentimiento prestado al contenido del presente aval por **BARCLAYS BANK PLC**, sociedad debidamente existente y constituida conforme a las leyes de Inglaterra, con domicilio social en 1 Churchill Place, Londres E14 5HP e inscrita en el Registro de Sociedades bajo el número 1026167, con número de identificación fiscal español N-0063238J, haciendo constar expresamente que he identificado al otorgante, D. Daniel García Rosillo, con D.N.I. número 53457621D, que juzgo capaz y legitimado, el cual ha acreditado a mi juicio facultades representativas suficientes para el presente aval en virtud del poder especial que le tiene conferido dicha sociedad, que asegura vigente, otorgado en Londres, el día 10 de marzo de 2020, notarizado ante el Notario de Londres, Don Luis Neil Hyde-Vaamonde, cuyo original debidamente certificado y apostillado me exhibe, dejando constancia expresa asimismo yo, el Notario, de que el consentimiento ha sido libremente prestado y que el otorgamiento del aval se adecua a la legalidad y a la voluntad debidamente informada del interviniente.

No se procede a identificación de titular real por tratarse de una entidad financiera.

Este documento de aval consta de un folio el cual rubrico y sello con el de mi Notaría y queda registrado en la Sección B de mi Libro Registro, asiento 97.

Madrid, a 17 de julio de 2020

FE PÚBLICA NOTARIAL
CONSEJO GENERAL DEL NOTARIADO ESPAÑOL
NOTARIADO EUROPA
NOTARÍA DE JAVIER NAVARRO-RUBIO SERRES
MADRID
0256854166

BNP PARIBAS
CORPORATE & INSTITUTIONAL BANKING

AVAL

En Madrid, a 17 de julio de 2020.

BNP Paribas, Sucursal en España (la **Entidad Avalista**), con domicilio social en calle Emilio Vargas, 4, 28043 Madrid, entidad debidamente registrada en el Registro Mercantil de Madrid, al tomo 5.121 general, 4.271 de la sección tercera del libro de sociedades, folio 120, hoja número 40.598 y con número de identificación fiscal en España W-0011117-I, representada por Dª. María Eugenia Pérez Navarro, mayor de edad, con documento nacional de identidad número 71635659C, en vigor, y D. Javier Gómez Hernández, mayor de edad, con documento nacional de identidad número 20254366Z, en vigor, ambos con facultades suficientes para este acto en virtud del poder conferido a su favor el día 11 de octubre de 2018 en virtud de escritura autorizada por el notario de Madrid, D. Javier Navarro-Rubio Serres, con el número 2.475 de su protocolo, debidamente inscrita en el Registro Mercantil de Madrid.

AVALA

ante la **COMISIÓN NACIONAL DEL MERCADO DE VALORES**, y en beneficio de los accionistas de la sociedad **MASMOVIL IBERCOM, S.A.** que acudan a la oferta pública de adquisición formulada por la sociedad **Lorca Telecom Bidco, S.A.U.**, con domicilio social en calle Maldonado 4, bajo D, Madrid, y con número de identificación fiscal A-88585906, inscrita en el Registro Mercantil de Madrid, al tomo 40.200, folio 56, hoja número M-714.328 (el **Oferente**), sobre acciones de MASMOVIL IBERCOM, S.A. (la **Oferta**), las obligaciones de pago en efectivo asumidas por el Oferente en la Oferta, cuyos términos y condiciones se describen en el folleto explicativo de la misma presentado para su registro en la COMISIÓN NACIONAL DEL MERCADO DE VALORES, en cumplimiento de lo dispuesto en el Real Decreto 1066/2007 de 27 de julio sobre el Régimen de las Ofertas Públicas de Adquisición de Valores.

La cantidad máxima avalada por la Entidad Avalista es de OCHOCIENTOS CATORCE MILLONES NOVECIENTOS OCHENTA Y TRES MIL OCHOCIENTOS SETENTA EUROS CON NOVENTA Y CUATRO CÉNTIMOS (EUR 814.983.870,94).

El presente aval se otorga con carácter incondicional, irrevocable y solidario con respecto a las obligaciones de pago del Oferente derivadas de la Oferta, y con renuncia expresa a los beneficios de excusión, orden y división.

El pago de este aval se llevará a efecto en Madrid, a primer requerimiento de la SOCIEDAD DE GESTIÓN DE LOS SISTEMAS DE REGISTRO, COMPENSACIÓN Y LIQUIDACIÓN DE VALORES, S.A. (IBERCLEAR) o de la COMISIÓN NACIONAL DEL MERCADO DE VALORES (CNMV), mediante requerimiento escrito dirigido a la Entidad Avalista en el siguiente domicilio: calle Emilio Vargas, 4, 28043 Madrid. Recibido el requerimiento de pago correspondiente, la Entidad Avalista procederá a efectuar el pago del importe correspondiente, en la cuenta que el requirente haya designado, transcurrido un (1) día hábil desde el día de la recepción de dicho requerimiento.

El presente aval permanecerá en vigor hasta el completo cumplimiento de las obligaciones de pago del Oferente derivadas de la Oferta o, en su caso, hasta la fecha en que la Oferta sea retirada, anulada o declarada sin efecto.

Este aval se rige por la ley española. La Entidad Avalista, con renuncia a cualquier otro fuero que pudiera corresponderle, se somete a los tribunales de la ciudad de Madrid para dirimir cualquier disputa o controversia que pudiese surgir en relación con la interpretación, alcance, cumplimiento, efectos y ejecución del presente aval.

El presente Aval ha sido inscrito en el registro interno de avales de la Entidad Avalista con el número 30.004/20.

BNP PARIBAS
CORPORATE & INSTITUTIONAL BANKING

BNP Paribas, Sucursal en España

Dª. María Eugenia Pérez Navarro

D. Javier Gómez Hernández

CON MI INTERVENCIÓN, yo Javier Navarro-Rubio Serres, Notario del Ilustre Colegio de Madrid, con residencia en esta capital, con el alcance del Artículo 197 quater del Reglamento Notarial y, en consecuencia, en cuanto a la identidad, capacidad, legitimación de los firmantes y consentimiento prestado al contenido del presente aval por **BNP PARIBAS, SUCURSAL EN ESPAÑA**, sucursal debidamente existente y constituida conforme a las leyes de España, con domicilio social en calle Emilio Vargas, 4, 28043 Madrid, entidad debidamente registrada en el Registro Mercantil de Madrid, al tomo 5.121 general, 4.271 de la sección tercera del libro de sociedades, folio 120, hoja número 40.598 y con número de identificación fiscal en España W-0011117-I, haciendo constar expresamente que he identificado a los otorgantes, Dª. María Eugenia Pérez Navarro, con D.N.I. número 71635659C y D. Javier Gómez Hernández, con D.N.I. número 20254366Z, que juzgo capaces y legitimados, los cuales han acreditado a mi juicio facultades representativas suficientes para el presente aval en virtud de la escritura pública de poder que les tiene conferido dicha sociedad, que aseguran vigente, otorgada en Madrid, el día 11 de octubre de 2018, ante mí, con número de protocolo 2.475, debidamente inscrita en el Registro Mercantil de Madrid, cuyo original me exhiben, dejando constancia expresa asimismo yo, el Notario, de que el consentimiento ha sido libremente prestado y que el otorgamiento del aval se adecua a la legalidad y a la voluntad debidamente informada de los intervinientes.

No se procede a identificación de titular real por tratarse de una entidad financiera.

Este documento de aval consta de un folio el cual rubrico y sello con el de mi Notaría y queda registrado en la Sección B de mi Libro Registro, asiento 94.

Madrid, a 17 de julio de 2020

FE PÚBLICA NOTARIAL
CONSEJO GENERAL DEL NOTARIADO ESPAÑOL
NOTARIADO EUROPA
NOTARIA DE JAVIER NAVARRO-RUBIO SERRES
NUNC PRIUS FIDE
MADRID
0256854165

AVAL

En Madrid, a 17 de julio de 2020.

Morgan Stanley Bank International Limited (la **Entidad Avalista**), con domicilio social en 25 Cabot Square, Canary Wharf, Londres E14 4QA, Inglaterra, entidad debidamente registrada en el Registro de Sociedades de Inglaterra, con el número 3722571 y con número de identificación fiscal en España N-0069562G, representada por Dª. María Graiño García, mayor de edad, con documento nacional de identidad número 72092077A, en vigor, con facultades suficientes para este acto en virtud del poder especial otorgado a su favor el día 3 de junio de 2020, notarizado ante el notario de Londres, D. James Siôn Taylor, debidamente apostillado con la apostilla del Convenio de la Haya.

AVALA

ante la **COMISIÓN NACIONAL DEL MERCADO DE VALORES**, y en beneficio de los accionistas de la sociedad **MASMOVIL IBERCOM, S.A.** que acudan a la oferta pública de adquisición formulada por la sociedad **Lorca Telecom Bidco, S.A.U.**, con domicilio social en calle Maldonado 4, bajo D, Madrid, y con número de identificación fiscal A-88585906, inscrita en el Registro Mercantil de Madrid, al tomo 40.200, folio 56, hoja número M-714.328 (el **Oferente**), sobre acciones de MASMOVIL IBERCOM, S.A. (la **Oferta**), las obligaciones de pago en efectivo asumidas por el Oferente en la Oferta, cuyos términos y condiciones se describen en el folleto explicativo de la misma presentado para su registro en la COMISIÓN NACIONAL DEL MERCADO DE VALORES, en cumplimiento de lo dispuesto en el Real Decreto 1066/2007 de 27 de julio sobre el Régimen de las Ofertas Públicas de Adquisición de Valores.

La cantidad máxima avalada por la Entidad Avalista es de SETECIENTOS CUARENTA MILLONES OCHOCIENTOS NOVENTA Y CUATRO MIL CUATROCIENTOS VEINTIOCHO EUROS CON TRECE CÉNTIMOS (EUR 740.894.428,13).

El presente aval se otorga con carácter incondicional, irrevocable y solidario con respecto a las obligaciones de pago del Oferente derivadas de la Oferta, y con renuncia expresa a los beneficios de excusión, orden y división.

El pago de este aval se llevará a efecto en Madrid, a primer requerimiento de la SOCIEDAD DE GESTIÓN DE LOS SISTEMAS DE REGISTRO, COMPENSACIÓN Y LIQUIDACIÓN DE VALORES, S.A. (IBERCLEAR) o de la COMISIÓN NACIONAL DEL MERCADO DE VALORES (CNMV), mediante requerimiento escrito dirigido a la Entidad Avalista y remitido a Morgan Stanley, S.V., Sociedad Anónima en la siguiente dirección: calle Serrano 55, 28006 Madrid. Recibido el requerimiento de pago correspondiente, la Entidad Avalista procederá a efectuar el pago del importe correspondiente, en la cuenta que el requirente haya designado, transcurrido un (1) día hábil desde el día de la recepción de dicho requerimiento.

El presente aval permanecerá en vigor hasta el completo cumplimiento de las obligaciones de pago del Oferente derivadas de la Oferta o, en su caso, hasta la fecha en que la Oferta sea retirada, anulada o declarada sin efecto.

Este aval se rige por la ley española. La Entidad Avalista, con renuncia a cualquier otro fuero que pudiera corresponderle, se somete a los tribunales de la ciudad de Madrid para dirimir cualquier disputa o controversia que pudiese surgir en relación con la interpretación, alcance, cumplimiento, efectos y ejecución del presente aval.

Morgan Stanley Bank International Limited

Dª. María Graiño García

CON MI INTERVENCIÓN, yo Javier Navarro-Rubio Serres, Notario del Ilustre Colegio de Madrid, con residencia en esta capital, con el alcance del Artículo 197 quater del Reglamento Notarial y, en consecuencia, en cuanto a la identidad, capacidad, legitimación del firmante y consentimiento prestado al contenido del presente aval por **MORGAN STANLEY BANK INTERNATIONAL LIMITED**, sociedad debidamente existente y constituida conforme a las leyes de Reino Unido, con domicilio social en 25 Cabot Square, Canary Wharf, Londres E14 4QA e inscrita en el Registro de Sociedades bajo el número 3722571, con número de identificación fiscal español N-0069562G, haciendo constar expresamente que he identificado al otorgante, Dª. María Graiño García, mayor de edad, con documento nacional de identidad número 72092077A, que juzgo capaz y legitimado, el cual ha acreditado a mi juicio facultades representativas suficientes para el presente aval en virtud del poder especial que le tiene conferido dicha sociedad, que asegura vigente, otorgado en Londres, el día 3 de junio de 2020, notarizado ante el Notario de Londres, Don James Siôn Taylor, cuyo original debidamente certificado y apostillado me exhibe, dejando constancia expresa asimismo yo, el Notario, de que el consentimiento ha sido libremente prestado y que el otorgamiento del aval se adecua a la legalidad y a la voluntad debidamente informada del interviniente.

No se procede a identificación de titular real por tratarse de una entidad financiera.

Este documento de aval consta de un folio el cual rubrico y sello con el de mi Notaría y queda registrado en la Sección B de mi Libro Registro, asiento 95.

Madrid, a 17 de julio de 2020

NOTARIA DE JAVIER NAVARRO-RUBIO SERRES
NIHIL PRIUS FIDE
MADRID

FE PÚBLICA NOTARIAL
CONSEJO GENERAL DEL NOTARIADO ESPAÑOL
NOTARIADO EUROPA

0256854164

AVAL

En Madrid, a 17 de julio de 2020.

Mizuho Bank Europe N.V. (la **Entidad Avalista**), con domicilio social en Ámsterdam, Atrium, 3ª Planta, Strawinskylaan 3053, 1077 ZX, Ámsterdam, Países Bajos, entidad debidamente registrada en el Registro Mercantil de los Países Bajos, con el número 33138252 y con número de identificación fiscal español W0039315F, representada por D. Daniel García Rosillo, mayor de edad, con documento nacional de identidad número 53457621D, en vigor, con facultades suficientes para este acto en virtud del poder conferido a su favor el 23 de junio de 2020, notarizado ante el Notario de Ámsterdam, D. Wijnand Hendrik Bossenbroek, debidamente apostillado con la apostilla del Convenio de la Haya.

AVALA

ante la **COMISIÓN NACIONAL DEL MERCADO DE VALORES**, y en beneficio de los accionistas de la sociedad **MASMOVIL IBERCOM, S.A.** que acudan a la oferta pública de adquisición formulada por la sociedad **Lorca Telecom Bidco, S.A.U.**, con domicilio social en calle Maldonado 4, bajo D, Madrid, y con número de identificación fiscal A-88585906, inscrita en el Registro Mercantil de Madrid, al tomo 40.200, folio 56, hoja número M-714.328 (el **Oferente**), sobre acciones de MASMOVIL IBERCOM, S.A. (la **Oferta**), las obligaciones de pago en efectivo asumidas por el Oferente en la Oferta, cuyos términos y condiciones se describen en el folleto explicativo de la misma presentado para su registro en la COMISIÓN NACIONAL DEL MERCADO DE VALORES, en cumplimiento de lo dispuesto en el Real Decreto 1066/2007 de 27 de julio sobre el Régimen de las Ofertas Públicas de Adquisición de Valores.

La cantidad máxima avalada por la Entidad Avalista es de SETENTA Y CUATRO MILLONES OCHENTA Y NUEVE MIL CUATROCIENTOS CUARENTA Y DOS EUROS CON OCHENTA Y UN CÉNTIMOS (EUR 74.089.442,81).

El presente aval se otorga con carácter incondicional, irrevocable y solidario con respecto a las obligaciones de pago del Oferente derivadas de la Oferta, y con renuncia expresa a los beneficios de excusión, orden y división.

El pago de este aval se llevará a efecto en Madrid, a primer requerimiento de la SOCIEDAD DE GESTIÓN DE LOS SISTEMAS DE REGISTRO, COMPENSACIÓN Y LIQUIDACIÓN DE VALORES, S.A. (IBERCLEAR) o de la COMISIÓN NACIONAL DEL MERCADO DE VALORES (CNMV), mediante requerimiento escrito dirigido a la Entidad Avalista en el siguiente domicilio de una sucursal en Madrid (Mizuho Bank Europe N.V., Madrid Branch): Calle Orense 34, Planta 8, Edificio Iberia Mart II, 28020 Madrid (Att.: Alexander V Veen). Recibido el requerimiento de pago correspondiente, la Entidad Avalista procederá a efectuar el pago del importe correspondiente, en la cuenta que el requirente haya designado, transcurrido un (1) día hábil desde el día de la recepción de dicho requerimiento.

El presente aval permanecerá en vigor hasta el completo cumplimiento de las obligaciones de pago del Oferente derivadas de la Oferta o, en su caso, hasta la fecha en que la Oferta sea retirada, anulada o declarada sin efecto.

Este aval se rige por la ley española. La Entidad Avalista, con renuncia a cualquier otro fuero que pudiera corresponderle, se somete a los tribunales de la ciudad de Madrid para dirimir cualquier disputa o controversia que pudiese surgir en relación con la interpretación, alcance, cumplimiento, efectos y ejecución del presente aval.

Mizuho Bank Europe N.V.

D. Daniel García Rosillo

CON MI INTERVENCIÓN, yo Javier Navarro-Rubio Serres, Notario del Ilustre Colegio de Madrid, con residencia en esta capital, con el alcance del Artículo 197 quater del Reglamento Notarial y, en consecuencia, en cuanto a la identidad, capacidad, legitimación del firmante y consentimiento prestado al contenido del presente aval por **MIZUHO BANK EUROPE N.V.**, entidad debidamente existente y constituida conforme a las leyes de los Países Bajos, con domicilio social en Ámsterdam, Atrium, 3ª Planta, Strawinskylaán 3053, 1077 ZX, Ámsterdam, Países Bajos, entidad debidamente registrada en el Registro Mercantil de los Países Bajos, con el número 33138252 y con número de identificación fiscal español W0039315F, haciendo constar expresamente que he identificado al otorgante, D. Daniel García Rosillo, mayor de edad, con documento nacional de identidad número 53457621D, que juzgo capaz y legitimado, que ha acreditado a mi juicio facultades representativas suficientes para el presente aval en virtud del poder conferido a su favor el 23 de junio de 2020, notarizado ante el Notario de Ámsterdam, D. Wijnand Hendrik Bossenbroek, debidamente apostillado con la apostilla del Convenio de la Haya, cuyo original debidamente certificado me exhibe, dejando constancia expresa asimismo yo, el Notario, de que el consentimiento ha sido libremente prestado y que el otorgamiento del aval se adecua a la legalidad y a la voluntad debidamente informada del interviniente.

No se procede a identificación de titular real por tratarse de una entidad financiera.

Este documento de aval consta de un folio el cual rubrico y sello con el de mi Notaría y queda registrado en la Sección B de mi Libro Registro, asiento 96.

Madrid, a 17 de julio de 2020

FE PÚBLICA NOTARIAL
CONSEJO GENERAL
NOTARIADO EUROPA
NOTARIADO ESPAÑOL
0256854163

AVAL

En Madrid, a 17 de julio de 2020.

Deutsche Bank AG, London Branch (la **Entidad Avalista**), con domicilio social en Winchester House, 1 Great Winchester Street, Londres EC2N 2DB, entidad debidamente registrada en el Registro Mercantil de Inglaterra, con el número BR000005 y con número de identificación fiscal español N0045807E, representada por D. Francisco Javier Rapallo Serrano, mayor de edad, con pasaporte número AAH200033 y documento nacional de identidad número 50843289H, en vigor, y por D. Andrés Gutiérrez Carrasco, mayor de edad, con pasaporte número PAD266381 y documento nacional de identidad número 47283285T, en vigor, con facultades suficientes para este acto en virtud del poder conferido a su favor el 30 de mayo de 2020 ante el Notario de Londres, Michelle Scott-Bryan, debidamente apostillado con la apostilla del Convenio de la Haya.

AVALA

ante la **COMISIÓN NACIONAL DEL MERCADO DE VALORES**, y en beneficio de los accionistas de la sociedad **MASMOVIL IBERCOM, S.A.** que acudan a la oferta pública de adquisición formulada por la sociedad **Lorca Telecom Bidco, S.A.U.**, con domicilio social en calle Maldonado 4, bajo D, Madrid, y con número de identificación fiscal A-88585906, inscrita en el Registro Mercantil de Madrid, al tomo 40.200, folio 56, hoja número M-714.328 (el **Oferente**), sobre acciones de MASMOVIL IBERCOM, S.A. (la **Oferta**), las obligaciones de pago en efectivo asumidas por el Oferente en la Oferta, cuyos términos y condiciones se describen en el folleto explicativo de la misma presentado para su registro en la COMISIÓN NACIONAL DEL MERCADO DE VALORES, en cumplimiento de lo dispuesto en el Real Decreto 1066/2007 de 27 de julio sobre el Régimen de las Ofertas Públicas de Adquisición de Valores.

La cantidad máxima avalada por la Entidad Avalista es de TRESCIENTOS SETENTA MILLONES CUATROCIENTOS CUARENTA Y SIETE MIL DOSCIENTOS CATORCE EUROS CON CINCO CÉNTIMOS (EUR 370.447.214,05).

El presente aval se otorga con carácter incondicional, irrevocable y solidario con respecto a las obligaciones de pago del Oferente derivadas de la Oferta, y con renuncia expresa a los beneficios de excusión, orden y división.

El pago de este aval se llevará a efecto en Madrid, a primer requerimiento de la SOCIEDAD DE GESTIÓN DE LOS SISTEMAS DE REGISTRO, COMPENSACIÓN Y LIQUIDACIÓN DE VALORES, S.A. (IBERCLEAR) o de la COMISIÓN NACIONAL DEL MERCADO DE VALORES (CNMV), mediante requerimiento escrito dirigido a la Entidad Avalista en el siguiente domicilio de una sociedad de su grupo en España (Deutsche Bank, Sociedad Anónima Española): Paseo de la Castellana 18, 28046, Madrid, España. Recibido el requerimiento de pago correspondiente, la Entidad Avalista procederá a efectuar el pago del importe correspondiente, en la cuenta que el requirente haya designado, transcurrido un (1) día hábil desde el día de la recepción de dicho requerimiento.

El presente aval permanecerá en vigor hasta el completo cumplimiento de las obligaciones de pago del Oferente derivadas de la Oferta o, en su caso, hasta la fecha en que la Oferta sea retirada, anulada o declarada sin efecto.

Este aval se rige por la ley española. La Entidad Avalista, con renuncia a cualquier otro fuero que pudiera corresponderle, se somete a los tribunales de la ciudad de Madrid para dirimir cualquier disputa o controversia que pudiese surgir en relación con la interpretación, alcance, cumplimiento, efectos y ejecución del presente aval.

Deutsche Bank AG, London Branch

D. Francisco Javier Rapallo Serrano

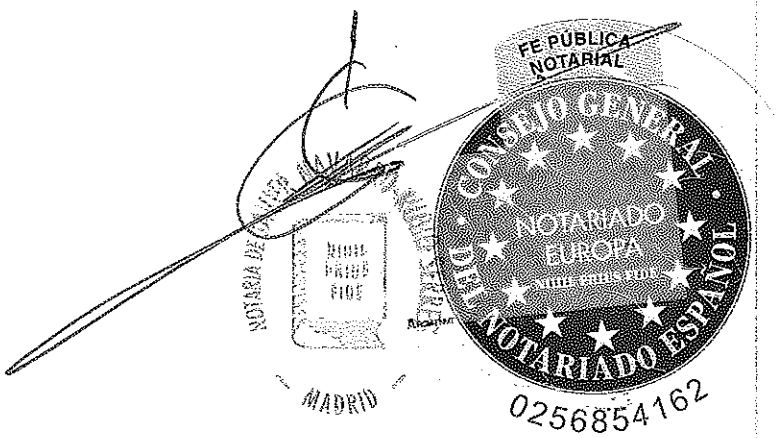
D. Andrés Gutiérrez Carrasco

CON MI INTERVENCIÓN, yo Javier Navarro-Rubio Serres, Notario del Ilustre Colegio de Madrid, con residencia en esta capital, con el alcance del Artículo 197 quater del Reglamento Notarial y, en consecuencia, en cuanto a la identidad, capacidad, legitimación de los firmantes y consentimiento prestado al contenido del presente aval por **DEUTSCHE BANK AG, LONDON BRANCH**, sucursal debidamente existente y constituida conforme a las leyes de Inglaterra, con domicilio social en Winchester House, 1 Great Winchester Street, Londres EC2N 2DB, entidad debidamente registrada en el Registro Mercantil de Inglaterra, con el número BR000005 y con número de identificación fiscal español N0045807E, haciendo constar expresamente que he identificado a los otorgantes, D. Francisco Javier Rapallo Serrano, mayor de edad, con pasaporte número AAH200033 y DNI número 50843289H, y por D. Andrés Gutiérrez Carrasco, mayor de edad, con pasaporte número PAD266381 y DNI número 47283285T, que juzgo capaces y legitimados, los cuales han acreditado a mi juicio facultades representativas suficientes para el presente aval en virtud del poder especial que les tienen conferido dicha sociedad, que aseguran vigente, otorgado el día 30 de mayo de 2020, ante el Notario de Londres, Michelle Scott-Bryan, debidamente apostillado con la apostilla del Convenio de la Haya, cuyo original debidamente certificado me exhiben, dejando constancia expresa asimismo yo, el Notario, de que el consentimiento ha sido libremente prestado y que el otorgamiento del aval se adecua a la legalidad y a la voluntad debidamente informada de los intervinientes.

No se procede a identificación de titular real por tratarse de una entidad financiera.

Este documento de aval consta de un folio el cual rubrico y sello con el de mi Notaría y queda registrado en la Sección B de mi Libro Registro, asiento 99.

Madrid, a 17 de julio de 2020



ANEXO 15

Modelo de anuncio de la Oferta.

ANUNCIO DE LA OFERTA PÚBLICA VOLUNTARIA DE ADQUISICIÓN DE ACCIONES QUE FORMULA LORCA TELECOM BIDCO, S.A.U. SOBRE LA TOTALIDAD DE LAS ACCIONES REPRESENTATIVAS DEL CAPITAL SOCIAL DE MASMOVIL IBERCOM, S.A.

La Comisión Nacional del Mercado de Valores (la ***CNMV***) ha autorizado con fecha [●] de [●] de 2020 la oferta pública voluntaria de adquisición de acciones formulada por Lorca Telecom BidCo, S.A.U. (la ***Sociedad Oferente***) sobre la totalidad de las acciones representativas del capital social de Masmovil Ibercom, S.A. (indistintamente, ***Masmovil*** o la ***Sociedad Afectada***) (la ***Oferta***).

La referida Oferta se rige por la Ley del Mercado de Valores, cuyo texto refundido fue aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre (la ***Ley del Mercado de Valores***), por el Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores (el ***Real Decreto 1066/2007***) y demás legislación aplicable.

A continuación, de acuerdo con lo establecido en el artículo 22 del Real Decreto 1066/2007, se incluyen los datos esenciales de la Oferta que constan en el folleto explicativo de la misma (el ***Folleto***).

El Folleto, así como la documentación que lo acompaña, estarán a disposición de los interesados desde, al menos, el día siguiente a la publicación del primero de los anuncios previstos en el artículo 22.1 del Real Decreto 1066/2007, en los siguientes lugares:

Entidad	**Dirección**
Comisión Nacional del Mercado de Valores	
CNMV Madrid	Calle Edison 4, Madrid
CNMV Barcelona	Paseo de Gracia 19, Barcelona
Sociedades Rectoras de las Bolsas de los Valores	
Sociedad Rectora de la Bolsa de Valores de Madrid	Plaza de la Lealtad 1, Madrid
Sociedad Rectora de la Bolsa de Valores de Barcelona	Paseo de Gracia 19, Barcelona
Sociedad Rectora de la Bolsa de Valores de Bilbao	Calle José María Olabarri, Bilbao
Sociedad Rectora de la Bolsa de Valores de Valencia	Calle Libreros 2-4, Valencia
Sociedad Oferente y Masmovil	
Sociedad Oferente	Calle Maldonado 4, Bajo D, Madrid
Masmovil	Parque Empresarial Zuatzu, Edificio Easo, 2ª planta, San Sebastián, Guipúzcoa

Asimismo, el Folleto y sus anexos estarán disponibles en la página web de Masmovil (www.grupomasmovil.com) y en la página web de la CNMV (www.cnmv.es) a partir del día siguiente a la publicación del primero de los anuncios a los que se refiere el artículo 22.1 del Real Decreto 1066/2007.

1. SOCIEDAD AFECTADA

La Sociedad Afectada es Masmovil Ibercom, S.A., sociedad anónima de nacionalidad española, con domicilio social en el Parque Empresarial Zuatzu, Edificio Easo, 2ª planta, San Sebastián, Guipúzcoa (España), con número de identificación fiscal A-20609459.

El capital social de Masmovil es de 2.634.291,30 euros, dividido en 131.714.565 acciones, de 0,02 euros de valor nominal cada una de ellas, pertenecientes a una misma y única clase y serie y totalmente suscritas. Las acciones de Masmovil están admitidas a negociación, desde el 14 de julio de 2017, en las Bolsas de Valores de Madrid, Barcelona, Valencia y Bilbao a través del Sistema de Interconexión Bursátil.

Para más información sobre la Sociedad Afectada, véase el apartado 1.3 del Folleto.

2. SOCIEDAD OFERENTE

La Sociedad Oferente es Lorca Telecom BidCo, S.A.U., sociedad anónima de nacionalidad española, con domicilio social en Calle Maldonado 4, Bajo D, 28006 Madrid, inscrita en el Registro Mercantil de Madrid al tomo 40.200, folio 56, hoja M-714.328, provista de Número de Identificación Fiscal (N.I.F.) A-88585906 y con código LEI 959800SGG3YM78V08J90.

La Sociedad Oferente está íntegramente participada de manera indirecta por los siguientes (los ***Inversores***):

(a) fondos y vehículos (el ***Seventh Cinven Fund***) gestionados por Cinven Capital Management (VII) Limited Partnership Incorporated, que actúa por medio de su propio socio gestor (*managing general partner*) Cinven Capital Management (VII) General Partner Limited (Cinven Capital Management (VII) Limited Partnership Incorporated, actuando por medio de su propio socio gestor Cinven Capital Management (VII) General Partner Limited, ***Cinven Management GP***), que actualmente ostentan una participación indirecta del 33,33% en la Sociedad Oferente;

(b) fondos, vehículos y cuentas segregadas (los ***Inversores KKR***) gestionados por KKR Associates Europe V SCSp, que actúa por medio de su propio socio gestor (*general partner*) KKR Europe V S.à r.l. (***KKR Ultimate GP***). Los Inversores KKR actualmente son titulares del 33,33% de la Sociedad Oferente; y

(c) fondos y vehículos (los ***Inversores Providence VII***) gestionados por Providence Equity GP VII-A LP, que actúa por medio de su propio socio gestor (*general partner*) PEP VII-A International Ltd. (***Providence VII Ultimate GP***), que actualmente ostentan una participación indirecta del 33,33% en la Sociedad Oferente. Con anterioridad a la liquidación de la Oferta, también participarán en la estructura de adquisición fondos y vehículos (los ***Inversores Providence VIII***, junto con los Inversores Providence VII, los ***Inversores Providence***) gestionados por Providence Equity GP VIII L.P., que actúa por medio de su propio socio gestor (*general partner*), PEP VIII International Ltd. (***Providence VIII Ultimate GP***, junto con Providence VII Ultimate GP, ***Providence Ultimate GP***).

Los Inversores mantienen su participación en la Sociedad Oferente a través de una cadena de sociedades que encabeza Lorca Aggregator Limited (***TopCo***). En este sentido, la Sociedad Oferente es una sociedad íntegramente participada por Lorca Holdco Limited (***MidCo***), que, a su vez, está íntegramente participada por Lorca JVCo Limited (***JVCo***), que, a su vez, está íntegramente participada por TopCo.

La suscripción del Acuerdo de Colaboración descrito en el apartado 1.5.1 del Folleto, determina que (i) Cinven Capital Management (VII) General Partner Limited, en su condición de gestor del Seventh Cinven Fund, (ii) KKR Europe V S.à r.l.,, gestor en última instancia de los Inversores KKR, (iii) PEP VII-A International Ltd., en su condición de gestor de los Inversores Providence VII, y (iv) PEP VIII International Ltd., en su condición de gestor de los Inversores Providence VIII (conjuntamente, los ***Ultimate GPs***) actúen en concierto a los efectos del artículo 5.1.b) del Real Decreto 1066/2007, por cuanto que colaboran en virtud de un acuerdo para que TopCo, a través de la Sociedad Oferente, adquiera el control de Masmovil.

Dicho lo anterior, una vez liquidada la Oferta, ni la Sociedad Oferente, ni los Inversores, ni los Ultimate GPs, ni ninguna de las demás entidades que conforman su estructura actuarán de manera concertada entre ellos a los efectos del artículo 5.1.b) del Real Decreto 1066/2007. Adicionalmente, ni la Sociedad Oferente, ni los Inversores, ni los Ultimate GPs, ni ninguna de las demás entidades que conforman su estructura de conformidad con el apartado 1.4.2 del Folleto, actúan ni actuarán de manera concertada con ninguna otra persona o entidad con anterioridad o con posterioridad a la liquidación de la Oferta a los efectos del artículo 5.1.b) del Real Decreto 1066/2007.

De acuerdo con el Acuerdo de Colaboración descrito en el apartado 1.5.1 del Folleto, el Seventh Cinven Fund, los Inversores KKR y los Inversores Providence aportarán a TopCo los fondos propios necesarios para atender, junto con la financiación ajena, el pago de la contraprestación de la Oferta. Las referidas aportaciones de los Inversores se describen con más detalle en el apartado 1.4.3 del Folleto.

Asimismo, de conformidad con los términos de los acuerdos de compromisos irrevocables que se describen en el apartado 1.5.1 del Folleto, está previsto que, tras la liquidación de la Oferta, Onchena, S.L., Key Wolf, S.L.U., y Josep María Echarri Torres (o una o más sociedades controladas por él) (conjuntamente, los ***Accionistas Reinversores***) realicen aportaciones de fondos a JVCo. Las referidas aportaciones de los Accionistas Reinversores se describen con más detalle en el apartado 1.4.3 del Folleto.

Para más información sobre la Sociedad Oferente, su estructura de propiedad a fecha de presente anuncio y su estructura de propiedad tras la liquidación de la Oferta, véanse los apartados 1.4.1, 1.4.2 y 1.4.3 del Folleto, respectivamente.

3. ACUERDOS SOBRE LA OFERTA Y LA SOCIEDAD AFECTADA

Se han suscrito los siguientes acuerdos o pactos entre la Sociedad Oferente y la Sociedad Afectada o accionistas o miembros de los órganos de administración, dirección y control de la Sociedad Afectada, en relación con la Oferta:

(i) El Acuerdo de Colaboración, suscrito por los Inversores con fecha 30 de mayo de 2020, que, entre otras cuestiones, tiene por objeto regular las aportaciones de capital a realizar por los Inversores y el compromiso de obtención por los Inversores de la restante financiación necesaria para la ejecución de la operación, así como determinar las normas de conducta, de cooperación y de toma de decisiones a seguir por los Inversores en relación a con la Oferta y sus términos. Asimismo, los Inversores se comprometieron bajo el Acuerdo de Colaboración a negociar de buena fe los términos de un pacto de socios para regular sus relaciones en lo que respecta a JVCo y TopCo conforme a los términos preliminares adjuntos al propio Acuerdo de Colaboracion y denominados "*Term Sheet* de Capital".

(ii) Acuerdos de compromisos irrevocables, suscritos con fecha 31 de mayo de 2020, por los que Onchena, S.L., Key Wolf, S.L.U., Inveready (según se define en el apartado 1.5.1 del Folleto), Estiriac XXI, S.L. y PLT VII MAS S.à r.l. (***Providence Holdings VII***), accionistas de la Sociedad Afectada, se han comprometido a aceptar la Oferta en relación con 38.938.643 acciones, representativas del 29,56% de su capital social. Bajo estos acuerdos, y en caso de que la Oferta tenga un resultado positivo, Onchena, S.L. y Key Wolf, S.L.U. se han comprometido a reinvertir en JVCo, aportando aquellos importes en efectivo que permitan a cada una ostentar el 5,21% del capital social de JVCo (que podría reducirse hasta un mínimo del 5% en las circunstancias indicadas en el apartado 1.5.1 del Folleto). Por su parte, Inveready se ha comprometido a reinvertir en JVCo, aportando 20.000.001 euros en efectivo si la Oferta tiene un resultado positivo.

(iii) El Acuerdo de Inversión, suscrito el 1 de junio de 2020 por Masmovil y la Sociedad Oferente, que, entre otras cuestiones, regula el compromiso de Masmovil de pagar a la Sociedad Oferente 22,6 millones de euros en caso de que, por autorizarse una oferta competidora, la Oferta no prospere, y en compensación por los daños y costes incurridos por la Sociedad Oferente en la preparación de la Oferta, todo ello de conformidad con lo previsto en el artículo 42.4 del Real Decreto 1066/2007.

Para más información sobre estos acuerdos, véase el apartado 1.5 del Folleto.

4. OPERACIONES CON ACCIONES DE MASMOVIL

Providence Holdings VII, sociedad indirectamente participada por los Inversores Providence VII, actualmente es titular indirecto de un 33,33% de la Sociedad Oferente, y titular directo de 12.061.890 acciones de la Sociedad Afectada, representativas del 9,158% de su capital social.

Se hace constar que, durante los 12 meses previos a la fecha de la solicitud de autorización de la Oferta, Providence Holdings VII adquirió 1.600.000 acciones de Masmovil, representativas del 1,21% del capital social de la Sociedad Afectada, sin que ninguna de las adquisiciones haya sido realizada por un importe superior al Precio de la Oferta. Al margen de las anteriores operaciones y de las operaciones con obligaciones convertibles referidas en el apartado el apartado 1.7 del Folleto, en el referido periodo ni Providence VII Ultimate GP, ni Providence VIII Ultimate GP, ni los fondos gestionados por dichas entidades, ni las sociedades controladas por tales fondos, ni ninguna de las entidades de sus respectivos grupos, ni los miembros de sus respectivos órganos de administración, ni su personal de alta dirección, han realizado, ni han acordado realizar, directa o indirectamente, de forma individual o concertada con otros o de cualquier otra forma, ninguna adquisición de acciones de Masmovil.

Por otra parte, en los 12 meses previos a la fecha de la solicitud de autorización de la Oferta y hasta la fecha del presente anuncio, ni la Sociedad Oferente, ni JVCo, ni cualquiera de las sociedades de su grupo, ni Cinven Management GP o KKR Ultimate GP, ni los fondos gestionados por Cinven Management GP o KKR Ultimate GP, ni las sociedades controladas por los fondos gestionados por Cinven Management GP o KKR Ultimate GP, ni Cinven (Luxco 1) S.A., ni KKR & Co. Inc., ni ninguna de las entidades de sus respectivos grupos, ni los miembros de sus respectivos órganos de administración, ni su personal de alta dirección, han realizado, ni han acordado realizar, directa o indirectamente, de forma individual o concertada con otros o de cualquier otra forma, ninguna operación con acciones de Masmovil, ni con instrumentos que pudieran dar derecho a la adquisición o suscripción de acciones de Masmovil, ni que directa o indirectamente, otorguen derechos de voto en Masmovil.

Para más información sobre las operaciones con acciones de Masmovil, véase el apartado 1.7 del Folleto.

5. VALORES A LOS QUE SE DIRIGE LA OFERTA

La Oferta se dirige al 100% de las acciones de Masmovil, esto es, a las 131.714.565 acciones representativas de su capital social.

6. CONTRAPRESTACIÓN OFRECIDA

La Oferta se formula como compraventa de acciones. La contraprestación ofrecida por la Sociedad Oferente a los titulares de las Acciones de Masmovil es de 22,50 euros en efectivo por cada acción de Masmovil (el ***Precio de la Oferta***).

Masmovil no ha repartido ningún dividendo desde que sus acciones están admitidas a negociación en las Bolsas de Valores españolas, ni ha anunciado formalmente que tenga previsto realizar ningún reparto durante el año 2020. En el supuesto de que Masmovil distribuya dividendos, reservas o prima de emisión, o proceda al reparto de cualquier otra distribución a sus accionistas, el Precio de la Oferta se reducirá en un importe equivalente al importe bruto por acción de dicha distribución, siempre que la fecha de publicación del resultado de la Oferta en los boletines de cotización coincida o sea posterior a la fecha *ex-dividendo*. Por el contrario, si la publicación del resultado de la Oferta en los boletines de cotización tiene lugar con anterioridad a la fecha *ex-dividendo*, no se reducirá el Precio de la Oferta.

La Sociedad Oferente considera que la contraprestación ofrecida reúne las condiciones de "precio equitativo", de conformidad con las normas previstas en el artículo 9 del Real Decreto 1066/2007, en la medida en que:

(i) constituye el importe íntegro del precio acordado por la Sociedad Oferente con los Accionistas Vendedores y con Providence Holdings VII, en los compromisos irrevocables para aceptar la Oferta a los que se refiere el apartado 1.5.1 del Folleto, sin que exista ninguna compensación adicional al precio acordado ni se haya pactado ningún diferimiento en el pago que supongan un trato discriminatorio respecto de los restantes accionistas;

(ii) se corresponde con la valoración a la que los Accionistas Vendedores se han comprometido a invertir en JVCo (a excepción de Estiriac XXI, S.L. que no invierte ninguna cantidad), tal y como se describe en el apartado 1.5.1 del Folleto, sin que exista ninguna compensación adicional;

(iii) es superior al precio más alto pagado o acordado por Providence Holdings VII, cualquier sociedad o entidad perteneciente a su grupo o que pudiera considerarse que actúa de forma concertada con cualquiera de las mismas a los efectos del Real Decreto 1066/2007, cualquiera de sus consejeros o administradores, para la adquisición de acciones de Masmovil durante los doce meses previos a la solicitud de autorización de la Oferta y hasta la fecha del Folleto, según se detalla en el apartado 1.7 del Folleto;

(iv) ni la Sociedad Oferente, ni JVCo y cualquiera de las sociedades de su grupo, ni Cinven, ni Kohlberg Kravis Roberts & Co. L.P., en su condición de asesor (*advisor*) de los Inversores KKR, ni Providence, ni las sociedades controladas por Cinven, KKR y sus

filiales o Providence, son parte de ningún acuerdo o compromiso vigente relativo a la adquisición o suscripción de acciones de Masmovil al margen de la Oferta; y

(v) no ha acaecido ninguna de las circunstancias del artículo 9 del Real Decreto 1066/2007 que pudieran dar lugar a la modificación del precio equitativo.

Además, la Sociedad Oferente aporta un informe de valoración elaborado por PricewaterhouseCoopers Asesores de Negocios, S.L. (***PwC***) como experto independiente, emitido en fecha 24 de julio de 2020, realizado según las reglas del artículo 10 del Real Decreto 1066/2007 y del artículo 137.2 de la Ley del Mercado de Valores para dar cumplimiento a lo previsto en el segundo de dichos preceptos y a los efectos del artículo 11.d) del Real Decreto 1066/2007 (el ***Informe de Valoración***). El Precio de la Oferta se encuentra dentro del rango de valor del referido Informe de Valoración.

Para más información sobre la contraprestación ofrecida por las acciones de Masmovil, véase el apartado 2.2 del Folleto.

7. CONDICIONES A LAS QUE ESTÁ SUJETA LA OFERTA

La efectividad de la Oferta está sujeta a las siguientes condiciones:

(i) una condición de aceptación mínima, de conformidad con lo previsto en el artículo 13.2.(b) del Real Decreto 1066/2007, que se cumplirá si 65.857.283 acciones de Masmovil, representativas del 50% de las acciones de Masmovil redondeado al alza, aceptasen la Oferta (la ***Condición de Aceptación Mínima***); y

(ii) otra condición del artículo 13.2.(d) del Real Decreto 1066/2007, consistente en la obtención por la Sociedad Oferente de la no oposición de Banco de España respecto de la adquisición por la Sociedad Oferente de una participación significativa indirecta en el capital del establecimiento financiero de crédito entidad de pago Xfera Consumer Finance, E.F.C., S.A., en el cual una filial de Masmovil (Xfera Móviles, S.A.U.) ostenta un 49% del capital social y los derechos de voto, que se detalla en el apartado 2.5.2 del Folleto.

La posible renuncia a las condiciones de la Oferta se describe en el apartado 2.5.4 del Folleto.

8. GARANTÍAS Y FINANCIACIÓN DE LA OFERTA

De conformidad con los artículos 15.1 y 15.2 del Real Decreto 1066/2007 y con el objetivo de garantizar en su totalidad el pago de la contraprestación en efectivo, la Sociedad Oferente ha presentado a la CNMV siete avales, emitidos con fecha 17 de julio de 2020 por Barclays Bank PLC (740.894.428,13 euros), Banco Santander, S.A. (148.178.885,63 euros), BNP Paribas, Sucursal en España (814.983.870,94 euros), Crédit Agricole Corporate and Investment Bank (74.089.442,81 euros), Sucursal en España, Deutsche Bank AG, London Branch (370.447.214,05 euros), Mizuho Bank Europe N.V. (74.089.442,81 euros) y Morgan Stanley Bank International Limited (740.894.428,13 euros). El importe agregado de los avales asciende a 2.963.577.712,50 euros.

Si la Oferta tiene un resultado positivo, la liquidación de la Oferta será financiada mediante una combinación de fondos propios que los Inversores aportarán a la Sociedad Oferente y endeudamiento financiero.

La financiación de la Oferta se describe en detalle en el apartado 2.6.2 del Folleto.

9. INTENCIONES DEL OFERENTE EN RELACIÓN CON LA OPERACIÓN

El propósito de la Sociedad Oferente es contribuir activamente, a través de su experiencia y conocimientos, al desarrollo y crecimiento del grupo de la Sociedad Afectada y promover sus oportunidades como operador de telecomunicaciones.

El Grupo Masmovil es el cuarto mayor operador de telecomunicaciones en España, ofreciendo servicios de línea fija, móvil e Internet a clientes residenciales, empresas y operadores a través de marcas como Yoigo, MASMOVIL, Pepephone, Embou, Llamaya y Lebara, habiendo además formalizado un acuerdo para el uso de la marca Lycamobile en España durante los próximos años tras la adquisición de Lycamobile, S.L.U. La Sociedad Oferente considera que la Sociedad Afectada es un caso de éxito único en la industria de las comunicaciones y la considera una propuesta de inversión atractiva a largo plazo, pese a la incertidumbre existente en el corto plazo derivada del impacto del COVID-19 en la economía, debido a las siguientes razones:

(i) un equipo de gestión excelente con un historial probado de creación de valor para los accionistas;

(ii) uno de los operadores de telecomunicaciones de mayor crecimiento en Europa;

(iii) una posición competitiva atractiva que sustenta un perfil de crecimiento elevado en un sector que se beneficia de características resistentes a pesar del actual entorno económico;

(iv) estrategia de infraestructuras atractivas con una combinación única de red propia, compartida y de terceros que cubre todo el territorio español; y

(v) un fuerte momento comercial y claras palancas de crecimiento futuro.

La Sociedad Oferente respalda los planes del equipo gestor y la estrategia futura del negocio, que incluye las siguientes iniciativas que se establecerán como objetivos estratégicos y que fortalecerán el negocio de la Sociedad Afectada, justificando así la Oferta:

(i) continuar la inversión en infraestructuras de telecomunicaciones en España, en particular en 5G y zonas rurales, para proporcionar servicios de conectividad de alta calidad en toda España;

(ii) continuar con la estrategia de crecimiento y expansión en otros mercados internacionales como Portugal;

(iii) centrarse en la experiencia y la satisfacción del cliente para impulsar el crecimiento;

(iv) fortalecer los procesos internos para permitir un mayor crecimiento y escalabilidad;

(v) continuar el proceso de digitalización de las operaciones para aumentar la capacidad de la Sociedad Afectada de ofrecer servicios adicionales a sus clientes; y

(vi) aprovechar el reconocimiento y la confianza de la marca para ofrecer servicios adicionales.

La Sociedad Oferente tiene la intención de adquirir la totalidad de las acciones de Masmovil para, con posterioridad a la liquidación de la Oferta, excluir de negociación de las acciones de Masmovil en las Bolsas de Valores de Madrid, Barcelona, Bilbao y Valencia. Para ello, si los

umbrales previstos en el artículo 47.1 del Real Decreto 1066/2007 se alcanzan, la Sociedad Oferente ejercitará el derecho de venta forzosa en el plazo máximo de los 3 meses siguientes al término del período de aceptación, lo que resultaría en la exclusión de cotización de las acciones en virtud de lo previsto en el artículo 48.10 del Real Decreto 1066/2007. Si el umbral establecido en el artículo 47.1 del Real Decreto 1033/2007 no se alcanza y, por ende, no es posible el ejercicio del derecho de venta forzosa, pero la Oferta tiene resultado positivo por haberse cumplido la Condición de Aceptación Mínima, la exclusión de negociación será promovida mediante la excepción prevista en el artículo 11.d) del Real Decreto 1066/2007.

El capítulo 4 del Folleto incluye información adicional sobre los planes e intenciones de la Sociedad Oferente respecto del Grupo Masmovil.

10. PROCEDIMIENTO DE ACEPTACIÓN Y LIQUIDACIÓN DE LA OFERTA

10.1.1 Plazo de aceptación de la Oferta

El plazo de aceptación de la presente Oferta es de 43 días naturales contados a partir del día hábil bursátil siguiente a la fecha de publicación del primero de los anuncios a los que se refiere el artículo 22 del Real Decreto 1066/2007. Se tomará como fecha de publicación de los anuncios en los boletines de cotización la fecha de la sesión bursátil a la que estos se refieran.

La Sociedad Oferente podrá ampliar el plazo de aceptación de la Oferta de acuerdo con lo dispuesto en el artículo 23 del Real Decreto 1066/2007, siempre que no se rebase el límite máximo de 70 días naturales y que la prórroga se comunique a la CNMV con carácter previo.

10.1.2 Formalidades que deben cumplir los destinatarios de la Oferta para manifestar su aceptación, así como la forma y plazo en que recibirán la contraprestación

(a) Declaraciones de aceptación de la Oferta

Las declaraciones de aceptación de la Oferta por parte de los accionistas de Masmovil se realizarán de acuerdo con el procedimiento señalado en el Folleto.

Los accionistas de Masmovil podrán aceptar la Oferta, con la totalidad o parte de las acciones de las que son titulares, desde el primer día del plazo de aceptación hasta el último, ambos incluidos. Sus declaraciones de aceptación serán revocables en cualquier momento antes del último día de dicho plazo y carecerán de validez si se someten a condición, según lo indicado en el artículo 34 del Real Decreto 1066/2007.

(b) Procedimiento de aceptación de la Oferta

Los accionistas de Masmovil que deseen aceptar la Oferta deberán dirigirse a la entidad en la que tengan depositadas sus acciones y manifestar ante esta última su declaración de aceptación por escrito de forma presencial, por medios electrónicos, o por cualesquiera otros medios admitidos por las entidades depositarias.

Las acciones respecto de las que se acepte la Oferta deberán comprender todos los derechos políticos y económicos, cualquiera que sea su naturaleza, que pudieran corresponder a aquellas. Las acciones deberán ser transmitidas libres de cargas y gravámenes y de derechos de terceros que limiten sus derechos políticos o económicos o su libre transmisibilidad, y por persona legitimada para transmitirlas según los asientos del correspondiente registro contable, de forma que la Sociedad Oferente adquiera la propiedad irreivindicable sobre las acciones de acuerdo con lo establecido en el artículo 11 de la Ley del Mercado de Valores.

Las aceptaciones de la Oferta serán cursadas a las sociedades rectoras de las Bolsas de Valores de Madrid, Barcelona, Bilbao y Valencia, a través de las entidades depositarias participantes en Iberclear en las que se encuentren depositadas las acciones correspondientes, quienes se encargarán de recoger dichas aceptaciones por escrito de forma presencial, por medios electrónicos, o por cualesquiera otros medios admitidos por las entidades depositarias y responderán, de acuerdo con sus registros de detalle, de la titularidad y tenencia de las acciones a las que se refieran las aceptaciones, así como de la inexistencia de cargas y gravámenes o derechos de terceros que limiten los derechos políticos o económicos de dichas acciones o su libre transmisibilidad.

Las declaraciones de aceptación de los titulares de acciones de Masmovil se acompañarán de la documentación suficiente para que se pueda proceder a la transmisión de las acciones y deberán incluir todos los datos identificativos exigidos por la normativa aplicable para este tipo de operaciones que, a título enunciativo y no limitativo, serán: (i) nombre completo o denominación social; (ii) domicilio; y (iii) número de identificación fiscal o, en caso de accionistas que no sean residentes en España y no tengan un número de identificación fiscal español, su número de pasaporte o identificación, nacionalidad y lugar de residencia.

Durante el plazo de aceptación de la Oferta, las entidades participantes en Iberclear que reciban las declaraciones de aceptación remitirán diariamente a la Sociedad Oferente, a través del representante designado a estos efectos que se indica a continuación, y a las sociedades rectoras de las Bolsas de Valores de Madrid, Barcelona, Bilbao y Valencia, los datos relativos al número de acciones comprendidas en las declaraciones de aceptación presentadas y no revocadas por los accionistas de Masmovil.

El representante de la Sociedad Oferente a los efectos de las comunicaciones de dichas declaraciones de aceptación es la siguiente entidad:

Banco Santander, S.A. (BIC: BSCHESMMXXX)
C/ Juan Ignacio Luca de Tena, 11
28027 Madrid.
A/A: Carlos Sanz / Carlos López
emisores.madrid@gruposantander.com

La Sociedad Oferente y las sociedades rectoras de las Bolsas de Valores de Madrid, Barcelona, Bilbao y Valencia facilitarán a la CNMV, cuando ésta lo solicite, información sobre el número de aceptaciones presentadas y no revocadas de las que tuvieran conocimiento.

Se recuerda a los miembros del mercado que intervengan en la operación por cuenta de los accionistas aceptantes y de la propia Sociedad Oferente, así como a las entidades depositarias de los títulos, la obligación de remitir a las respectivas sociedades rectoras y a la Sociedad Oferente (a través de su representante, Banco Santander, S.A.), de forma diaria las aceptaciones que se vayan produciendo durante el plazo de aceptación de conformidad con lo establecido en el artículo 34.2 del Real Decreto 1066/2007.

En ningún caso la Sociedad Oferente aceptará acciones adquiridas con posterioridad al último día del plazo de aceptación de la Oferta. Es decir, aquellas acciones que se ofrezcan en venta deberán haber sido adquiridas no más tarde del último día del plazo de aceptación de la Oferta.

Los accionistas de Masmovil podrán aceptar la Oferta por la totalidad o por una parte de las acciones de las que fueran titulares. Toda declaración que formulen deberá comprender, al menos, una acción de Masmovil.

(c) Publicación del resultado de la Oferta

De conformidad con lo dispuesto en el artículo 36 del Real Decreto 1066/2007, transcurrido el plazo de aceptación previsto en el apartado 3.1 anterior, o el que resulte en caso de prórroga o modificación, y en un plazo que no excederá los 7 días hábiles desde dicha fecha, las Sociedades Rectoras de las Bolsas de Madrid, Barcelona, Bilbao y Valencia publicarán el resultado de la Oferta en los Boletines de Cotización en los términos y en la sesión que indique la CNMV.

Se entenderá por fecha de publicación del resultado de la Oferta, la fecha de la sesión a la que se refieran los mencionados Boletines de Cotización.

(d) Intervención, liquidación y pago de la contraprestación de la Oferta

La adquisición de las acciones objeto de la Oferta se intermediará y será liquidada por Banco Santander, S.A., en su condición de miembro de las Bolsas de Valores de Madrid, Barcelona, Bilbao y Valencia y como entidad participante en Iberclear e intermediario de la operación por cuenta de la Sociedad Oferente.

La liquidación y el pago del Precio de la Oferta se realizarán de conformidad con lo dispuesto en el artículo 37 del Real Decreto 1066/2007, siguiendo el procedimiento establecido al efecto por Iberclear, considerándose como fecha de contratación de la correspondiente operación bursátil la de la sesión a que se refieran los Boletines de Cotización de las Bolsas de Valores que publiquen el resultado de la Oferta.

(e) Gastos de aceptación y liquidación de la Oferta

Los titulares de las acciones de Masmovil que acepten la Oferta a través de Banco Santander, S.A. no soportarán los gastos de corretaje derivados de la intervención de un miembro del mercado en la compraventa, ni los cánones de liquidación de Iberclear, ni los de contratación de las Bolsas de Valores de Madrid, Barcelona, Bilbao y Valencia, que serán satisfechos íntegramente por la Sociedad Oferente.

En el supuesto de que intervengan por cuenta del accionista aceptante de la Oferta otros miembros del mercado distintos de Banco Santander, S.A., los gastos de corretaje y demás gastos de la parte vendedora en la operación, entre los que se incluyen los cánones de liquidación de Iberclear y los de contratación de las Bolsas de Valores de Madrid, Barcelona, Bilbao y Valencia, serán a cargo del accionista aceptante.

Los gastos en los que incurra la Sociedad Oferente para la adquisición de las acciones y su liquidación serán satisfechos por la Sociedad Oferente.

La Sociedad Oferente no se hará cargo, en ningún caso, de las eventuales comisiones y gastos que las entidades depositarias y administradoras de las acciones carguen a sus clientes por la tramitación de órdenes de aceptación de la Oferta y el mantenimiento de los saldos.

De conformidad con lo dispuesto en el artículo 33.5 del Real Decreto 1066/2007, una vez publicado el desistimiento de la Oferta o la causa que la deje sin efecto, devendrán ineficaces las aceptaciones que se hubieran presentado, corriendo a cargo de la Sociedad Oferente los gastos ocasionados por la aceptación a los accionistas de la Sociedad Afectada y, de conformidad con lo dispuesto en el artículo 39 del Real Decreto 1066/2007, todos los gastos de la devolución a los accionistas aceptantes de los documentos acreditativos de la titularidad de las acciones que hubieran sido entregados por los accionistas aceptantes.

Cualesquiera otros gastos distintos de los anteriormente reseñados serán asumidos por quien incurra en ellos.

10.1.3 Plazos para la renuncia a las condiciones a las que está sujeta la eficacia de la Oferta

Si no se cumpliera la Condición de Aceptación Mínima, la Sociedad Oferente comunicará su decisión de renunciar o no a esta no más tarde del final del día hábil bursátil siguiente a aquel en que la CNMV le anticipe el número de acciones incluidas en las declaraciones de aceptación de la Oferta presentadas.

Si no se cumpliera la condición relativa a la autorización administrativa por el Banco de España, la Sociedad Oferente comunicará su decisión de renunciar o no a la misma como máximo el día anterior a la finalización del plazo de aceptación.

Si no se cumpliera alguna de las condiciones y la Sociedad Oferente no comunicara su decisión de renunciar o no a la condición o condiciones que fueren en los respectivos plazos señalados en los párrafos anteriores, se entenderá que la Sociedad Oferente no renuncia a las referidas condiciones y se publicará el resultado negativo de la Oferta, que quedará sin efectos.

10.1.4 Intermediario financiero que actúa por cuenta de la Sociedad Oferente en el procedimiento de aceptación y liquidación de la Oferta

La Sociedad Oferente ha designado a Banco Santander, S.A., con domicilio social en Paseo de Pereda, 9-12, Santander, con Número de Identificación Fiscal (N.I.F.) A-39000013, inscrita en el Registro Mercantil de Santander al tomo 448, folio 1, hoja S-1960, como entidad encargada de la intermediación y liquidación de las operaciones de adquisición de las acciones de Masmovil que pudiera resultar de la Oferta.

Asimismo, Banco Santander, S.A. será la entidad encargada de la intervención y liquidación de las operaciones de compraventa forzosa en el caso de que se cumplan los requisitos necesarios, en los términos que se describen en el presente Folleto.

11. AUTORIZACIONES EN MATERIA DE DERECHO DE LA COMPETENCIA

11.1.1 Autorización de la Comisión Europea

En fecha 24 de julio de 2020, la Comisión Europea indicó mediante carta que, sobre la base de la información facilitada, ha concluido que la adquisición de control de Masmovil y sus filiales por parte de la Sociedad Oferente como resultado de la Oferta no da lugar a una operación de concentración económica que se encuentre sujeta a autorización por parte de la Comisión Europea conforme al Reglamento (CE) nº 139/2004, del Consejo, de 20 de enero de 2004, sobre el control de las concentraciones entre empresas, al no existir control conjunto de los Inversores sobre Masmovil como resultado de la Oferta.

11.1.2 Otras autorizaciones en materia de competencia

La toma de control de Masmovil como consecuencia de la Oferta está sujeta a procedimientos de notificación y autorización en materia de Derecho de la Competencia en las siguientes jurisdicciones adicionales:

(a) **China**, por parte de la Administración del Estado para la Regulación del Mercado (***SAMR***), conforme a la Ley Antimonopolio de la República Popular China y sus

normas de desarrollo, como el Reglamento del Consejo de Estado sobre Umbrales de Notificación de Concentraciones.

Con fecha 22 de junio de 2020, la SAMR de la República Popular China ha resuelto su aprobación.

(b) **Turquía**, por parte del Consejo Turco de Competencia (***Consejo Turco de Competencia***), conforme a la Ley de Defensa de la Competencia nº 4054 de 13 de diciembre de 1994 y sus normas de desarrollo, como la Comunicación 2010/4 sobre fusiones y adquisiciones sujetas a la autorización del Consejo de Competencia de Turquía.

La legislación local turca en materia de defensa de la competencia contiene una solución similar a la prevista en el artículo 7.2 del Reglamento de Concentraciones, por la que se podría proceder a la efectiva transmisión de acciones de Masmovil que se produciría tras la liquidación de la Oferta, siempre y cuando no se ejercitaran los derechos de voto de dichas acciones antes de obtener la autorización pertinente.

La Sociedad Oferente ha presentado en fecha 5 de junio de 2020 la notificación correspondiente ante el Consejo Turco de Competencia.

(c) **Serbia**, por parte de la Comisión para la Protección de la Competencia de Serbia, conforme a la Ley de Protección de la Competencia nº 51/2009 y 95/2013 y sus normas de desarrollo.

Con fecha 23 de junio de 2020, la Comisión para la Protección de la Competencia de Serbia ha resuelto su aprobación.

(d) **Israel**, por parte de la Autoridad de la Competencia de Israel, conforme a la Ley de la Competencia Económica nº 5748-1988 y sus normas de desarrollo.

Con fecha 11 de junio de 2020, la Autoridad de la Competencia de Israel ha resuelto su aprobación.

11.2 OTRAS AUTORIZACIONES O VERIFICACIONES ADMINISTRATIVAS

11.2.1 Autorización de la Secretaría de Estado de Telecomunicaciones e Infraestructuras Digitales del Ministerio de Asuntos Económicos y Transformación Digital de España

En atención al criterio seguido por el Ministerio de Asuntos Económicos y Transformación Digital en recientes precedentes, la Sociedad Oferente presentó ante la Secretaría de Estado de Telecomunicaciones e Infraestructuras Digitales, en fecha 2 de junio de 2020, la solicitud de autorización prevista en los artículos 71 y siguientes del Reglamento sobre el uso del dominio público radioeléctrico, aprobado por el Real Decreto 123/2017, de 24 de febrero, para la transmisión indirecta de las concesiones administrativas del dominio público radioeléctrico de que es titular la sociedad filial de la Sociedad Afectada, Xfera Móviles, S.A.U.

Con fecha 16 de julio de 2020 se ha obtenido la Autorización de la Secretaría de Estado de Telecomunicaciones e Infraestructuras Digitales del Ministerio de Asuntos Económicos y Transformación Digital de España.

11.2.2 No oposición del Banco de España

De conformidad con el artículo 17 de la Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de las entidades de crédito (***Ley 10/2014***) a la que se remite el artículo 7 de la Ley 5/2015, de 27 de abril, de fomento de la financiación empresarial (***Ley 5/2015***), la Sociedad Oferente está obligada a notificar previamente al Banco de España para su evaluación y, en su caso, no oposición, la adquisición indirecta de una participación significativa en el establecimiento financiero de crédito entidad de pago Xfera Consumer Finance, E.F.C., S.A. – sociedad participada al 49% de manera indirecta por Masmovil (a través de su filial Xfera Móviles, S.A.U.) y al 51% por Banco Cetelem, S.A.U. – que se produciría como consecuencia de la liquidación de la Oferta.

La Sociedad Oferente presentó el escrito de solicitud de no oposición ante el Banco de España el 21 de julio de 2020. Conforme a lo previsto en el artículo 25.3 del Real Decreto 84/2015, de 13 de febrero, por el que se desarrolla la Ley 10/2014 de 26 de junio, de ordenación, supervisión y solvencia de las entidades de crédito, con fecha 23 de julio de 2020, el Banco de España remitió a la Sociedad Oferente el correspondiente acuso de recibo.

Para más información sobre la no oposición del Banco de España, véase el apartado 5.2.2 del Folleto.

11.2.3 Autorización del Consejo de Ministros

Con fecha 11 de junio de 2020, la Sociedad Oferente presentó, ante la Dirección General de Comercio Internacional e Inversiones del Ministerio de Industria, Comercio y Turismo una solicitud para la obtención de autorización del Consejo de Ministros a la inversión extranjera directa en España de la Sociedad Oferente, e indirecta de sus accionistas, en la Sociedad Afectada, prevista en el artículo 7 bis de la Ley 19/2003, de 4 de julio, sobre régimen jurídico de los movimientos de capitales y de las transacciones económicas con el exterior y sobre determinadas medidas de prevención del blanqueo de capitales.

La autorización solicitada ante el Ministerio de Industria, Comercio y Turismo, como se refiere en el apartado 2.4 del Folleto, fue otorgada mediante Acuerdo del Consejo de Ministros de 7 de julio de 2020 según consta en la página web oficial del Consejo de Ministros: https://www.lamoncloa.gob.es/consejodeministros/referencias/Paginas/2020/refc20200707.aspx#Inversiones.

11.3 RESTRICCIÓN TERRITORIAL

La Oferta se realiza exclusivamente en el mercado español y se dirige a todos los accionistas de Masmovil que resulten ser titulares de las Acciones de Masmovil. El Folleto y su contenido no constituyen una extensión de la Oferta a ninguna jurisdicción donde la formulación de la Oferta pudiere exigir la distribución o registro de documentación adicional al Folleto o cumplimiento con la ley aplicable en dicha jurisdicción.

La Oferta no se realiza en o hacia, y no es susceptible de ser aceptada en o desde los Estados Unidos, y no se está realizando en o hacia, y no es susceptible de ser aceptada en o desde, Canadá, Australia, Nueva Zelanda, la República de Sudáfrica o Japón (*Otras Jurisdicciones Restringidas*), y el Folleto y todos los demás documentos relativos a la Oferta no constituyen o forman parte de ninguna oferta o solicitud de compra o suscripción de valores en los Estados Unidos o en cualquier Otra Jurisdicción Restringida.

Se informa a aquellos accionistas de Masmovil que residan fuera de España y decidan acudir a la Oferta, que puede encontrarse sujeta a restricciones legales y reglamentarias distintas de aquellas contempladas en la legislación española. En este sentido, será responsabilidad exclusiva de aquellos accionistas residentes en el extranjero que decidan acudir a la Oferta el cumplimiento de dichas normas y, por tanto, la propia verificación, aplicabilidad e implicación de éstas.

En particular, la Oferta no se formula, ni directa ni indirectamente, en o hacia, o por el uso de correo electrónico, correo postal o cualquier otro medio o instrumento (incluyendo, pero no limitado a, facsímil u otra transmisión electrónica o telefónica) de comercio interestatal, o de cualquier establecimiento de un mercado de valores nacional, estatal o de otro tipo, de los Estados Unidos (incluyendo sus territorios y posesiones, cualquier estado de los Estados Unidos y el Distrito de Columbia) y ninguna persona podrá aceptar la Oferta por cualquiera de dichos usos, medios, instrumentos o establecimientos. Además, la Oferta no se formula, ni directa ni indirectamente, en o hacia ninguna de las Otras Jurisdicciones Restringidas, y ninguna persona podrá aceptar la Oferta desde ninguna de dichas Otras Jurisdicciones Restringidas. En consecuencia, las copias de Folleto y cualesquiera otros documentos relacionados con la Oferta no deben, ni directa ni indirectamente, ser enviadas por correo ni remitidas de otra forma, distribuidas o enviadas en o hacia o desde los Estados Unidos o cualquier Otra Jurisdicción Restringida, y las personas que reciban copias del Folleto o de dichos otros documentos o que de otra forma se enteren de la Oferta (incluyendo custodios, representantes -*nominees*- y fiduciarios -*trustees*) no deben enviar por correo o remitir, distribuir o enviar copias del Folleto o de dichos otros documentos en o hacia o desde los Estados Unidos. No se aceptarán las formas de aceptación enviadas por correo desde los Estados Unidos o cualquier Otra Jurisdicción Restringida, y tampoco se aceptarán las aceptaciones que indiquen una dirección o cuenta bancaria en los Estados Unidos o cualquier Otra Jurisdicción Restringida. Por lo tanto, el Folleto no será distribuido por ningún medio en los Estados Unidos de América ni en las Otras Jurisdicciones Restringidas.

ANEXO 16

Carta de publicidad de la Oferta.

COMISIÓN NACIONAL DEL MERCADO DE VALORES
Calle Edison 4
28010 Madrid (Madrid)
España

Madrid, 24 de julio de 2020

Muy Sres. Nuestros:

Carta relativa a la publicidad de la oferta pública de voluntaria adquisición formulada por Lorca Telecom Bidco, S.A.U. sobre la totalidad de las acciones emitidas por Masmovil Ibercom, S.A.

Nos referimos a la oferta pública voluntaria de adquisición de acciones de la sociedad Masmovil Ibercom, S.A. (la ***Sociedad Afectada***) formulada por Lorca Telecom Bidco, S.A.U. (la ***Sociedad Oferente***), la cual se encuentra pendiente de autorización por la Comisión Nacional del Mercado de Valores (la ***CNMV***) (la ***Oferta***).

Conforme se explica en el folleto explicativo de la Oferta (el ***Folleto***), una vez ésta sea autorizada por la CNMV, la Sociedad Oferente publicará en España los preceptivos anuncios a los que se refiere el artículo 22 del Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores.

Al margen de los preceptivos anuncios antes citados, la Sociedad Oferente tiene previsto realizar las siguientes actividades de publicidad, promoción y/o difusión de la Oferta:

(a) la difusión entre agencias de una nota de prensa informando a los accionistas de la Sociedad Afectada e inversores en general de la autorización de la Oferta, las características principales de la misma y la duración de su plazo de aceptación;

(b) la solicitud a la Sociedad Afectada para que remita a sus accionistas, tras la publicación de los preceptivos anuncios, una carta informativa con el objeto de comunicar de manera individualizada la existencia y los principales términos de la Oferta, y facilitar un número de teléfono gratuito de contacto al que remitirse en caso de tener dudas al respecto;

(c) la habilitación de un centro de llamadas (*call centre*) operado por un tercero para informar a los accionistas de la Sociedad Afectada sobre la Oferta siguiendo dos guiones diferentes que se emplearán en llamadas con inversores institucionales e inversores minoristas, sin que en ningún caso esté previsto realizar llamadas directas a inversores minoristas (se adjunta como **Anexo I** y **Anexo II** a la presente carta, respectivamente, copia del guion y del listados de preguntas frecuentes y respuestas que se empleará en las llamadas con inversores institucionales, y como **Anexo III** a la presente, respectivamente, copia del listado de preguntas frecuentes y respuestas que se empleará en las llamada con inversores minoristas); y

(d) la realización de una campaña de publicidad en prensa escrita, a desarrollar tras la autorización de la Oferta por la CNMV, señalando las características básicas de la Oferta y los canales a través de los cuales se puede obtener información sobre la misma, así como informando sobre la publicación del Folleto y la forma de obtenerlo.

Los documentos a los que se refieren las letras (a), (b) y (d) anteriores constituirán los **Anexos IV**, **V** y **VI**, respectivamente, de la presente carta y una copia de los mismos será enviada a la CNMV con antelación suficiente para que puedan proceder a su revisión con carácter precio a su difusión. El contenido de todos los anexos no será puesto a disposición de ninguna persona o entidad que no sea la CNMV.

Por último, se aprovecha la presente para informarles de que el Oferente solicitará asimismo a la Sociedad Afectada que ponga el Folleto, junto con sus anexos, a disposición de accionistas e inversores a través de su página web corporativa (www.grupomasmovil.com).

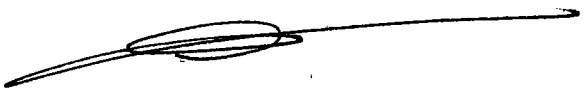
Todas las actuaciones antes relacionadas cumplirán en todo caso con la Orden Ministerial EHA/1717/2010, de 11 de junio, de regulación y control de la publicidad de servicios y productos de inversión.

Al margen de lo anterior, la Sociedad Oferente manifiesta que no tiene previsto desarrollar ningún otro tipo de difusión ni publicidad de cualquier otra forma en relación con la Oferta.

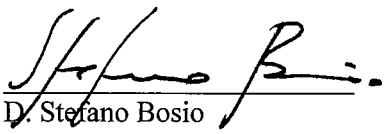
Sin otro particular, reciban un atento saludo,

Lorca Telecom Bidco, S.A.U.

D. Miguel Segura Martín



D. Jorge Lluch Pauner



D. Stefano Bosio

ANEXO 1

Guion en llamadas a inversores institucionales

ANEXO II

Preguntas frecuentes y respuestas para llamadas con inversores institucionales

ANEXO III

Preguntas frecuentes y respuestas para llamadas con inversores minoristas

ANEXO IV

Nota de prensa

ANEXO V

Carta informativa a los accionistas

ANEXO VI

Campaña publicitaria en prensa escrita

ANEXO 17

Carta de aceptación de Banco Santander, S.A. como entidad encargada de la intermediación y liquidación de la Oferta.

Santander
Corporate & Investment Banking

Lorca Telecom BidCo, S.A.U
C/ Maldonado 4
28006 Madrid

Madrid, 31 de mayo de 2020

Estimados Señores:

En relación con la oferta pública de adquisición de acciones voluntaria de la sociedad MASMOVIL IBERCOM, S.A. (la "**Oferta**") formulada por Lorca Telecom BidCo, S.A.U., (la "**Sociedad Oferente**"), por la presente ponemos en su conocimiento que Banco Santander, S.A., con domicilio social en Paseo de Pereda nº 9-12, Santander (Cantabria), acepta desempeñar las funciones de encargada de intervenir y liquidar las operaciones de compra de acciones a las que se dirige la Oferta, por cuenta de la Sociedad Oferente, en los términos previstos en el folleto explicativo de la Oferta, una vez que el mismo haya sido registrado por la Comisión Nacional del Mercado de Valores, incluyendo, en su caso, la ejecución y liquidación de las operaciones de adquisición de acciones que pudieran realizarse como consecuencia del ejercicio de los derechos de compra o venta forzosa en los términos previstos en el folleto explicativo de la Oferta y en los artículos 47 y 48 del Real Decreto 1066/2007, de 27 de julio, sobre el régimen de las ofertas públicas de adquisición de valores.

Atentamente,

Banco Santander, S.A.
P.p.

D. Joaquín González-Tarrío Polo

D. Luis Antonio Pérez Rodríguez

ANEXO 18

Documentación acreditativa de las autorizaciones, o confirmaciones de no ser necesarias, obtenidas, así como de las solicitudes de autorización, o no oposición, pendientes de ser obtenidas y referidas en el Capítulo 5 del Folleto.

EUROPEAN COMMISSION
Competition DG

Markets and cases II: Information, Communication and Media

Brussels, 24.07.2020

Cinven Capital Management (VII)
General Partner Limited
Level Four, Mill Court
La Charroterie, St Peter Port Guernsey
GYI IEJ Channel Islands

KKR & Co. Inc.
9 West 57th Street, Suit 4200
New York, NY 10019
United States of America

Providence Equity LLP
28 St George Street
London WIS 2FA
United Kingdom

alvaro.iza@freshfields.com
enrique.carrera@freshfields.com

Dear Sirs,

Subject: M.9890 – CINVEN / KKR / PROVIDENCE / MASMOVIL

I refer to your initial submission dated 9 June 2020 and the subsequent submissions regarding the consultation mentioned in reference.

After considering the matter on the basis of the information provided to us by you, I should like to advise that Cinven, KKR and Providence do not appear to acquire joint control of Masmovil within the meaning of Article 3(1)(b) of Council Regulation (EC) 139/2004 (the Merger Regulation). There is therefore no obligation to notify the transaction under the Merger Regulation.

This letter does not constitute a decision of the Commission. It reflects the opinion of the services in charge of Merger Control in the Directorate-General for Competition on the basis of the information that you have provided and cannot bind the Commission itself.

(e-Signed)
Guillaume LORIOT
Director

国家市场监督管理总局司局函

经营者集中反垄断审查
不实施进一步审查决定书

反垄断审查决定〔2020〕235号

KKR公司、盛峰资本管理第七普通合伙人有限公司：

根据《中华人民共和国反垄断法》第二十五条规定，经初步审查，现决定，对KKR公司与普罗维登斯股本有限责任合伙等经营者收购Masmovil Ibercom公司股权案不实施进一步审查。你公司从即日起可以实施集中。

该案涉及经营者集中反垄断审查之外的其他事项，依据相关法律办理。

国家市场监督管理总局 反垄断专用章

2020年6月22日

Administración del Estado para la Regulación del Mercado de la República Popular de China

Análisis Antimonopolio de Concentración entre Empresas

Comunicado de No Análisis en Profundidad

Fan Long Duan Shen Cha Jue Ding [2020] Núm. 235

KKR & Co. Inc., Cinven Capital Management (VII) General Partner Limited:

En virtud del Artículo 25 de la *Ley de Antimonopolio de la República Popular de China*, tras nuestro análisis preliminar, por la presente se decide que no llevaremos a cabo un análisis en profundidad de la concentración entre empresas en relación con la *Adquisición de acciones de Masmovil Ibercom, S.A. por parte de Cinven Capital Management (VII) General Partner Limited, KKR & Co. Inc. y Providence Equity LLP*. Esta concentración puede implementarse desde hoy.

Aquellos asuntos que no pertenezcan al ámbito del análisis antimonopolio deben tramitarse de acuerdo con la legislación aplicable.

Administración del Estado para la Regulación del Mercado
(Sello oficial)

22 de junio de 2020

From: Oznur Inanilir (ELIG) <oznur.inanilir@elig.com>
Sent: viernes, 5 de junio de 2020 10:41
To: DE TROYA, Rocío; IZA, ALVARO (AI); CARRERA, Enrique; FERNÁNDEZ, Javier; PUIG, Alvaro; LORAS, Luis
Cc: Gonenc Gurkaynak; Berfu Akgun (ELIG); Yesim Yargici (ELIG); Oyku Erdil
Subject: Cinven-KKR-Providence Transaction - Confirmation on the Submission of the Merger Control Filing - Confidential & Privileged

Confidential & Privileged
Attorney Communication

Dear Colleagues,

This is to inform you that we have successfully submitted the merger control filing concerning the proposed acquisition of joint control over Masmovil Ibercom, S.A. ("**Masmovil**" or the "**Target**") by the funds managed by Cinven Capital Management (VII) General Partner Limited ("**Cinven Capital Management (VII)**"), (the "**Seventh Cinven Fund**") KKR Lorca Aggregator L.P. (the "**KKR Vehicle"**), a limited partnership advised or managed by affiliates of KKR & Co. Inc. ("**KKR**") and EMM Holdings S.à r.l. and PLT VII MAS S.à r.l., companies controlled by funds advised or managed by affiliates of Providence Equity LLP ("**Providence"**) through acquiring all the shares comprising the share capital of Masmovil through a public bid in line with the applicable Spanish laws, before the Turkish Competition Authority today (June 5, 2020). The registration number of the merger control filing is 5277.

We will gladly keep you posted on developments…

Best regards,

Öznur

Av. Öznur İnanılır
Partner
ELIG Gürkaynak Attorneys-at-Law
Çitlenbik Sokak, No:12
Yıldız Mahallesi 34349
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Faks: + 90 212 327 17 25
www.elig.com

Traducción libre al español – Versión original en inglés

Confidencial y Privilegiado
Comunicación entre abogados

Estimados compañeros:

Por la presente os informamos de que hemos remitido con éxito la notificación de control de concentraciones relativa a la adquisición de control conjunto de Masmovil Ibercom, S.A. ("**Masmovil**" o la "**Empresa Adquirida**") por parte de los fondos gestionados por Cinven Capital Management (VII) General Partner Limited ("**Cinven Capital Management (VII)**"), ("**Seventh Cinven Fund**"), KKR Lorca Aggregator L.P. (el "**Vehículo de KKR"**), una sociedad limitada asesorada o gestionada por filiales de KKR & Co. Inc. ("**KKR**") y EMM Holdings S.à.r.l. y PLT VII MAS S.à.r.l., compañías controladas por fondos asesorados o gestionados por filiales de Providence Equity LLP ("**Providence**") mediante la adquisición de todas las acciones constitutivas del capital social de Masmovil por medio de una oferta pública de adquisición en línea con la legislación española aplicable, ante la Autoridad Turca de Competencia hoy (5 de junio de 2020). El número de registro de la notificación de control de concentraciones es 5277.

Con gusto os mantendremos informados de cualquier novedad.

Atentamente,

Öznur

ELİG
GÜRKAYNAK
Avukatlık Bürosu

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Rekabet Kurumu Başkanlığına
Üniversiteler Mahallesi
1597. Cadde No: 9 Bilkent
Çankaya 06800
ANKARA

5 Haziran 2020

İlişikteki başvuru formu ve ekleri ile Sayın Başkanlığınızın iznine arz edilen devralma işlemine ilişkin bildirim ("***Bildirim***"), Masmovil Ibercom, S.A. ("**Masmovil**" veya "**Hedef**") ortak kontrolünün, Cinven Capital Management (VII) General Partner Limited ("**Cinven Capital Management (VII)**") tarafından yönetilen bir fon ("**Seventh Cinven Fund**"), KKR & Co. Inc. ("**KKR**") iştirakleri tarafından danışmanlık verilen veya yönetilen KKR Lorca Aggregator L.P. ("**KKR Aracı**") ve Providence Equity LLP'nin ("**Providence"**) iştirakleri tarafından danışmanlık verilen veya yönetilen fonlarla kontrol edilen şirketler olan EMM Holdings S.à r.l ve PLT VII MAS S.à r.l. (Seventh Cinven Fund, KKR ve Providence bundan böyle "***Alıcılar***" olarak anılacaktır) tarafından Masmovil'in hisselere bölünmüş sermayesinin tamamının ilgili İspanya hukukuna uygun olarak kamu ihalesi yolu ile devralınması işlemine ("***Bildirilen İşlem***") ilişkindir. Bildirilen İşlem, yeminli Türkçe tercümeleri ile birlikte bildirim formunun **11.1(a) numaralı eki** olarak sunulan Ön Protokol, **11.1(b) numaralı eki** olarak sunulan Taslak Teklif Belgesi ve **11.1(c) numaralı eki** olarak sunulan Bildirilen İşlem için Yetkilendirme Talebi uyarınca gerçekleştirilecektir.

Bildirilen İşlem, 4054 sayılı Rekabetin Korunması Hakkında Kanun'un 7. maddesi uyarınca geçerlilik kazanabilmek için Rekabet Kuruluna bildirilmesi gereken işlemlerden olmakla

Traducción libre del inglés al español – Versión original en turco

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Presidencia de la Autoridad de Competencia
Üniversiteler Mahallesi 1597. Cadde Número: 9
Bilkent Çankaya 06800
ANKARA

5 de junio de 2020

El formulario de notificación adjunto y sus anexos notificados ante la Autoridad Turca de Competencia se refieren a la adquisición de control conjunto de Masmovil Ibercom, S.A. ("**Masmovil**" o la "**Empresa Adquirida**") por parte de los fondos gestionados por Cinven Capital Management (VII) General Partner Limited ("**Cinven Capital Management (VII)**"), ("**Seventh Cinven Fund**"), KKR Lorca Aggregator L.P. (el "**Vehículo de KKR"**), una sociedad limitada asesorada o gestionada por filiales de KKR & Co. Inc. ("**KKR**") y EMM Holdings S.à.r.l. y PLT VII MAS S.à.r.l., compañías controladas por fondos asesorados o gestionados por filiales de Providence Equity LLP ("**Providence**") (Seventh Cinven Fund, KKR y Providence se denominan conjuntamente como los "**Compradores**") mediante la adquisición de todas las acciones constitutivas del capital social de Masmovil por medio de una oferta pública de adquisición (la "**Operación Propuesta**") en línea con la legislación española aplicable. La Operación Propuesta se llevará a cabo de conformidad con el Term Sheet incluido en el Anexo 11.1.(a), el borrador de Oferta incluido en el Anexo 11.1.(b) así como la solicitud de autorización incluida en el Anexo 11.1.(c) del formulario de notificación, junto con sus traducciones juradas al turco.

La Operación Propuesta debe ser notificada al Consejo Turco de la Competencia para ser válida de conformidad con el Artículo 7 de la Ley de Defensa de la Competencia nº 4054, y la Operación Propuesta no puede considerarse contraria al Artículo 7 y en ningún caso restringe

Р е п у б л и к а С р б и ј а
КОМИСИЈА ЗА ЗАШТИТУ КОНКУРЕНЦИЈЕ
Савска улица 25/IV, Београд
Број: 6/0-02-449/2020-7
Датум: 22. јун 2020. године

Председник Комисије за заштиту конкуренције, на основу члана 37. став 2. и члана 65. став 5. Закона о заштити конкуренције („Службени гласник РС“, број 51/09 и 95/13), и члана 2. став 1. тачка 6. Тарифника о висини накнада за послове из надлежности Комисије за заштиту конкуренције („Службени гласник РС“ број 49/11), одлучујући по пријави концентрације број 6/0-02-449/2020-1, коју је дана 5. јуна 2020. године поднело привредно друштво Lorca Telecom BidCo SA, Calle Maldonado 4, Bajo D, 28006 Мадрид, Шпанија, преко пуномоћника адвоката [redacted] из ортачког адвокатског друштва Karanovic & Partners, Ресавска 23, Београд, дана 22. јуна 2020. године, доноси следеће

РЕШЕЊЕ

I ОДОБРАВА СЕ у скраћеном поступку концентрација учесника на тржишту која настаје стицањем непосредне контроле друштва Lorca Telecom BidCo SA, Calle Maldonado 4, Bajo D, 28006 Мадрид, Шпанија, идентификациони код друштва 959800SGG3YM78V08J90, над друштвом MásMóvil S.A., са седиштем на адреси Parque Empresarial Zuatzu, Edificio Easo, 2a planta, San Sebastian, Gipuzkoa, Шпанија, идентификациони код друштва 959800YH56PYMFN7VV80, куповином удела.

II УТВРЂУЈЕ СЕ се да је подносилац пријаве, друштво Lorca Telecom BidCo SA, дана 12. јуна 2020. године уплатио износ од 16.666,67 (шеснаестхиљадашестстотинашездесетседам и 67/100) евра и дана 19. јуна 2020. године износ од 979.850,34 (деветстоседамдесетдеветхиљадаосамстопедесет и 34/100) динара на рачун Комисије за заштиту конкуренције, што укупно одговара прописаном износу за издавање решења о одобрењу концентрације у скраћеном поступку.

Образложење

Привредно друштво Lorca Telecom BidCo SA, Calle Maldonado 4, Bajo D, 28006 Мадрид, Шпанија, идентификациони код друштва 959800SGG3YM78V08J90 (у даљем тексту: Lorca или подносилац пријаве), поднело је дана 5. јуна 2020. године преко пуномоћника пријаву концентрације која је заведена под бројем 6/0-02-449/2020-1 (даље у тексту: пријава). Подносилац пријаве је предложио да Комисија за заштиту конкуренције (у даљем тексту: Комисија) одобри концентрацију учесника на тржишту у скраћеном поступку. Комисији су достављене и допуне пријаве 11. и 17. јуна 2020. године.

Након што је извршен увид у достављену документацију и на основу свих чињеница које проистичу из садржаја поднете пријаве и њене допуне, Комисија је утврдила да је пријава потпуна и поднета у складу са Законом о заштити конкуренције („Службени гласник РС“, број 51/09 и 95/13, у даљем тексту: Закон) и са чланом 3. Уредбе о

садржини и начину подношења пријаве концентрације („Службени гласник РС“, број 05/16). У списима предмета се налази доказ о извршеној уплати, којим се потврђује да је уплаћен прописани износ за издавање акта Комисије, што је утврђено у ставу II диспозитива.

На основу члана 45. Закона подносилац пријаве је поднео Комисији захтев за заштиту одређених података садржаних у пријави концентрације. Комисија је о овом захтеву одлучила посебним закључком о заштити података.

Учесници концентрације

Подносилац пријаве, друштво Lorca, представља друштво посебне намене основано за потребе спровођења предметне трансакције и налази се под посредном заједничком контролом фондова којима управљају друштва Cinven Capital Managment (VII) General Partner Limited, са главним канцеларијама на адреси, Level 4, Mill Court, La Charroterie, St Peter Port, Guernsey GY1 1EJ, број регистрације 65398 (у даљем тексту: Cinven), KKR&Co. Inc., са главним седиштем на адреси 9 West 57th Street, Suite 4200, New York, NY-10019, Сједињене Америчке Државе, регистарски број 4378294 (у даљем тексту: KKR) и Providence Equity LLP, са седиштем на адреси 28 St George Street, London, Уједињено Краљевство, број регистрације OC316278 (у даљем тексту: Providence).

Cinven је европска приватна инвестициона компанија која се бави пружањем услуга управљања инвестицијама и инвестиционим саветовањима већег броја инвестиционих фондова. Cinven инвестира у широк спектар индустрија, са нарочитим фокусом на здравство, технологије, медије и телекомуникације, финансијске услуге, индустријске и пословне услуге, као и на потрошачку робу. Cinven има канцеларије у Лондону, Франкфурту, Паризу, Милану, Мадриду, Guernsey-ju, Луксембургу, Хонг Конгу и Њујорку.

[redacted]

[redacted]

[redacted]

KKR је основан у складу са законима државе Делавер (Сједињене Америчке Државе) као партнерство (KKR & Co. L.P.), које почев од 1. јула 2018. године обавља своје активности као корпорација (KKR & Co. Inc.). Ова промена је извршена ради проширења базе инвеститора, поједностављења структуре KKR-а и олакшања улагања у његове акције. KKR представља глобално инвестиционо друштво које нуди широк асортиман алтернативних фондова и осталих инвестиционих производа инвеститорима и пружа капитална тржишна решења за фирме, њихова портфолио друштва и клијенте. Повезани приватни инвестициони фондови KKR-а инвестирају у друштва у различитим секторима. Свако повезано портфолио друштво KKR-а има сопствени управни одбор, који обично чини један или више представника KKR-а, и послује и финансира се независно од других повезаних портфолио друштава KKR-а. Вршилац контроле над KKR-ом јесте друштво KKR Management LLC.

KKR има велики број зависних друштава у свету која су под његовом крајњом контролом и са којима чини групу друштава (у даљем тексту: KKR група), која представља једног учесника на тржишту у складу са чланом 5. Закона.

KKR је доставио Комисији податке о својим зависним друштвима на дан 27. мај 2020. године, [redacted]

[redacted]

[redacted]

[redacted]

Providence представља крајње матично друштво истоимене групе друштава (у даљем тексту: Providence група). Providence група поседује канцеларије у Њујорку, Бостону, Канзас Ситију и Лондону, а на подручју Северне Америке и Европе специјализована је и активна у областима медија, комуникација, образовања, софтверске и информационе индустрије и у управљању инвестицијама.

[redacted]

Предметном трансакцијом обухваћено је друштво MasMovil S.A., са седиштем на адреси Parque Empresarial Zuatzu, Edificio Easo, 2a planta, San Sebastian, Gipuzkoa, Шпанија, број регистрације 959800YH56PYMFN7VV80 (у даљем тексту: циљно друштво), као и његова зависна друштва. Циљно друштво представља матично друштво MasMovil групе друштава која је претежно у Шпанији активна у пружању телекомуникационих услуга. MasMovil група крајњим корисницима у Шпанији пружа услуге фиксне и мобилне телефоније, као и широкопојасног приступа интернету, а њени главни брендови су Yoigo, MASMOVIL, Pepephone, Llamaya и Lebara. Поред тога, MasMovil група пружа и услуге интерконекције и роминга другим операторима, трговачке услуге клијентима на велепродајном нивоу (међународна терминација позива), као и друге повезане услуге. MasMovil група је и у Португалији активна у пружању телекомуникационих услуга и то у пружању услуга фиксне и мобилне телефоније, широкопојасног приступа интернету и дистрибуције медијског садржаја. Ова група друштава поседује укупно око девет милиона корисника и запошљава преко 900 запослених.

Према наводима у пријави, циљно друштво нема регистрована зависна друштва у Републици Србији, нити на било који други начин остварује приходе на тржишту Републике Србије.

Опис трансакције и акт о концентрацији

Подносилац пријаве, друштва Lorca Telecom, је дана 1. јуна 2020. године Комисији за хартије од вредности Шпаније доставио Добровољну понуду за преузимање акција циљног друштва која је условљена њеним одобрењем. Према наводима подносиоца пријаве, понуда за преузимање је условљена њеним прихватом од стране акционара циљног друштва који поседују најмање 50% његовог акцијског капитала плус једну акцију.

Након спровођења предметне концентрације, циљно друштво ће бити под непосредном контролом подносиоца пријаве.

Услови за подношење пријаве

Из свега наведеног произлази да предметна трансакција представља концентрацију у смислу члана 17. став 1. тачка 2) Закона.

Учесник на тржишту који стиче контролу има обавезу пријаве концентрације у смислу члана 61. Закона, што је утврђено увидом у податке о приходима и у финансијске извештаје учесника концентрације. Узимајући у обзир да у тренутку подношења предметне пријаве релевантни подаци и финансијски извештаји за 2019. годину нису били доступни, подносиоци пријаве су Комисији доставили податке и финансијске извештаје који се односе на 2018. годину. Из података достављених Комисији о укупним приходима група друштава којој припадају подносиоци пријаве у свету и у Републици Србији у 2018. години проистиче да су приходи већи од прописаних износа остварених укупних годишњих прихода из члана 61. став 1. тачка 1) Закона, што значи да је постојала обавеза пријаве предметне концентрације Комисији.

Пријава је поднета у складу са одредбом члана 63. став 1. тач. 1) Закона.

Релевантно тржиште

Релевантно тржиште производа одређено је у складу са чланом 6. Закона и Уредбом о критеријумима за одређивање релевантног тржишта („Службени гласник РС“, бр. 89/2009). Релевантно тржиште производа представља скуп роба/услуга које потрошачи сматрају заменљивим у погледу њиховог својства, уобичајене намене и цене. Релевантно географско тржиште представља територију на којој учесници на тржишту учествују у понуди или потражњи и на којој постоје исти или слични услови конкуренције, а који се битно разликују од услова конкуренције на суседним територијама.

О активностима подносиоца пријаве, као и његових матичних група друштава било је речи у претходном делу образложења.

Циљно друштво је на велепродајном и малопродајном нивоу активно у пружању услуга фиксне и мобилне телефоније и широкопојасног приступа интернету, и у дистрибуцији медијског садржаја на малопродајном нивоу претежно у Шпанији, као и у и Португалији.

Узимајући у обзир својства, намену и цену предметног скупа роба/услуга, односно пословне активности учесника у концентрацији, а нарочито циљног друштва, као и своју досадашњу праксу, Комисија је за потребе оцене ефеката предметне концентрације дефинисала следећа релевантна тржишта производа:

1. малопродајно тржиште пружања услуге фиксне телефоније,
2. велепродајно тржиште пружања услуге фиксне телефоније,
3. малопродајно тржиште пружања услуга фиксног широкопојасног приступа интернету,
4. велепродајно тржиште пружања услуга фиксног широкопојасног приступа интернету,
5. малопродајно тржиште пружања услуга мобилних телекомуникација,
6. велепродајно тржиште пружања услуга мобилних телекомуникација, и

7. малопродајно тржиште пружања услуга дистрибуције медијског садржаја.

Приступ јавној телефонској мрежи на фиксној локацији у Републици Србији може се остварити коришћењем следећих прикључака: аналогног прикључка (POTS), ISDN прикључка, бежичног претплатничког прикључка (FWA – CDMA), IP прикључка, и прикључка путем кабловских мрежа.

Услуге фиксног широкопојасног приступа интернету у Републици Србији доступне су коришћењем следећих врста приступа: приступ коришћењем xDSL технологије преко бакарне парице, приступ путем мобилних мрежа за услуге преноса података уговорене као појединачне услуге, одвојено од говорне услуге (претплате за data картице, за USB модем/dongle, за таблете и сл.), бежични приступ (CDMA, WiMAX, WiFi), приступ преко кабловске мреже KDS оператора, приступ преко изнајмљених линија, приступ путем оптичких каблова. Комисија сматра да у овом предмету није неопходно дефинисати посебно тржиште мобилног широкопојасног приступа приступа интернету, имајући у виду ефекте предметне концентрације.

Дистрибуција медијског садржаја се односи на пружање услуга путем кабловске мреже (KDS), јавне фиксне телефонске мреже (IPTV), сателитске мреже (DTH), технологије дистрибуције мултимедијалног садржаја путем интернета (OTT), бежичне мреже (MMDS) и дигиталне терестријалне мреже (DTT). Са развојем дигиталних технологија, ширењем доступног протока и трендом конвергенције у телекомуникацијама (могућност коришћења различитих технологија за суштински исте циљеве, односно слање електронске дигиталне информације од једне до друге тачке), медијски садржај је могуће доставити претплатницима користећи широк спектар различитих дигиталних технологија.

Мобилне телекомуникационе (телефонијске) услуге обухватају услуге мобилне телефоније (национални и међународни говорни *pre-paid* и *post-paid* позиви, SMS, MMS и друге врсте порука), мобилне услуге преноса података преко мобилне мреже, као и услуге међународног роминга.

За потребе оцене предметне концентрације, Комисија је релевантно географско тржиште у складу са својом надлежношћу дефинисала као територију Републике Србије.

Оцена ефеката концентрације

Приликом оцене ефеката предметне концентрације, Комисија је констатовала да учесници у концентрацији нису присутни на дефинисаним релевантним тржиштима производа у Републици Србији.

На основу наведеног, Комисија је закључила да спровођење предметне концентрације неће довести до хоризонталних преклапања нити ће проузроковати негативне вертикалне ефекте на дефинисаним релевантним тржиштима производа у Републици Србији. Имајући у виду све претходно наведено, Комисија је закључила да не постоји забринутост у погледу било ког критеријума за оцену дозвољености концентрације из чл. 19. Закона. Из тог разлога је одлучено као у ставу I диспозитива овог решења.

Одлука у ставу II диспозитива донета је применом члана 65. став 5. Закона и члана 2. став 1. тачке 6. Тарифника о висини накнада за послове из надлежности Комисије за заштиту конкуренције, а на основу оствареног прихода учесника у концентрацији и са њима повезаних учесника на тржишту у обрачунској години која претходи години у којој је концентрација пријављена.

Упутство о правном средству:

Ово решење је коначно у управном поступку и против њега се може покренути управни спор подношењем тужбе Управном суду у Београду, Немањина 9, у року од 30 дана од дана достављања решења.

За подношење тужбе плаћа се судска такса у износу од 390 динара прописана Законом о судским таксама ("Службени гласник РС", бр. 28/1994, 53/1995, 16/1997, 34/2001 - др. закон, 9/2002, 29/2004, 61/2005, 116/2008 - др. закон 31/2009, 101/2011, 93/2012, 93/2014, 106/2015 и 95/2018).

ПРЕДСЕДНИК КОМИСИЈЕ

Небојша Перић

República de Serbia

COMISIÓN PARA LA PROTECCIÓN DE LA COMPETENCIA

Savska 25/IV, Belgrado

N.º 6/0-02-449/2020-7

Fecha: 22 de junio de 2020

En virtud del artículo 37, párrafo 2 y del artículo 65, párrafo 5 de la Ley para la Protección de la Competencia ("Diario Oficial de la República de Serbia" números 51/09 y 95/13) y del artículo 2, párrafo 1, apartado 1 de la Decisión sobre las Tasas Aplicables por las Actividades dentro de las Competencia de la Comisión para la Protección de la Competencia ("Diario Oficial de la República de Serbia" número 49/11), resolviendo sobre la notificación de concentración número 6/0-02-449/2020-1, notificada el 5 de junio de 2020 por Lorca Telecom BidCo, S.A., Calle Maldonado 4, Bajo D, 28006, Madrid, España, a través de la abogada, [redacted] abogada de "Karanović & Partners" Law Firm Partnership, Nº. 23, Resavska, Belgrado, el 22 de junio de 2020 el Presidente de la Comisión para la Protección de la Competencia adopta la presente:

DECISIÓN

I. La concentración de empresas resultante de la adquisición de control directo por parte de Lorca Telecom BidCo, S.A., Calle Maldonado 4, Bajo D, 28006, Madrid, España, con código LEI 959800SGG3YM78V08J90, de MásMóvil, S.A., con domicilio social en Parque Empresarial Zuatzu, Edificio Easo, 2ª planta, San Sebastián, Guipúzcoa, España, con código LEI 959800YH56PYMFN7VV80, mediante la adquisición de acciones – **SE APRUEBA POR LA PRESENTE** a través del procedimiento abreviado.

II. **POR LA PRESENTE SE DECLARA** que la notificante, Lorca Telecom BidCo, S.A., abonó con fecha 12 de junio de 2020 la cantidad de 16,666.67 (en palabras: dieciséis mil seiscientos sesenta y seis con sesenta y siete céntimos) euros y, el 19 de junio de 2020, la cantidad de 979,850.34 (en palabras, novecientos setenta y nueve mil ochocientos cincuenta y treinta y cuatro céntimos) dinares a la cuenta de la Comisión para la Protección de la Competencia, lo que equivale en total a la cantidad establecida para la concesión de la autorización de la concentración en el procedimiento abreviado.

Motivación

El 5 de junio de 2020, Lorca Telecom BidCo, S.A., Calle Maldonado 4, Bajo D, 28006 Madrid, España, con código LEI 959800SGG3YM78V08J90 (en adelante: Lorca o la notificante), presentó a través de abogado la notificación de la concentración nº 6/0-02-449/2020-1 (en adelante: la notificación). La notificante solicitó a la Comisión para la Protección de la Competencia (en adelante: la Comisión) la aprobación de la concentración entre las empresas a través del procedimiento abreviado. Se presentaron anexos a la notificación el 11 y 17 de junio de 2020.

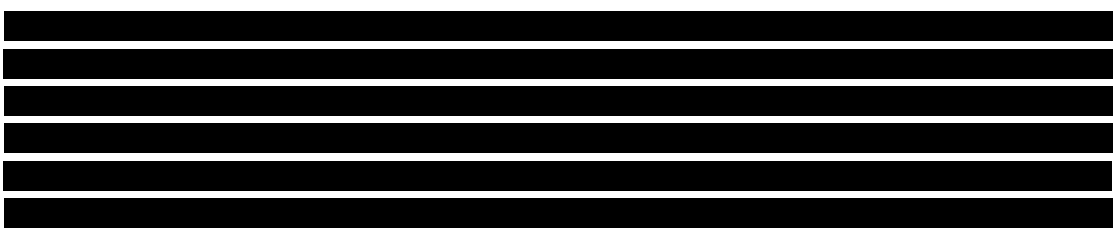
Tras el examen de la documentación presentada y sobre la base de todos los hechos derivados de la notificación y sus anexos, la Comisión estableció que la notificación es completa y ha sido presentada de conformidad con la Ley de Protección de la Competencia ("Diario Oficial de la República de Serbia", números 51/09 y 95/13 - en adelante: la Ley) y el artículo 3 del Reglamento sobre el Contenido y la Forma de Presentación de Notificaciones de Concentraciones ("Diario Oficial de la República de Serbia" número 5/16). El expediente del asunto incluye el comprobante del pago de la tasa de notificación, que confirma que el importe establecido de la tasa para la adopción de la decisión de la Comisión ha sido debidamente abonado, como se indica en el párrafo II del resumen de la decisión.

De conformidad con el artículo 45 de la Ley, el notificante presentó a la Comisión la solicitud de protección de cierta información contenida en la notificación. La Comisión decidió sobre esta petición mediante una Conclusión separada sobre la protección de la información confidencial.

Partes de la Concentración

La notificante, la sociedad Lorca, es un vehículo de inversión constituido con el fin de implementar la operación en cuestión, que se encuentra bajo el control conjunto indirecto de los fondos gestionados por Cinven Capital Management (VII) General Partner Limited, con domicilio social en Level Four, Mill Court, La Charroterie, St Peter Port, Guernsey GY1 1EJ, con número de registro: 65398 (en adelante: Cinven), KKR & Co. Inc., con domicilio social en 9 West 57th Street, Suite 4200, New York, NY 10019, Estados Unidos, con número de registro: 4378294 (en adelante: KKR), y Providence Equity LLP, con domicilio social en 28 St George Street, Londres, Reino Unido, con número de registro: OC316278 (en adelante: Providence).

Cinven es una compañía europea de *private equity* que se dedica a la prestación de servicios de gestión y asesoramiento de inversiones a una serie de fondos de inversión. Cinven invierte en una amplia gama de industrias, incluyendo la salud, la tecnología, los medios de comunicación y las telecomunicaciones, los servicios financieros, los servicios industriales y comerciales, así como los bienes de consumo. Cinven tiene oficinas en Londres, Frankfurt, París, Milán, Madrid, Guernsey, Luxemburgo, Hong Kong y Nueva York.



[redacted]

KKR fue constituida de acuerdo con las leyes del estado de Delaware (Estados Unidos de América) en forma de entidad (*partnership*) (KKR & Co. L.P.), y desde el 1 de julio de 2018 lleva a cabo sus actividades comerciales en forma de sociedad (*corporation*) (KKR & Co. Inc.). Este cambio se realizó con el fin de ampliar la base de los inversores, simplificar la estructura del KKR y facilitar las inversiones en sus acciones. KKR es una compañía de inversiones de alcance mundial, que ofrece un amplio abanico de fondos de activos alternativos y otros productos de inversión a inversores y proporciona soluciones relativas a los mercados de capitales para empresas, sus empresas de cartera y clientes. Los fondos de capital privado afiliados a KKR invierten en sociedades de muy variados sectores. Cada sociedad de cartera afiliada a KKR tiene su propio consejo de administración, que normalmente incluye a uno o más representantes de KKR, y es operada y financiada independientemente de otras sociedades de cartera afiliadas a KKR. KKR Management LLC ejerce el control sobre KKR.

KKR cuenta con un gran número de filiales en el mundo que están bajo su control último y con las que forma un grupo de sociedades (en adelante: el grupo KKR) que constituye una única empresa de conformidad con el artículo 5 de la Ley.

KKR ha presentado a la Comisión información sobre sus sociedades filiales a fecha 27 de mayo de 2020, [redacted]

[redacted]

[redacted]

Providence es la sociedad matriz cabecera del grupo de empresas que lleva el mismo nombre (en adelante: el Grupo Providence). El Grupo Providence tiene oficinas en Nueva York, Boston, Kansas City y Londres, y en toda América del Norte y Europa está especializado y opera en las industrias de medios de comunicación, comunicaciones, educación, software y servicios de información y en la gestión de inversiones.

[redacted]

La operación en cuestión concierne a MasMovil, S.A. con domicilio social en Parque Empresarial Zuatzu, Edificio Easo, 2ª planta, San Sebastián, Guipúzcoa, España, con código LEI 959800YH56PYMFN7VV80 (en adelante: la empresa adquirida), así como sus filiales. La empresa adquirida es la sociedad matriz del grupo de empresas Masmovil, que está predominantemente activo en España en la prestación de servicios de telecomunicaciones. El Grupo Masmovil ofrece a los usuarios finales en España servicios de telefonía fija, móvil y banda ancha, siendo sus principales marcas: Yoigo, MÁSMÓVIL, Pepephone, Llamaya y Lebara. Además, Masmovil ofrece servicios de interconexión e itinerancia a otros operadores, servicios de *trading* a clientes mayoristas

(es decir, terminación de llamadas internacionales) y otros servicios relacionados. El Grupo Masmovil también está activo en Portugal en la prestación de servicios de telecomunicaciones, es decir, servicios de telefonía fija, móvil, internet de banda ancha y distribución de contenidos multimedia. Este grupo de empresas cuenta con alrededor de nueve millones de usuarios y más de 900 empleados.

Según la notificación, la empresa adquirida no tiene filiales registradas en la República de Serbia y no ha generado ingresos en el mercado de la República de Serbia de ninguna otra manera.

Descripción de la Operación y la Ley de Concentración

El 1 de junio de 2020, la notificante, Lorca Telecom, presentó ante la Comisión Nacional del Mercado de Valores de España la oferta pública voluntaria de adquisición para la adquisición de acciones de la empresa adquirida, que está sujeta a su aprobación. Según la notificante, la oferta está sujeta a su aceptación por un número de accionistas de la sociedad adquirida que posean al menos el 50 % de su capital social más una acción.

Después de la ejecución de la concentración objeto del presente procedimiento, la empresa adquirida estará bajo el control directo de la notificante.

Condiciones para presentar la notificación

De conformidad con lo anterior, la operación supone una concentración de acuerdo con el artículo 17, párrafo 1, apartado 2, de la Ley.

La empresa que adquiere el control está obligada a presentar la notificación de concentración de conformidad con el artículo 61 de la Ley, como se ha concluido sobre la base de la revisión de la información sobre la facturación y los informes financieros de las partes de la concentración. Teniendo en cuenta que, en el momento de la presentación de la notificación, no se disponía de la información y estados financieros relativos al 2019, las notificantes presentaron a la Comisión la información y los estados financieros correspondientes a 2018. De acuerdo con la información presentada a la Comisión sobre los ingresos totales de los grupos de sociedades a los que pertenecen las partes notificantes, en todo el mundo y en la República de Serbia en 2018, se concluye que los ingresos superan los umbrales de ingresos anuales totales obtenidos establecidos en el artículo 61, párrafo 1, apartado 1), de la Ley, lo que significa que la presentación de la notificación de concentración ante la Comisión era obligatoria.

La notificación se presentó de conformidad con el artículo 63, párrafo 1, apartado 1) de la Ley.

Mercado relevante

El mercado relevante de producto se determina de conformidad con el Artículo 6 de la Ley y el Reglamento sobre los Criterios para Determinar el Mercado Relevante (“Diario Oficial de la República de Serbia”, número 89/09). El mercado de producto relevante

comprende todos los productos y/o servicios que los clientes consideran intercambiables o sustituibles en función de sus características, precios y uso previsto. El mercado relevante desde el punto de vista geográfico comprende el área en el que las empresas participan en la oferta y la demanda, y en el que las condiciones de competencia son iguales o similares, y significativamente diferentes de las condiciones de competencia en las zonas vecinas.

Las actividades de la notificante, así como de sus grupos de empresas matrices, se describen anteriormente.

La empresa adquirida está, a nivel mayorista y minorista, activa en la prestación de servicios relacionados con la telefonía fija y móvil, el acceso a Internet de banda ancha y en la distribución de contenidos multimedia a nivel minorista, principalmente en España y Portugal.

Teniendo en cuenta las características de los productos y servicios, sus precios y su uso previsto, es decir, sobre la base de las actividades comerciales de las partes de la concentración y, en particular, de la empresa adquirida, así como de sus precedentes, la Comisión ha definido, a efectos de la evaluación de los efectos de la concentración en cuestión, los siguientes mercados de productos pertinentes:

1. Prestación minorista de servicios de telefonía fija,
2. Prestación mayorista de servicios de telefonía fija,
3. Prestación minorista de servicios fijos de acceso a Internet de banda ancha,
4. Prestación mayorista de servicios fijos de acceso a Internet de banda ancha,
5. Prestación minorista de servicios de telecomunicaciones móviles,
6. Prestación mayorista de servicios de telecomunicaciones móviles, y
7. Prestación minorista de distribución de servicios de contenido multimedia.

El acceso a la red de telefonía pública en una ubicación fija en la República de Serbia se puede lograr a través de los siguientes puntos de conexión: conexión analógica (POTS), conexión RDSI, conexión inalámbrica (FWA - CDMA), conexión IP y conexión a través de las redes de cable.

Los servicios de acceso a Internet de banda ancha fija en la República de Serbia están disponibles a través de los siguientes tipos de acceso: acceso a través de la tecnología xDSL a través de cable de cobre, acceso a través de redes móviles para la transmisión de servicios de datos como servicios independientes, por separado del servicio de voz (suscripción para tarjetas de datos, para módem USB/dongle, para sobremesa, etc.), acceso inalámbrico (CDMA, WiMAX, WiFi), acceso a través de la red de cable de los operadores KDS, acceso a través de circuitos alquilados, acceso a través de cables ópticos. La Comisión considera que, en el presente caso, no es necesario definir un mercado separado para los servicios de acceso a Internet de banda ancha móvil teniendo en cuenta los efectos de la concentración en cuestión.

La distribución de contenidos multimedia se refiere a la prestación de servicios a través de la red de cable (KDS), la red pública de telefonía fija (IPTV), la red de satélite (DTH), la tecnología de distribución de contenido multimedia a través de internet

(OTT), la red inalámbrica (MMDS) y la red digital terrestre (TDT). Con el desarrollo de las tecnologías digitales, que amplía el flujo disponible y debido a la tendencia a la convergencia en las telecomunicaciones (posibilidad de utilizar diferentes tecnologías para, en esencia, los mismos fines, es decir, el envío de información digital electrónica de un punto a otro), es posible proporcionar contenido multimedia a los suscriptores a través de una amplia gama de diferentes tecnologías digitales.

Los servicios de telecomunicaciones móviles (telefonía) incluyen servicios de telefonía móvil (llamadas de prepago y postpago de voz nacionales e internacionales, SMS, MMS y otros tipos de mensajes), servicios relacionados con la transmisión móvil de datos a través de la red móvil, así como servicios de itinerancia internacional.

A efectos del análisis de la concentración objeto de este procedimiento, la Comisión ha definido el mercado geográfico relevante, de acuerdo con sus competencias, como el territorio de la República de Serbia.

Evaluación del efecto de la concentración

Durante el proceso de evaluación de los efectos de la concentración objeto del presente procedimiento, la Comisión determinó que las partes de la concentración no están presentes en los mercados de producto relevantes definidos en la República de Serbia.

Sobre la base de lo indicado, la Comisión ha llegado a la conclusión de que la aplicación de la concentración objeto del presente procedimiento no dará lugar a solapamientos horizontales ni causará efectos verticales negativos en los mercados de producto relevantes definidos en la República de Serbia. Teniendo en cuenta todo lo mencionado anteriormente, la Comisión ha establecido que no existen objeciones con respecto a ninguno de los criterios de evaluación de la admisibilidad de la concentración estipulados en el artículo 19 de la Ley. Por este motivo, se ha tomado una decisión en el sentido de lo indicado en el párrafo I del resumen de la presente Decisión.

La Decisión especificada en el párrafo II del resumen de la decisión se adoptó de conformidad con el artículo 65, párrafo 5, de la Ley y en el artículo 2, párrafo 1, apartado 6 de la Decisión sobre Tasas Aplicables por las Actividades dentro de la Competencia de la Comisión para la Protección de la Competencia, sobre la base de los ingresos obtenidos por las partes de la concentración y sus empresas vinculadas en el ejercicio contable anterior al año en que se notificó la concentración.

Indicación respecto a recursos disponibles:

La presente Decisión es final en el procedimiento administrativo y puede ser recurrida en un proceso administrativo presentando un recurso ante el Tribunal Administrativo, Nº. 9, Nemanjina St., dentro de los 30 días siguientes a la recepción de la Decisión.

Se debe pagar una tasa judicial por un importe total de 390,00 RSD por la presentación de un recurso y está recogida en la Ley de Tasas Judiciales (“Diario Oficial de la República de Serbia”, número 28/1994, 53/1995, 16/1997, 34/2001 – otra ley, 9/2002, 29/2004, 61/2005, 116/2008 - otra ley, 31/2009, 101/2011, 93/2012, 93/2014, 106/2015 y 95/2018).

EL PRESIDENTE DE LA COMISIÓN

Nebojša Perić

[Firma]

[Sello]: REPÚBLICA DE SERBIA, BELGRADO, COMISIÓN PARA LA PROTECCIÓN DE LA COMPETENCIA

רשות התחרות

ירושלים, י"ט סיון, תש"ף
11 יוני, 2020

מזג: 2020-090580

בדוא"ל:

[redacted]

לכבוד

[redacted]
תדמור לוי ושות'

הנדון: <u>החלטה על מיזוג חברות</u>

מצ"ב החלטת הממונה על התחרות בהתאם לסעיף 20 (ב) לחוק התחרות הכלכלית התשמ"ח – 1988, בדבר המיזוג בין החברות הבאות:

Providence Equity LLP

KKR & Co. Inc

Seventh Cinven Fund (No.1) Limited Partnership

MasMovil Ibercom, S.A

בכבוד רב,

אנג'לה טטרואשווילי
מנהלת לשכת הממונה

competition.gov.il
טלפון: 02-5458503/4
כתובת: עם ועולמו 4, ת.ד 34281
ירושלים 9134102
פקס: 02-5458555

רשות התחרות

החלטה בתיק מזג 2020-090580:

Providence Equity LLP
KKR & Co. Inc
Seventh Cinven Fund (No.1) Limited Partnership
MasMovil Ibercom, S.A

בהתאם לסעיף 20 (ב) לחוק התחרות הכלכלית, התשמ"ח – 1988, ולאחר התייעצות עם הועדה לפטורים ולמיזוגים, אני מודיעה על הסכמתי לאישור המיזוג בין החברות במפורט להלן:[1]

מספר התיק	שמות החברות המתמזגות
מזג 2020-090580	Providence Equity LLP KKR & Co. Inc Seventh Cinven Fund (No.1) Limited Partnership MasMovil Ibercom, S.A

מיכל הלפרין
הממונה על התחרות

ירושלים, י"ט סיון, תש"ף
11 יוני, 2020

[1] אישור זה לבקשת המיזוג, ניתן על-פי הנתונים שהוגשו לממונה ואין בו משום מתן הכשר או אישור, מבחינת דיני התחרות, לכל פעולה אחרת זולת ביצוע המיזוג לבדו, על-פי הבקשה באמור. כמו כן, אין באישור זה משום מתן אישור או הכשר לכל מיזוג קודם שבוצע - אם בוצע - בין צד למיזוג זה לבין צד שלישי, ללא אישור כדין, ואין בו בדי למנוע מהממונה על התחרות (להלן הממונה) לנקוט בכל הליך בנגד צד באמור, על פי החוק.
האישור ניתן על בסיס ההנחה כי הצדדים למיזוג הביאו לידיעת רשות התחרות את הנתונים הנכונים והמלאים הקשורים בעסקת המיזוג, הן במישרין והן בעקיפין, לרבות כל המידע בדבר ההסדרים הקיימים בין הצדדים למיזוג, גופים השולטים במי מהם, גופים בשליטת מי מהם או כל גוף קשור אחר, או בין מי מאלה לבין גופים בתחרות עם צד למיזוג או גוף אחר כאמור.
כל הבנה, מצג, או הסכמה, בכתב או בעל-פה, בין הצדדים לבין הממונה, שקדמו למתן אישור זה - בטלים, והאמור באישור זה ממצה את כל אשר הוסכם, בכל שהוסכם, בקשר למתן האישור; הכל - למעט הסכמה של צד או של צדדים למיזוג לתנאים שנקבעו, אשר תעמוד בתוקפה גם לאחר אישור המיזוג.
תוקף האישור לתקופה של עד שנה או עד להשלמת ביצוע העסקה, לפי המוקדם.
אין באישור זה משום היתר או מתן פטור לכל בבילה שבהסכם המיזוג, ואין בו היתר להפעלת כל אופציה או זכות דומה נוספת, אף אם מי מאלה כלולות בהסכם המיזוג, זולת ככל שצוין במפורש באישור.
אין באישור זה כדי לשנות או לגרוע מהוראות חוק התחרות הכלכלית, התשמ"ח-1988, או מכל תנאי, הוראה, צו או חיוב אחר שחל על מי מהצדדים למיזוג מכוח דיני התחרות.
כל אדם העלול להיפגע מן המיזוג, איגוד עסקי או ארגון צרכנים רשאים להגיש ערר על החלטה זו תוך 30 ימים מיום שההודעה על ההחלטה פורסמה בשני עיתונים יומיים. הגשת ערר על עצם ההחלטה או הגשת ערר על תנאי מתנאיה משמעה שבית הדין רשאי לאשר את החלטת הממונה, לבטלה או לשנותה.

competition.gov.il
טלפון: 02-5458503/4
כתובת: עם עולמו 4, ת.ד 34281
ירושלים 9134102
פקס: 02-5458555

Autoridad de Competencia

Jerusalén
11 de junio de 2020

Referencia: 09580-2020
Por correo electrónico:
[redacted]

Destinado a:

[redacted]

Tadmor-Levy & Co.,
Attorneys at Law

Asunto: <u>Resolución relativa a la concentración de empresas</u>

Se adjunta resolución del Comisario de Competencia, de conformidad con la Sección 20(b) de la Ley de Competencia Económica, 5748-1988, sobre la concentración de las siguientes empresas:

Providence Equity LLP

KKR & Co. Inc

Seventh Cinven Fund (No.1) Limited Partnership

MasMovil Ibercom, S.A

Atentamente,

Angela Tatruashvli

Directora de la Oficina del Comisario de Competencia

Autoridad de Competencia

Resolución en el expediente de concentración 09580-2020:

Providence Equity LLP
KKR & Co. Inc
Seventh Cinven Fund (No.1) Limited Partnership
MasMovil Ibercom, S.A

De conformidad con la sección 20(b) de la Ley de Competencia Económica 5748-1988, y tras consultar al Comité de Concentraciones y Exenciones, por la presente, anuncio mi conformidad a la autorización de la concentración de las siguientes empresas:[1]

Número de expediente	Nombre de las empresas
Concentración 09580-2020	Providence Equity LLP KKR & Co. Inc Seventh Cinven Fund (No.1) Limited Partnership MasMovil Ibercom, S.A

Michal Halperin
[firma]
El Comisario de Competencia

Jerusalén
11 de junio de 2020

[1] Esta autorización de concentración se ha realizado sobre la base de la información remitida al comisario y no autoriza o aprueba, desde un punto de vista de derecho de la competencia, ninguna otra acción distinta de la concentración misma, de conformidad con la solicitud de autorización. Asimismo, esta autorización no aprueba o autoriza ninguna concentración entre cualquiera de las partes de esta concentración y un tercero al procedimiento sin que medie la correspondiente autorización exigida por ley y esta autorización tampoco evita que se inicie ningún procedimiento por parte del comisario contra ese tercero, en virtud de la legislación aplicable.
Esta autorización se otorga bajo la asunción de que las partes han aportado a esta Autoridad de Competencia información correcta y completa relativa a la operación de concentración, incluyendo directa e indirectamente, todos los datos relativos a la existencia de acuerdos entre las partes de la concentración, entidades controladas por éstas o cualquiera de sus filiales o entre estas entidades y otras que compitan con una parte de la operación o con otra.
Cualquier entendimiento, presentación o consentimiento, ya sea por escrito o verbal, entre las partes y el Comisario que precedan a la presente autorización son nulos y la presente autorización concluye todo lo que ha sido acordado, caso de haberse acordado algo, en relación con la autorización.
Esta autorización es válida durante un periodo de un año o hasta que se cierre la operación, lo que antes suceda. Esta autorización no contiene ninguna autorización o exención relativa a ninguna restricción presente en el acuerdo de concentración y no autoriza la ejecución de ninguna opción o derecho similar, incluso aunque estos se mencionen en el acuerdo de concentración, salvo que se recoja explícitamente en la propia autorización.
Esta autorización no altera o deroga los artículos de la Ley de Competencia Económica de 1988 ni ninguna condición, orden, decreto o cualquier deber que resulte de aplicación a las partes de la concentración en virtud del derecho de la competencia. Cualquier persona a la que se le pueda causar un daño por la concentración, asociación sectorial u organización de consumidores podrá presentar un recurso a esta decisión en el plazo de 30 días desde la fecha de su anuncio cuando se haya publicado en dos periódicos de tirada diaria. La presentación de un recurso contra la autorización o contra una de las condiciones que la misma establezca significa que el tribunal de competencia podrá autorizar la decisión del comisario, anularla o modificarla.

RESOLUCIÓN DE LA SECRETARÍA DE ESTADO DE TELECOMUNICACIONES E INFRAESTRUCTURAS DIGITALES POR LA QUE SE AUTORIZA LA TRANSFERENCIA, POR ASUNCIÓN DEL CONTROL EFECTIVO DE MASMOVIL IBERCOM S.A. Y DE SUS FILIALES, DE LOS TÍTULOS HABILITANTES DE DERECHOS DE USO PRIVATIVO DE DOMINIO PÚBLICO RADIOELECTRICO DE ESTAS ENTIDADES, A FAVOR DE LORCA TELECOM BIDCO S.A.U.

ANTECEDENTES DE HECHO

Primero.- Xfera Móviles, S.A.U. (NIF A-82528548), está participada directamente en un 100% por MasMovil Ibercom S.A. (NIF A-20609459), y es titular de las siguientes concesiones de derechos de uso privativo del dominio público radioeléctrico para la prestación de servicios de comunicaciones electrónicas en bandas armonizadas:

- 3 concesiones en la banda de 1,800 MHz, otorgadas con fecha de 15 de junio de 2011 (DGZZ-1104638, DGZZ-1104639 y DGZZ-1104640);
- 1 concesión en la banda de 2,1 GHz, otorgada el 18 de abril de 2000 (M ZZ-0020006);
- 4 concesiones en la banda de 2,6 GHz, otorgadas el 30 de julio de 2014 (DGZZ-1400278, DGZZ-1400279, DGZZ-1400280 y DGM -1400281);
- 2 concesiones en la banda de 3,4-3,8 GHz, otorgadas el 18 de abril de 2000 (M ZZ-0020008 y M ZZ-0020009).

Segundo.- MasMovil Ibercom S.A. y sus filiales disponen de títulos habilitantes de derechos de uso privativo del dominio público radioeléctrico en bandas de frecuencias atribuidas a la prestación de servicio fijo de banda ancha.

Tercero.- Con fecha 2 de junio de 2020, se ha recibido en el Ministerio de Asuntos Económicos y Transformación Digital, escrito de D. Miguel Segura Martín con DNI número 51101457-B y de D. Jorge Lluch Pauner con DNI número 53623708-J, en nombre y representación de LORCA

TELECOM BIDCO, S.A.U. (Lorca Telecom) con NIF A-88585906, en el que se pone de manifiesto la intención de Lorca Telecom de adquirir el 100% del capital social de MásMóvil Ibercom, S.A., y por el que se solicita la autorización prevista en el artículo 73 del Reglamento sobre el uso del dominio público radioeléctrico, aprobado por el Real Decreto 123/2017, de 24 de febrero, ya que dicha adquisición supondría la asunción del control efectivo de la sociedad MasMovil Ibercom S.A. y sus filiales, titulares de los derechos de uso privativo del dominio público radioeléctrico enumerados en los antecedentes primero y segundo.

FUNDAMENTOS DE DERECHO

Primero.- El artículo 67 de la Ley 9/2014, de 9 de mayo, General de Telecomunicaciones, permite el mercado secundario de los títulos habilitantes de uso del dominio público radioeléctrico y de los derechos a los que habilita, si bien remite a norma reglamentaria la fijación de las condiciones para que se autorice por la Administración de las telecomunicaciones.

Segundo.- El Título VI del Reglamento sobre el uso del dominio público radioeléctrico, aprobado por el Real Decreto 123/2017, de 24 de febrero, (en adelante, el Reglamento), regula el "Mercado secundario del espectro", estableciendo en su Capítulo I las disposiciones generales por las que han de regirse los negocios jurídicos relativos al mercado secundario del espectro.

El artículo 66 establece que "Todo negocio jurídico relativo al mercado secundario del espectro debe ser autorizado previamente por el Ministerio de Asuntos Económicos y Transformación Digital o por la Secretaría de Estado de Telecomunicaciones e Infraestructuras Digitales, según corresponda. El negocio jurídico de transferencia, de cesión, de mutualización o de provisión de servicios mayoristas relevantes efectuado que no hubiera obtenido dicha autorización administrativa previa será nulo de pleno derecho y se tendrá por no celebrado".

Tercero.- De entre las diversas modalidades de negocios jurídicos que se celebran en el mercado secundario del espectro, según el artículo 65.2 del Reglamento, se encuentra la

transferencia de títulos habilitantes para el uso privativo del dominio público radioeléctrico. A su vez, el artículo 71.1 del Reglamento establece que “En la transferencia de títulos habilitantes para el uso privativo del dominio público radioeléctrico se transmite la titularidad del título habilitante y, en consecuencia, se transmite la totalidad de los derechos de uso privativo del dominio público radioeléctrico derivados del título, por todo el periodo de tiempo que reste de vigencia y en todo el ámbito geográfico del título”.

Más en concreto, el artículo 71.4 del Reglamento configura como uno de los supuestos en los que existe transferencia de títulos habilitantes para el uso privativo del dominio público radioeléctrico “cuando se transmita el cien por cien de las acciones o participaciones de la entidad que sea titular del título habilitante o de un porcentaje menor que suponga alteración de su control efectivo”.

Cuarto.- El artículo 71.2 del Reglamento establece que “La transferencia podrá autorizarse para cualquier título habilitante para el uso del dominio público radioeléctrico sin más limitaciones que las establecidas en este reglamento”.

Quinto.- La transmisión del 100% de las acciones de MásMóvil Ibercom, S.A supondría la asunción de su control efectivo y traería indirectamente como consecuencia la asunción del control efectivo de sus filiales, incluida Xfera Móviles S.A.U., y por tanto, debe ser autorizada como transferencia de títulos habilitantes para el uso privativo del dominio público radioeléctrico, conforme a lo señalado en el artículo 71.4 del Reglamento sobre el uso del dominio público radioeléctrico.

Por todo ello, en virtud de lo establecido en el artículo 71.4.a) del Reglamento, resulta necesaria la previa autorización de la transferencia de los títulos habilitantes de derechos de uso privativo del dominio público radioeléctrico enumerados en los antecedentes primero y segundo, en la medida en que el cambio accionarial en MásMóvil Ibercom, S.A., implica que LORCA TELECOM BIDCO, S.A.U. asuma el control efectivo de MásMóvil Ibercom, S.A. y sus filiales, titulares de los títulos mencionados previamente.

Sexto.- El capítulo II del Título VI del Reglamento regula, con carácter específico, el procedimiento administrativo de autorización de la transferencia y los derechos y obligaciones de transmitente y adquirente.

Así, el artículo 72.1 del Reglamento dispone que el nuevo titular se subrogará en todos los derechos y obligaciones del anterior titular, derivados del título a transferir.

Se ha comprobado que LORCA TELECOM BIDCO S.A.U. ha presentado toda la documentación exigida y cumple todos los requisitos y condiciones que, de acuerdo con el Reglamento sobre el uso del dominio público radioeléctrico, resultan exigibles al nuevo titular y que no existe ninguna de las causas de denegación de las solicitudes de autorización a las que se refiere el artículo 70 de dicho Reglamento. En particular, se ha comprobado que ni LORCA TELECOM BIDCO, S.A.U. ni sus accionistas últimos al margen de la existencia de sociedades intermedias, Providence Equity GP VII-A L.P., KKR Associates Europe V SCSp., Cinven Capital Management (VII) Limited Partnership Incorporated, son titulares de derechos de uso privativo de dominio público radioeléctrico en bandas de frecuencias en las que se hayan establecido límites a la cantidad de derechos de uso del dominio público radioeléctrico por un mismo titular, ni son accionistas en otros operadores distintos de MásMóvil Ibercom, S.A. y sus filiales, titulares de derechos de uso privativo de dominio público radioeléctrico en bandas de frecuencias en las que existan dichos límites, por lo que en ningún caso se produce superación de los límites citados ni la situación de acaparamiento de derechos de uso a la que se refiere la letra b) de dicho artículo 70.

Asimismo, se ha comprobado que LORCA TELECOM BIDCO, S.A.U. conoce su obligación de subrogarse en todos los derechos y obligaciones derivados de los títulos a transferir.

En virtud de lo establecido en la Orden IET/556/2012, de 15 de marzo, por la que se delegan competencias del Ministro de Industria, Energía y Turismo, y por la que se aprueban las delegaciones de competencias de otros órganos superiores y directivos del departamento, vigente a tenor de lo fijado en la disposición adicional cuarta del Real Decreto 403/2020, de 25 de febrero, por el que se desarrolla la estructura orgánica básica del Ministerio de Asuntos Económicos y Transformación Digital, el Secretario de Estado de Telecomunicaciones e

Infraestructuras Digitales tiene delegada en la persona titular de la Dirección General de Telecomunicaciones y Ordenación de los Servicios de Comunicación Audiovisual la competencia de transferencia y la cesión de derechos de uso de dominio público radioeléctrico en bandas de frecuencia con limitación de títulos habilitantes a otorgar, así como tiene delegada en la persona titular de la Subdirección General de Planificación y Gestión del Espectro Radioeléctrico de dicha Dirección General la competencia de la transferencia y la cesión de derechos de uso de dominio público radioeléctrico en bandas de frecuencia sin limitación de títulos habilitantes a otorgar. Por razones de economía procedimental y de garantía de unicidad del acto, en correspondencia con el acto único que provoca el otorgamiento de la presente autorización administrativa, cual es la proyectada toma de control de MásMóvil Ibercom, S.A. y sus filiales, se avoca para este acto ambas delegaciones de competencia en virtud de lo establecido en el artículo 10 de la Ley 40/2015, de 1 de octubre, de Régimen Jurídico del Sector Público, de forma que el otorgamiento de la autorización corresponde al Secretario de Estado de Telecomunicaciones e Infraestructuras Digitales.

En atención a lo recogido en los anteriores Antecedentes de hecho y Fundamentos de derecho, vista la Ley 9/2014, de 9 de mayo, General de Telecomunicaciones, el Real Decreto 123/2017, de 24 de febrero, por el que se aprueba el Reglamento sobre el uso de dominio público radioeléctrico, el vigente Cuadro Nacional de Atribución de Frecuencias, el Reglamento de Radiocomunicaciones anexo al Convenio Internacional de Telecomunicaciones, y demás disposiciones de aplicación, en uso de la facultad prevista en el artículo 69 del Reglamento sobre uso de dominio público radioeléctrico, aprobado por Real Decreto 123/2017, de 24 de febrero,

RESUELVO:

Primero.- Autorización de la transferencia de títulos habilitantes para el uso privativo del dominio público radioeléctrico

De conformidad con lo establecido en el artículo 71 del Reglamento sobre el uso del dominio público radioeléctrico, aprobado por Real Decreto 123/2017, de 24 de febrero, se autoriza la transferencia, por asunción del control efectivo de MasMovil Ibercom S.A. (NIF A-20609459), y

de sus filiales incluida Xfera Móviles S.A.U. (NIF A-82528548), de los títulos habilitantes de derechos de uso privativo del dominio público radioeléctrico en bandas de frecuencias atribuidas a la prestación del servicio fijo de banda ancha de dichas entidades y de las concesiones de derechos de uso privativo del dominio público radioeléctrico para la prestación de servicios de comunicaciones electrónicas en bandas armonizadas que se listan a continuación, a favor de LORCA TELECOM BIDCO, S.A.U. (CIF A-88585906):

- 3 concesiones en la banda de 1,800 MHz (DGZZ-1104638, DGZZ-1104639 y DGZZ-1104640);
- 1 concesión en la banda de 2,1 GHz (M ZZ- 0020006);
- 4 concesiones en la banda de 2,6 GHz (DGZZ-1400278, DGZZ 1400279, DGZZ-1400280 y DGM -1400281);
- 2 concesiones en la banda de 3,4-3,8 GHz (M ZZ-0020008 y M ZZ-0020009).

Segundo.- Condiciones técnicas de uso de los recursos y frecuencias de las concesiones demaniales.

Las condiciones técnicas de uso de los títulos habilitantes transferidos se ajustarán, en cualquier caso, a las establecidas en el Cuadro Nacional de Atribución de Frecuencias, en los planes técnicos correspondientes y en el Reglamento sobre el uso de dominio público radioeléctrico, aprobado por el Real Decreto 123/2017, de 24 de febrero, así como a las que, en su caso, estén fijadas en el Reglamento de Radiocomunicaciones, acuerdos internacionales, normativa de la Unión Europea y acuerdos de coordinación de frecuencias con otros países.

Tercero.- Subrogación de derechos y obligaciones asociados a las concesiones demaniales.

LORCA TELECOM BIDCO, S.A.U. se subrogará en todos los derechos y obligaciones derivados de la toma de control de MasMovil Ibercom S.A. y de sus filiales, incluida Xfera Móviles S.A.U, desde el momento en que ésta se haga efectiva.

Las cláusulas y condiciones incluidas en el instrumento jurídico que materialice la adquisición de acciones de MasMovil Ibercom S.A. comprometen exclusivamente a las partes afectadas por dicho instrumento, sin que puedan prejuzgar, comprometer o condicionar el ejercicio de las funciones de la Administración.

Cuarto.- Comunicación a la Secretaría de Estado de Telecomunicaciones e Infraestructuras Digitales.

LORCA TELECOM BIDCO, S.A.U. deberá comunicar a la Secretaría de Estado de Telecomunicaciones e Infraestructuras Digitales la fecha efectiva de asunción del control de MasMovil Ibercom S.A. y sus filiales y aportar la documentación acreditativa del perfeccionamiento de dicha operación.

Quinto.- Recursos.

Contra la presente resolución, que agota la vía administrativa, se podrá interponer, de acuerdo con el artículo 123 de la Ley 39/2015, de 1 de octubre, del Procedimiento Administrativo Común de las Administraciones Públicas, recurso potestativo de reposición ante el mismo órgano que la ha dictado en el plazo de un mes desde el día siguiente a su notificación o bien ser impugnada directamente ante la Sala de lo Contencioso Administrativo de la Audiencia Nacional en el plazo de dos meses contados desde el día siguiente a la notificación, de acuerdo con el artículo 46 de la Ley 29/1998, de 13 de julio, reguladora de la Jurisdicción Contencioso-Administrativa, sin que puedan ser simultáneos ambos recursos.

EL SECRETARIO DE ESTADO DE TELECOMUNICACIONES E INFRAESTRUCTURAS DIGITALES

Roberto Sánchez Sánchez

PRIVATE & CONFIDENTIAL

BANCO DE ESPAÑA
Dirección General de Supervisión
Calle Alcalá 48
28014 Madrid
España

21 de julio de 2020

NOTIFICACIÓN DE LA INTENCIÓN DE ADQUIRIR UNA PARTICIPACIÓN SIGNIFICATIVA EN XFERA CONSUMER FINANCE E.F.C., S.A.

Esta notificación de la intención de adquirir una participación indirecta significativa en Xfera Consumer Finance E.F.C., S.A. (la ***Notificación***) es presentada por:

(1) **Lorca Telecom Bidco, S.A.U.**, sociedad anónima española, con domicilio social en la calle Maldonado 4, planta baja D, 28006 Madrid, inscrita en el Registro Mercantil de Madrid en el Tomo 40200, Folio 56 y Hoja M-714328, y con N.I.F. número A-88585906 (***Spanish Bidco***).

Spanish Bidco está debidamente representada por D. Miguel Segura Martín, mayor de edad, de nacionalidad española, con D.N.I. número [redacted] y con domicilio profesional a estos efectos en [redacted], en virtud de poder especial otorgado por el consejo de administración de Spanish Bidco el 31 de mayo de 2020 y elevado a público mediante escritura otorgada el 31 de mayo de 2020 ante el Notario de Madrid D. Javier Navarro-Rubio Serres con el número 1.126 de su protocolo, cuya copia se adjunta como **Anexo 2**.

(2) **Seventh Cinven Fund (No. 1) Limited Partnership**, sociedad comanditaria (*Limited partnership*) constituida con arreglo a las leyes de Guernsey el 24 de septiembre de 2018 e inscrita en el Registro de sociedades comanditarias de Guernsey (*Registry of limited partnerships in Guernsey*) con el número de referencia 3151, con domicilio social en East Wing, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3PP;

Cevine Capital Management VII (No.1) Feeder Limited Partnership Incorporated, sociedad comanditaria (*Limited partnership*) constituida con arreglo a las leyes de Guernsey el 24 de septiembre de 2018 e inscrita en el registro de sociedades comanditarias de Guernsey (*Registry of limited partnerships in Guernsey*) con el número de referencia 3153, con domicilio social en East Wing, Trafalgar Court, Les Banques, St Peter Port, Guernsey GY1 3PP;

Seventh Cinven Fund Co-Investment Limited Partnership, sociedad comanditaria (*Limited partnership*) constituida con arreglo a las leyes de Guernsey el 5 de abril de 2019 e inscrita en el registro de sociedades comanditarias de Guernsey (*Registry of limited partnerships in*